



MIRRABOOKA

Investments Limited

A.B.N 31 085 290 928

**APPENDIX 4E STATEMENT
FOR THE YEAR ENDING 30 JUNE 2010**

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- Results for announcement to the market
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PRELIMINARY RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2010 with the corresponding period being the year ended 30 June 2009.

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

Results for announcement to the market

- Net operating profit after tax was \$6.56 million, 22% down on the previous corresponding period.
- Net operating profit per share was 5.24 cents, down 22% from 6.75 cents the previous corresponding period.
- Net Profit attributable to members (including capital gains) was \$9.95 million, up 31% from the previous corresponding period restated due to changes in the accounting standards.
- Revenue from operating activities (excluding realised capital gains on investments) was \$7.9 million, 19% down from the previous corresponding period.
- The interim dividend for the 2010 financial year was 3.5 cents per share, fully franked, and it was paid to shareholders on 12 February 2010.
- The final dividend of 6.5 cents per share fully franked, the same as last year, will be paid on 6 August 2010 to shareholders on the register on 26 July 2010. Shares are expected to trade ex-dividend from 20 July 2010.
- 5 cents of the 6.5 cents final dividend is sourced from capital gains, on which the Company has paid tax. The amount of pre-tax attributable gain, known as an "LIC gain", is 7.1 cents. This gain enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.
- The Company is offering a Share Purchase Plan ("SPP") which gives share-holders on the register on 9 July 2010 the opportunity to purchase up to \$15,000 worth of shares in the Company. The price will be the lower of \$1.60 or at a 2.5% discount to the volume-weighted average price of Mirrabooka shares traded on the Australian Securities Exchange (ASX) over the 5 trading days up to, and including, the day on which the Plan offer is scheduled to close, being 9 August 2010, rounded down to the nearest cent. Details will be sent to shareholders in due course.
- As a consequence of the SPP, the Company's Dividend Reinvestment Plan has been suspended for the final dividend.
- 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 2010 was \$1.74 (before allowing for the final dividend), up from \$1.50 at the end of the previous corresponding period (also before allowing for the final dividend).
- The 2010 AGM will be held at the Hilton on the Park, East Melbourne, at 10.00 AM on Thursday 23rd September.

MIRRABOOKA PORTFOLIO RETURNS 23% - RECENT MARKET FALL PROMPTS SHARE PURCHASE PLAN

MEDIA RELEASE - FULL YEAR RESULT TO 30 JUNE 2010

12 July 2010

Mirrabooka's portfolio return, including dividends paid, was up 23 percent over the year to the end of June, well ahead of the 11.5 percent return experienced by the combined small to mid cap sector.

The market enjoyed a solid recovery over the year. However, towards the end of the financial year concerns about global markets, the impact of high debt levels in Europe and caution about the likely magnitude of uplift in company earnings over the next twelve months weighed on sentiment.

Mirrabooka believes the recent fall in the market has driven valuations back towards more attractive buying levels. With the Company close to being fully invested Directors have decided to conduct a share purchase plan (SPP), details of which will be sent to shareholders on 20 July 2010.

During the year the Company participated in selected capital raisings; the largest of these were in Australia Infrastructure Fund, Hastings Diversified Utilities Fund and Healthscope. Mirrabooka sold 20 per cent of its holding in Nufarm through participation in the tender offer by Sumitomo Chemical Company. The Company subsequently took up its entitlement in the capital raising by Nufarm which followed this tender.

New stocks were added to the portfolio. The largest of these investments were in Ardent Leisure Group, CFS Retail Property Trust, Customers Limited, Eastern Star Gas, Tower Australia and Trust Company.

A number of sales occurred; the largest were ABB Grain and Arrow Energy, both of which were under takeover offers at the time, Cedar Woods, Computershare, Gunns, Sonic Healthcare and, as a result of the exercise of call options, Toll Holdings and James Hardie Industries.

Net Operating Profit after tax declined to \$6.6 million from \$8.4 million for the corresponding period last year as the general decline in dividends impacted the dividend and distribution income received by Mirrabooka. Interest income also declined as the company invested cash into the market. Net Profit as reported for the year was \$9.9 million versus \$7.6 million last year. These figures include realised gains up to 7 December 2009 which is the date of adoption of a new accounting standard.

The final dividend has been maintained at 6.5 cents per share fully franked.

The price of the shares issued under the SPP will be the lower of A\$1.60 or at a 2.5% discount to the volume-weighted average price of Mirrabooka shares traded on the Australian Securities Exchange (ASX) over the 5 trading days up to, and including, the day on which the Plan offer is scheduled to close, being 9 August 2010, rounded down to the nearest cent. With the implementation of an SPP the Board has also decided to suspend the Dividend Reinvestment Plan for this final dividend.

Please direct any enquiries to:

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MAJOR CHANGES TO THE INVESTMENT PORTFOLIO

Acquisitions (Above \$1 million)

Company Name	Total Cost \$'000
Hastings Diversified Utilities Fund	5,414
Customers*	2,656
Ardent Leisure Group*	2,166
Trust Company*	2,143
CFS Retail Property Trust*	1,861
Sigma Pharmaceuticals*	1,717
Australian Infrastructure Fund	1,684
Eastern Star Gas*	1,438
Tower Australia Group*	1,282
Nufarm	1,195
Perpetual	1,173
Healthscope	1,113

Disposals (Above \$1 million)

Company Name	Total Proceeds \$'000
Arrow Energy #	2,762
ABB Grain #	2,702
Nufarm	2,643
GrainCorp #	2,548
Sonic Healthcare #	2,184
Cedar Woods Properties #	1,976
James Hardie Industries	1,739
Gunns #	1,596
Computershare #	1,399
Toll Holdings	1,234
Mermaid Marine Australia	1,149
Lion Selection #	1,113

*New Holding

Total Disposal of holding

TOP INVESTMENTS AS AT 30 JUNE 2010

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 30 June 2010

		Total Value \$ million
1	Healthscope	9.6
2	Hastings Diversified Utilities Fund	9.5
3	* Oil Search	8.7
4	Australian Infrastructure Fund	8.5
5	ASG Group	8.1
6	Campbell Brothers	8.1
7	Tox Free Solutions	8.1
8	IRESS Market Technology	7.9
9	* Coca-Cola Amatil	7.0
10	Iluka Resources	7.0
11	Fleetwood Corporation	6.6
12	Bradken	6.4
13	Alumina	6.4
14	OneSteel	5.7
15	REA Group	5.1
16	Nufarm	5.0
17	Peet	4.2
18	James Hardie Industries	4.1
19	Equity Trustees	4.1
20	Perpetual	3.9
		134.1
		134.1
	As % of Total Portfolio (excludes Cash)	65.1%

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

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
Dividends and distributions		7,338	7,682
Revenue from deposits and bank bills		473	1,773
Other revenue		44	247
Total revenue		7,855	9,702
Net gains/(losses) on trading portfolio		760	7
Income from options written portfolio		500	1,197
Income from operating activities		9,115	10,906
Finance costs		(6)	(20)
Administration expenses		(2,077)	(1,642)
Operating profit before income tax expense	4	7,032	9,244
Income tax credit/(expense)*	5	(468)	(863)
Net operating profit for the year		6,564	8,381
Net gains/(losses) on investments			
Net gains/(losses) on open options positions		(171)	176
Deferred tax on net gains/(losses) on open options positions*	5	51	(53)
'Impairment' revaluation charge on securities sold before 7 December 2009		-	(357)
Tax credit on above*	5	-	107
Net gains/(losses) on puttable instruments		2,353	(1,277)
Tax on net gains/(losses) on puttable instruments*	5	(706)	383
Net gains on securities sold from the investment portfolio before 7 December		2,213	763
Tax expense on gains on securities sold*	5	(358)	(528)
		3,382	(786)
Profit for the year		9,946	7,595
		Cents	Cents
Basic earnings per share	22	7.93	6.12
		2010 \$000	2009 \$000
* Total Tax Expense		1,481	954

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Year to 30 June 2010			Year to 30 June 2009		
	Revenue \$'000	Capital \$'000	Total \$000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the year	6,564	3,382	9,946	8,381	(786)	7,595
Other Comprehensive Income						
Unrealised gains/(losses) for the period on securities in the portfolio at 30 June	-	32,278	32,278	-	(37,183)	(37,183)
Deferred tax expense on above	-	(9,542)	(9,542)	-	10,990	10,990
Plus gains/(losses) for the period on securities realised before 7 December 2009	-	1,052	1,052	-	(15,829)	(15,829)
Tax expense on above	-	(622)	(622)	-	4,450	4,450
Plus losses for the period on securities realised after 7 December 2009	-	(55)	(55)	-	-	-
Tax expense on above	-	16	16	-	-	-
Transfer to Income Statement of cumulative gains on investments realised prior to 7 December	-	(2,213)	(2,213)	-	(763)	(763)
Tax expense on above	-	358	358	-	528	528
Transfer to Income Statement of impairment charge	-	-	-	-	357	357
Tax credit on above	-	-	-	-	(107)	(107)
Total Other Comprehensive Income^{1, 3}	-	21,272	21,272	-	(37,557)	(37,557)
Total comprehensive income²	6,564	24,654	31,218	8,381	(38,343)	(29,962)

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 Profit 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 : 2010 - \$(9.8)m; 2009 - \$15.9m.

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

BALANCE SHEET AS AT 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000	2008 \$000
Current assets				
Cash	6	12,152	24,741	39,239
Receivables	7	901	432	4,686
Trading portfolio	8	1,862	-	650
Total current assets		14,915	25,173	44,575
Non-current assets				
Investment portfolio	9	204,028	164,809	215,011
Deferred tax assets	10	112	95	345
Total non-current assets		204,140	164,904	215,356
Total assets		219,055	190,077	259,931
Current liabilities				
Payables	11	381	1,973	2,200
Tax payable		169	1,181	12,075
Options written portfolio	12	40	121	925
Total current liabilities		590	3,275	15,200
Non-current liabilities				
Deferred tax liabilities - investment portfolio	13	11,469	656	17,214
Total non-current liabilities		11,469	656	17,214
Total liabilities		12,059	3,931	32,414
Net Assets		206,996	186,146	227,517
Shareholders' equity				
Share Capital	14	134,074	131,965	131,198
Revaluation Reserve	16	17,202	(7,059)	31,392
'Impairment' revaluation charge reserve	17	-	(250)	-
Realised Capital Gains Reserve	18	44,292	48,037	55,643
Retained Profits	19	11,428	13,453	9,284
Total shareholders' equity		206,996	186,146	227,517

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Year Ended 30 June 2010	Note	Share Capital \$000	Revaluation Reserve \$000	'Impairment' Revaluation Charge \$000	Realised Capital Gains \$000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year (as reported)	28	131,965	8,185	(15,494)	48,037	13,453	186,146
Adoption of AASB 9	28	-	(15,244)	15,244	-	-	-
Restated Total equity at the beginning of the year	28	131,965	(7,059)	(250)	48,037	13,453	186,146
Dividends paid	21	-	-	-	(4,008)	(8,469)	(12,477)
Shares issued - Dividend Reinvestment Plan	14	2,113	-	-	-	-	2,113
Costs of issue	14	(4)	-	-	-	-	(4)
Total transactions with share-holders		2,109	-	-	(4,008)	(8,469)	(10,368)
Profit for the year		-	1,647	-	1,855	6,444	9,946
Transfer of Impairment Revaluation Charge to Realisation Reserve		-	-	250	(250)	-	-
Other Comprehensive Income (net of tax)							
Net unrealised gains for the period for stocks held at 30 June		-	22,736	-	-	-	22,736
Net gains for the period on securities realised before 7 December 2009		-	430	-	-	-	430
Transfer to Income Statement of cumulative gains on investments realised before 7 December 2009		-	(1,855)	-	-	-	(1,855)
Net losses for the period on securities realised after 7 December 2009		-	(39)	-	-	-	(39)
Transfer to Realisation Reserve of cumulative losses on investments realised after 7 December 2009		-	1,342	-	(1,342)	-	-
Other Comprehensive Income for the year		-	22,614	-	(1,342)	-	21,272
Total equity at the end of the year		134,074	17,202	-	44,292	11,428	206,996

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 2010 (CONT)

Year Ended 30 June 2009	Note	Share Capital \$000	Revaluation Reserve \$000	'Impairment' Revaluation Charge \$000	Realised Capital Gains \$000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		131,198	31,392	-	55,643	9,284	227,517
Dividends paid	21	-	-	-	(7,841)	(4,335)	(12,176)
Shares issued under Dividend Reinvestment Plan	14	771	-	-	-	-	771
Other Share Capital Adjustments	14	(4)	-	-	-	-	(4)
Total transactions with share-holders		767	-	-	(7,841)	(4,335)	(11,409)
Profit for the year		-	(894)	(250)	235	8,504	7,595
<i>Other Comprehensive Income (net of tax)</i>							
Net unrealised losses for the period for stocks held at 30 June		-	(26,193)	-	-	-	(26,193)
Net losses for the period on securities sold		-	(11,379)	-	-	-	(11,379)
Transfer to Income Statement of cumulative gains on investments sold		-	(235)	-	-	-	(235)
Transfer to Income Statement of impairment charge		-	250	-	-	-	250
Other Comprehensive Income for the year		-	(37,557)	-	-	-	(37,557)
Total equity at the end of the year		131,965	(7,059)	(250)	48,037	13,453	186,146

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$'000	2009 \$'000
Note	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash flows from operating activities		
Sales from trading portfolio	6,067	2,752
Purchases for trading portfolio	(6,749)	(2,095)
Interest received	448	1,712
Proceeds from entering into options in options written portfolio	550	691
Payment to close out options in options written portfolio	(303)	(122)
Dividends and distributions received	4,712	6,110
	4,725	9,048
Other receipts	44	247
Administration expenses	(2,132)	(1,699)
Finance costs paid	-	(20)
Income taxes paid	(715)	(282)
Net cash inflow/(outflow) from operating activities	26 1,922	7,294
Cash flows from investing activities		
Sales from investment portfolio	28,034	50,507
Purchases for investment portfolio	(31,432)	(48,751)
Tax paid on capital gains	(747)	(11,962)
Net cash inflow/(outflow) from investing activities	(4,145)	(10,206)
Cash flows from financing activities		
Repayment of borrowings	-	(150)
Share issue transaction costs	(4)	(4)
Dividends paid	(10,362)	(11,432)
Net cash inflow/(outflow) from financing activities	(10,366)	(11,586)
Net increase/(decrease) in cash held	(12,589)	(14,498)
Cash at the beginning of the year	24,741	39,239
Cash at the end of the year	6 12,152	24,741

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, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations 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
Hybrids	Equity instruments that are not ordinary securities
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 has not applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2010 ("the inoperative standards") with the exception of AASB 9, as noted below. 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 (with the exception of AASB 9) at the date at which their adoption becomes mandatory.

Changes in Accounting Standards

AASB 101 (revised): *Presentation of Financial Statements*

With effect from 1 July 2009, the Company has adopted the revised AASB 101 – *Presentation of Financial Statements*. This standard requires the presentation of a new Statement of Comprehensive Income separate from changes in equity arising from transactions with shareholders.

The adoption of this new standard has no impact on the Company's net assets, net profit or total recognised gains and losses, but changes the statement where certain gains and losses are presented. Previously, unrealised gains / (losses) on the investment portfolio and the associated deferred tax (charge) / credit were presented in the Statement of Changes in Equity. These items are now presented as components of "other comprehensive income" in the new Statement of Comprehensive Income.

AASB 8 : *Operating Segments*

The Company has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which

segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the Board or its sub-committees. The adoption of the new standard has not affected the measurement of the Company's assets and liabilities or the way the assets, liabilities, income and expense items are presented in the financial statements.

AASB 9 : *Financial Instruments*

The Company has also early adopted AASB 9 – Financial Instruments, with effect from 7 December 2009, this being the earliest possible date for adoption. The Company has voluntarily adopted this standard, as this is considered to result in a presentation that better reflects the performance and operations of the Company.

This standard changes the way in which the Company's investments, and their performance, are presented. Adoption of this standard has no impact on the way in which the Company's investments are measured, and hence no impact on net assets or total comprehensive income.

(i) Old accounting treatment

Previously, the Company's investments were accounted for under AASB 139 – Financial Instruments: Recognition and Measurement. All investments were carried at fair value and classified as set out below:-

Portfolio	AASB 139 Classification
Investment portfolio (excluding hybrids)	"Available for sale"
Hybrids in the investment portfolio	"Designated at fair value through profit or loss"
Trading portfolio	"Held for trading"
Options written portfolio	"Held for trading"

Unrealised gains and losses on investments held in the investment portfolio were taken to the revaluation reserve, through the statement of changes in equity (and under revised AASB 101 would have been reported as "Other Comprehensive Income" ("OCI") in the new Statement of Comprehensive Income).

On sale of investments in the investment portfolio, the cumulative gain or loss from purchase to sale of the investment was transferred from the revaluation reserve to the income statement, and reported as part of profit.

Where there was objective evidence of impairment of an investment in the investment portfolio, an impairment charge was required to be booked through the income statement (as a transfer from the revaluation reserve), even where no loss had been realised.

All gains and losses on hybrids, options and on the trading portfolio were recognised in the Company's profit through the income statement.

(ii) New accounting treatment

AASB 9 introduces new categories of classification for financial instruments. All the Company's investments continue to be carried at fair value and are now classified as follows:-

Portfolio	AASB 9 Classification
Investment portfolio	
- Equity Instruments	“Designated at fair value through other comprehensive income”
- Puttable Instruments	“Fair value through profit or loss”
Trading portfolio	“Held for trading”
Options written portfolio	Continue to be accounted for under AASB 139

Equity Instruments in the Investment Portfolio

All gains and losses (realised and unrealised) on equity investments held in the investment portfolio are reported as “Other Comprehensive Income” in the new Statement of Comprehensive Income and are accumulated in the revaluation reserve. Realised gains and losses, are no longer reclassified from other comprehensive income to the income statement, and do not form part of the Company’s profits.

Cumulative gains and losses are transferred from the revaluation reserve to retained profits or the realised capital gains reserve when the investments are sold. The realised capital gains reserve is used primarily to record gains upon which Capital Gains Tax has been or will be paid, and which consequently are available for distributions to shareholders as Listed Investment Company Capital gains, which enable many shareholders to claim some of this as a tax deduction (see Note 1 b) (ii) below).

There are no impairment provisions in AASB 9 for investments designated at fair value through other comprehensive income.

Hybrids, when determined to be equity instruments, are also designated at fair value through other comprehensive income.

Puttable Instruments in the Investment Portfolio

Puttable instruments in the Investment Portfolio provide the Company with a beneficial interest in the net assets of the investment and a right to receive distributions and they are therefore monitored by the Company in the same way as the other instruments in the investment portfolio. Under some closely defined circumstances, the issuer of these instruments has a contractual obligation to repurchase or redeem that instrument for cash or another financial asset on exercise of the put. Although these instruments can be classified by the issuer as ‘equity instruments’ under AASB 132 where certain criteria are fulfilled, this classification is unavailable to the Company under AASB 9 and therefore these must be classified as ‘fair value through profit or loss.’

Trading & Options Written Portfolios

The adoption of AASB 9 has no impact on the trading and options written portfolios.

(iii) Transitional provisions

Comparatives have been restated, but AASB 9 can only be applied retrospectively to investments held at the date of adoption, being 7 December 2009.

Equity Instruments in the Investment Portfolio

Investments sold prior to this date are accounted for under AASB 139 as described above. Therefore in the current and prior periods, the cumulative gains and losses on investments sold prior to 7 December are transferred out of the revaluation reserve to the income statement and continue to form part of profit.

Investments sold after this date are accounted for under AASB 9 and the cumulative gains and losses remain in other comprehensive income.

Impairment charges recognised in previous periods in profit or loss are reversed in the restatement of comparatives, except where the charge is in respect of investments sold prior to 7 December.

Puttable Instruments in the Investment Portfolio

As both realised and unrealised gains and losses are accounted for through the income statement under AASB 9, comparatives have been restated to transfer unrealised gains / losses from other comprehensive income to the income statement, for those puttable instruments held at 7 December.

Further details on the impact of restating comparatives have been set out in note 28.

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) are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition, whereas puttable instruments 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 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.

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 are recognised in profit or loss. However, they are subsequently transferred from Retained Profits to the Revaluation Reserve.

Where disposal of an equity instrument 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 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 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 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 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) 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 AIFRS as 'last bid price'.

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 (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 Profit, which is equivalent to '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 profit 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:

	2010	2009
	\$'000	\$'000
Operating profit after income tax expense	6,564	8,381
Add back income tax expense	468	863
Net gains on securities sold from the investment portfolio before 7 December 2009	2,213	763
'Impairment' revaluation charge on securities sold before 7 December 2009	-	(357)
Net gains/losses on puttable instruments	2,353	(1,277)
Net gains/(losses) on open options positions	<u>(171)</u>	<u>176</u>
Profit for the year before tax	11,427	8,549

In addition, the Investment Committee regularly reviews the net asset value per share 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 2010 and 30 June 2009 were as follows:

	\$	\$
Net tangible asset backing per share		
Before Tax	1.74	1.50
After Tax	1.65	1.50

(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 (2009 : Nil)

4. Operating profit before income tax expense

	2010	2009
	\$'000	\$'000
Dividends and distributions		
• securities held in investment portfolio at 30 June	7,024	6,987
• investment securities sold during the year	244	679
• securities held in trading portfolio at 30 June	42	-
• trading securities sold during the year	28	16
	<u>7,338</u>	<u>7,682</u>
Interest income		
• income from cash investments	473	1,773
	<u>473</u>	<u>1,773</u>
Net gains/(losses) and write downs		
• net realised gains from trading portfolio	915	7
• realised gains on options written portfolio	500	1,197
• unrealised losses from trading portfolio	(155)	-
	<u>1,260</u>	<u>1,204</u>
Other income	44	247
	<u>44</u>	<u>247</u>
Income from operating activities	9,115	10,906
Finance costs	(6)	(20)
Administration fees paid to AICS	(1,121)	(844)
Other administration expenses	(956)	(798)
	<u>(2,083)</u>	<u>(1,662)</u>
Operating profit before income tax expense	<u>7,032</u>	<u>9,244</u>

Further information relating to remuneration of auditors is set out in Note 25, Directors and Executives in Note 23.

5. Tax expense

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

	2010 \$'000	2009 \$'000
Operating profit before income tax expense	7,032	9,244
Tax at the Australian tax rate of 30% (2009 – 30%)	2,110	2,773
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		
Tax offset for franked dividends	(1,418)	(1,603)
Sundry items	(68)	82
	<u>624</u>	<u>1,252</u>
Under (over) provision in prior years	(156)	(389)
Income tax expense on operating profit before net gains on investments	<u>468</u>	<u>863</u>
Net gains/(losses) on investments	4,395	(695)
Tax at the Australian tax rate of 30% (2009 – 30%)	1,318	(208)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		
Differences between accounting and tax cost bases for capital gains purposes	124	260
Under (over) provision in prior years	(429)	39
Tax expense/(credit) on net gains/(losses) on investments	<u>1,013</u>	<u>91</u>
Total tax expense/(credit)	<u>1,481</u>	<u>954</u>

(b) Tax expense composition

Charge for tax payable relating to the current year	1,377	1,751
Under (over) provision in prior years	(585)	(350)
Tax credit on AASB 139 'impairment' revaluation charge	-	(107)
Increase (decrease) in deferred tax liabilities – investment portfolio	706	(590)
(Increase) decrease in deferred tax assets	(17)	250
	<u>1,481</u>	<u>954</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	9,790	(15,861)
	<u>9,790</u>	<u>(15,861)</u>

6. Current assets – cash

	2010 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	18	21	12
Fixed Term Deposits	12,134	24,720	39,227
	<u>12,152</u>	<u>24,741</u>	<u>39,239</u>

Cash holdings yielded an average floating interest rate of 4.3% (2009: 5.2%, 2008: 7.3%).

(a) Credit risk exposure

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

(b) Standby arrangements and credit facilities

The Company was party to agreements under which Commonwealth Bank of Australia had extended a cash advance facility. This facility was not renewed at the Company's discretion during the year ended 30 June 2009.

	2010 \$'000	2009 \$'000	2008 \$'000
Commonwealth Bank of Australia –cash advance facility	-	-	10,000
Amount drawn down	<u>-</u>	<u>-</u>	<u>-</u>
Undrawn facilities	<u>-</u>	<u>-</u>	<u>10,000</u>

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 where utilised would not usually be drawn down for no more than three months.

7. Current assets – receivables

Dividends and distributions receivable	814	363	1,002
Outstanding settlements – Investment portfolio	-	-	3,676
Other receivables/pre-payments	87	69	8
	<u>901</u>	<u>432</u>	<u>4,686</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

	2010 \$'000	2009 \$'000	2008 \$'000
Listed securities at market value :			
- shares and trust units	1,890	-	650
- Options sold by the Company			
• Calls	(28)	-	-
	<u>1,862</u>	<u>-</u>	<u>650</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. Options are valued at a theoretical price which is obtained from an independent third-party data provider.

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 \$1.2 million (2009 & 2008: \$Nil) held by the Company in its trading portfolio. As at balance date all of these contracts are exchange-traded options and are entered into within the constraints and controls imposed by the Australian Securities Exchange. Dealing and administrative (including settlement) functions are separated. 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

	2010 \$'000	2009 \$'000	2008 \$'000
Equity instruments			
- securities at market value	194,483	163,031	212,659
- unlisted securities at fair value	-	-	46
Puttable instruments	9,545	1,778	2,306
	<u>204,028</u>	<u>164,809</u>	<u>215,011</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 29.

10. Deferred tax assets

The Company's net deferred tax assets ("DTA") arise from temporary differences in the recognition of items for taxation and accounting purposes, as described in Note 1 c). The key components are:

(a) The difference in the value of the trading portfolio for tax and accounting purposes	47	-	-
(b) Tax on unrealised (gains)/losses in the options written portfolio	(1)	(53)	144
(c) Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	29	89	133
(d) Provisions and expenses charged to the accounting profit which are not yet tax deductible	78	95	107
(e) Interest and dividend income receivable which is not assessable for tax until receipt	(50)	(36)	(39)
(f) CGT losses	9	-	-
	<u>112</u>	<u>95</u>	<u>345</u>

Movements:

	2010	2009	2008
	\$'000	\$'000	\$'000
Opening asset balance at 1 July	95	345	206
Credited/(charged) to Income statement	17	(250)	139
	<u>112</u>	<u>95</u>	<u>345</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 asset likely to be reversed within the next 12 months is \$66,000 (2009: \$67,000, 2008: \$163,000). This relates primarily to items described in items (b), (c), (e) & (f) above.

11. Current liabilities - payables	2010	2009	2008
	\$'000	\$'000	\$'000
Outstanding settlements – Investment portfolio	108	1,645	1,665
Directors' retirement benefits	261	270	270
Other payables	12	58	265
	<u>381</u>	<u>1,973</u>	<u>2,200</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.

Movements in Directors' retirement benefits

Opening (asset)/liability balance at 1 July	270	270	357
Paid	(9)	-	(87)
	<u>261</u>	<u>270</u>	<u>270</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. Options are valued at a theoretical price which is obtained via an independent third-party data provider.

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 \$1.6 million (2009: \$6.74 million; 2008: \$5.55 million). The total income for the year of \$0.5 million (2009 : \$1.2 million; 2008 : \$0.6 million) plus the unrealised losses on the open options position of \$0.2 million (2009 : \$0.18 million gain; 2008 : loss of \$0.48 million), both before tax, resulted in a net pre-tax 'profit' of \$0.3 million (2009 : \$1.37 million; 2008 : \$0.15 million).

As at balance date all of these contracts are exchange-traded options and are entered into within the constraints and controls imposed by the Australian Securities Exchange. Dealing and administrative (including settlement) functions are separated. The total 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. \$2.4 million of shares are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company (2009: \$2.2 million; 2008: \$8.9 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.

	2010	2009	2008
	\$'000	\$'000	\$'000
13. Deferred tax liabilities – investment portfolio			
Deferred tax liabilities on unrealised gains in the investment portfolio	<u>11,469</u>	<u>656</u>	<u>17,214</u>

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

Opening balance at 1 July	656	17,214	49,395
Tax charge on scrip-for-scrip acquisitions	-	-	511
Credited to income statement for tax on AASB 139 'impairment' revaluation charge	-	(107)	-
Credited to income statement for tax on hybrid securities	-	(207)	(24)
(Credited)/charged to income statement for puttable instruments	706	(383)	(468)
Cumulative tax (charge)/credit on gains taken to Realisation Reserve	317	-	-
(Credited)/charged to OCI for ordinary securities on gains or losses for the period	<u>9,790</u>	<u>(15,861)</u>	<u>(32,200)</u>
	<u>11,469</u>	<u>656</u>	<u>17,214</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
1/07/2008	Balance		123,870		131,198
13/2/2009	Dividend Reinvestment Plan	i	584	1.32	771
Various	Costs of issue		-		(4)
30/06/2009	Balance		124,454		131,965
7/08/2009	Dividend Reinvestment Plan	i	878	1.55	1,361
12/2/2010	Dividend Reinvestment Plan	i	378	1.99	752
Various	Costs of issue		-		(4)
30/06/2010	Balance		125,710		134,074

- 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 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, 18 and 19.

16. Revaluation Reserve

	2010 \$'000	2009 \$'000	2008 \$'000
Opening balance at 1 July	(7,059)	31,392	99,656
Cumulative unrealised gains/(losses) on investment portfolio			
- Equity Instruments	33,043	(53,418)	(99,371)
- Puttable instruments (transferred from retained profits)	2,353	(1,277)	(1,561)
Cumulative provision for tax on unrealised gains	(11,135)	16,244	32,668
	<u>17,202</u>	<u>(7,059)</u>	<u>31,392</u>

This reserve is used to record increments and decrements on the revaluation of the investment

portfolio (including unrealised gains and losses on puttable instruments which are taken to the Income Statement) as described in accounting policy note 1 b)(ii). As no gains or losses have been realised on these investments, this reserve is not available for distribution.

17. 'Impairment' revaluation charge reserve	2010 \$'000	2009 \$'000	2008 \$'000
Opening balance at 1 July	(250)	-	-
Income Statement Charge	-	(250)	-
Transfer to Realised Capital Gains Reserve	250	-	-
	<u>-</u>	<u>(250)</u>	<u>-</u>

This reserve relates to the 'impairment' revaluation charge that the Company took in relation to securities sold before 7 December 2009 – see Note 1 (iii).

18. Realised Capital Gains Reserve	2010 \$'000	2009 \$'000	2008 \$'000
Opening balance at 1 July	48,037	55,643	36,975
Dividends paid	(4,008)	(7,841)	(2,453)
Transfer from Retained Profits	1,855	235	21,121
Transfer from 'Impairment' revaluation charge reserve	(250)	-	-
Cumulative taxable realised gains/(losses) for period through OCI (net of tax)	<u>(1,342)</u>	<u>-</u>	<u>-</u>
	<u>44,292</u>	<u>48,037</u>	<u>55,643</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.

19. Retained Profits

	2010 \$'000	2009 \$'000	2008 \$'000
Opening balance at 1 July	13,453	9,284	10,565
Dividends paid	(8,469)	(4,335)	(9,250)
Profit for the year	9,946	7,595	27,997
Transfer to revaluation reserve (puttable instruments) (net of tax)	(1,647)	894	1,093
Transfer to realised capital gains reserve	(1,855)	(235)	(21,121)
Transfer to 'impairment' revaluation charge reserve	-	250	-
	<u>11,428</u>	<u>13,453</u>	<u>9,284</u>

This reserve relates to past profits and may be distributed as cash dividends at the discretion of Directors.

20. 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 and their wholly-owned subsidiaries, all rated 'AA' by S&P. 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 (currently none in the portfolio) 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 2010	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	381	-	-	381	381
Derivatives					
Options written *	-	-	-	-	40
	381	-	-	381	421
30 June 2009					
Non-derivatives					
Payables	1,973	-	-	1,973	1,973
Derivatives					
Options written *	-	-	-	-	121
	1,973			1,973	2,094

* 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 \$6.8 million and \$13.6 million respectively, at a tax rate of 30% (2009 : \$5.7 million & \$11.4 million), and a reduction in profit after tax of \$0.3 million and \$0.7 million respectively, at a tax of 30% (2009: \$62,000 &

\$124,000). A fall of 5% and 10% in the Trading Portfolio & Options Written Portfolio would lead to a reduction in profit after-tax of \$64,000 and \$128,000 respectively (2009 : \$4,000 and \$8,500 gain). The Revaluation Reserve at 30 June 2010 was \$17.2 million (2009 : \$7.1 million negative). It would require a fall in the value of the Investment Portfolio of 12% after tax to fully deplete this (2009 : already depleted).

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:

	2010	2009
Energy	4.94%	5.12%
Materials	17.61%	20.28%
Industrials	20.97%	19.03%
Consumer Discretionary	11.63%	9.38%
Consumer Staples	8.49%	11.01%
Healthcare	6.03%	5.73%
Financials	6.67%	4.95%
Real Estate	3.50%	2.56%
Info Technology	10.21%	7.45%
Utilities	4.38%	1.43%
Cash	5.57%	13.06%

There were no securities representing over 5% of the combined investment and trading portfolio at 30 June (2009 : Nufarm : 5.01%):

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 2010, it was 0.9% of the total invested including cash (2009: Nil). 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

As of 1 July 2009, 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 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through other comprehensive income				
Investment Portfolio (Equity)	194,483	-	-	194,483
Financial assets at fair value through profit or loss				
Trading Portfolio	1,862	-	-	1,862
Investment Portfolio (Puttables)	9,545			9,545
Financial liabilities at fair value through profit or loss				
Options written	-	(40)	-	(40)
Total	<u>205,890</u>	<u>(40)</u>	<u>-</u>	<u>205,850</u>

Comparative information has not been provided as permitted by the transitional provisions of the new rules.

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) 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 comprise call and put options written by the Company. 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 following disclosures result from the Company's early adoption of AASB 9, and apply only to investments held by the Company on 7 December 2009 and subsequent to this date.

The fair value of each investment held at fair value through other comprehensive income (investment portfolio) is disclosed in note 29.

Dividend income for the period on those investments designated at 'fair value through other comprehensive income' held at period end was \$7.0 million (2009 : \$7.0 million), and dividend income for those investments designated at 'fair value through other comprehensive income' sold from 7 December 2009 to the period end was \$0.2 million.

Certain securities within the investment portfolio were disposed of between 7 December and the period end, 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 \$18.3m. The cumulative loss on these disposals was \$1.3m for the period after tax, which has been transferred from the revaluation reserve to the realisation reserve (refer to statement of changes in equity). No puttable instruments have been sold in the period.

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 2010 was \$194.5 million (30 June 2009 \$154.8 million) and ii) puttable instruments 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 2010 was \$9.5 million (30 June 2009 : \$1.8 million).

21. Dividends	2010	2009
	\$'000	\$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2009 of 6.5 cents fully franked at 30% paid on 7 August 2009 (2009: 6.5 cents fully franked at 30% paid on 8 August 2008).	8,090	7,841
Interim dividend for the year ended 30 June 2010 of 3.5 cents per share fully franked at 30%, paid 12 February 2010 (2009: 3.5 cents fully franked at 30% paid 13 February 2009)	4,387	4,335
	<u>12,477</u>	<u>12,176</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	20,500	23,335
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(3,502)	(3,467)
Net available	16,998	19,868
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	39,662	46,359
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 2010 to be paid on 6 August 2010, but not recognised as a liability at the end of the financial year	<u>8,171</u>	

(d) Listed Investment Company capital gain account	2010 \$'000	2009 \$'000
Balance of the Listed Investment Company (LIC) capital gain account	45,335	49,067
This would equate to an attributable amount of	64,765	70,096

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.

22. Earnings per share

Basic Earnings per Share	2010 Number	2009 Number
Weighted average number of ordinary shares used as the denominator	125,383,778	124,089,519
	\$'000	\$'000
Profit for the year	9,946	7,595
	Cents	Cents
Basic earnings per share	7.93	6.12
	\$'000	\$'000
Basic net operating profit per Share		
Net operating profit	6,564	8,381
	Cents	Cents
Basic net operating profit per share	5.24	6.75

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.

23. Directors and Executives

The Remuneration for the Directors was as follows :

	Short Term Benefits \$	Post- Employment Benefits \$	Total \$
2010			
Directors	326,664	29,400	356,064
2009			
Directors	319,266	28,734	348,000

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:

	Opening balance	Net changes	Closing balance
2010			
TA Campbell	2,232,461	134,530	2,366,991
RE Barker	371,488	-	371,488
IA Campbell	39,007	2,351	41,358
D Evans	78,297	-	n/a
DE Meiklejohn	114,285	-	114,285
GW Sinclair	n/a	-	14,285
RM Freeman	132,332	5,549	137,881
GN Driver	275	10,000	10,275
2009			
TA Campbell	1,902,947	329,514	2,232,461
RE Barker	325,053	46,435	371,488
IA Campbell	24,680	14,327	39,007
D Evans	74,726	3,571	78,297
DE Meiklejohn	100,000	14,285	114,285
RM Freeman	112,799	19,533	132,332
GN Driver	275	-	275

24. Related parties

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

Director TA Campbell had or has an interest in the following transactions as Director, employee and shareholder of Goldman Sachs JBWere Company Holdings Pty Ltd, Goldman Sachs JBWere Pty Ltd, Goldman Sachs JBWere Services Pty Ltd and Goldman Sachs JBWere Capital Markets Limited.

	2010 \$'000	2009 \$'000
(a) The Company invested surplus funds with Goldman Sachs JBWere		
- interest revenue received or receivable	-	636
(b) The Company buys and sells securities through Goldman Sachs JBWere Pty Ltd amongst other brokers		
- Brokerage expenses paid or payable	20	21
- Portfolio Research advice services paid or payable	241	179

D Evans, a former Director, had an interest in the following as Managing Partner of Evans & Partners :

The Company buys and sells securities through Evans & Partners amongst other brokers

Brokerage expenses paid or payable	6	12
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25. Remuneration of auditors**2010****2009**

\$

\$

During the year the auditor earned the following remuneration:

PricewaterhouseCoopers

Audit or review of financial reports	78,815	79,813
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Non-Audit Services

Taxation compliance services	44,123	52,333
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Total remuneration	<u>122,938</u>	<u>132,146</u>
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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.

26. Reconciliation of net cash flows from operating activities to profit**2010****2009****\$'000****\$'000**

Profit for the year	9,946	7,595
- AASB 139 "Impairment" revaluation charge	-	250
- Change in fair value of puttable instruments	(1,647)	894
- Net decrease (increase) in trading portfolio	(1,862)	650
- Net capital gains before tax	(2,213)	(763)
- Increase (decrease) in options written portfolio	(81)	(804)
- Dividends received as securities under DRP investments	(1,731)	(2,185)
- Decrease (increase) in current receivables	(469)	4,254
- Less increase (decrease) in receivables for investment portfolio	-	(3,676)
- Increase (decrease) in deferred tax liabilities	10,796	(16,308)
- Less (increase) decrease in deferred tax liability on investment portfolio	(10,813)	16,558
- Less credit to profit and loss for tax on hybrids	-	(207)
- Increase (decrease) in current payables	(1,592)	(227)
- Less decrease (increase) in payables for investment portfolio	1,537	20
- Less decrease (increase) in dividends payable	-	25
- Less decrease (increase) in overnight borrowing	-	150
- Increase (decrease) in provision for tax payable	(1,012)	(10,894)
- CGT credit post 7 December	317	-
- Add taxes paid on capital gains	746	11,962
Net cash flows from operating activities	<u>1,922</u>	<u>7,294</u>

27. Contingencies

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

28. Effect of Changes in Accounting Standards

The impact on comparative profit, other comprehensive income, the allocation of the company's reserves and the classification of the company's investments resulting from the adoption of AASB 9 is summarised below:-

(i) Net profit

	2009 \$'000
Net profit for the year (as reported last year)	(6,755)
Add : Impairment Charge *	21,778
Less : Tax credit on above	(6,534)
Less : Puttable instruments not classified as equity [^]	(1,277)
Add : Tax credit on above	383
Restated net profit	7,595
	Cents
	Basic
Earnings per share (as reported last year)	(5.44)
Restated earnings per share	6.12

* Previously reported in "AASB 139 'impairment' revaluation charge" on Income Statement – the remainder relates to securities sold prior to 7 December 2009.

[^] Previously reported through equity as 'available for sale' assets.

(ii) Other comprehensive income

	2009 \$'000
Net unrealised losses on investment portfolio (as reported last year)	(23,207)
Less : Impairment Charge	(21,778)
Add : Tax credit on above	6,534
Add : Puttable instruments not classified as equity [^]	1,277
Less : Tax credit on above	(383)
Restated other comprehensive income (expense)	(37,557)

(iii) Shareholders' equity

During the year ended 30 June 2009, under the old AASB 139, the Company was required to book an impairment charge. There are no provisions for impairment in the new standard, which is retrospectively applied to investments held at the date of adoption, 7 December. The Company has not sold all of the investments against which an impairment charge was taken at 30 June 2009, and therefore retrospectively applying AASB 9 at 30 June 2009 results in the reversal of some of this impairment charge (as this will be taken as an unrealised loss through other comprehensive income instead of an impairment loss through profit as presented above).

This results in the following restatement of reserves on the 30 June 2009 consolidated balance sheet :

	As previously reported \$'000	Reverse impairment charge \$'000	Restated \$'000
Share capital	131,965	-	131,965
Revaluation reserve	8,185	(15,244)	(7,059)
Impairment reserve	(15,494)	15,244	(250)
Realised capital gains reserve	48,037	-	48,037
Retained profits	13,453	-	13,453
Total equity	186,146	-	186,146

The reclassification of the puttable instruments did not affect Retained Profits and the Revaluation Reserve as the losses recognised in net profit as per (i) above were subsequently transferred back into the Revaluation Reserve.

(iv) Classification of Investments

As described in note 1, the adoption of AASB 9 has resulted in a change in the classification of the Company's investments, although this has not impacted the value of these investments.

	As previously reported \$'000	Restated \$'000
AIFRS Classification		
Investment Portfolio		
Available for sale assets *	164,809	8,234
Assets at fair value through other comprehensive income	-	154,797
Assets at fair value through profit or loss	-	1,778
Trading Portfolio		
Assets held for trading – fair value through profit or loss	-	-
Options Written Portfolio		
Liabilities held for trading – fair value through profit or loss	(121)	(121)
Total Portfolio	164,688	164,688

* Investments held in the investment portfolio at 30 June 2009, which were sold prior to the adoption of AASB 9 on 7 December 2009, have not been reclassified as assets at fair value through other comprehensive income, as the transitional provisions of AASB 9 only allow retrospective application of the new standard to investments held on the date of adoption of this standard.

29. Securities at Fair Value through other Comprehensive Income at 30 June 2010

The below list are those of 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 in the investment portfolio (which are held at 'fair value through profit or loss') the options written portfolio or, in the case of the comparatives, securities sold prior to 7 December 2009.

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.

	2010	2009
	\$'000	\$'000
Aevum	2,187	1,767
Alumina	6,405	5,912
APN News & Media	3,275	2,434
Ardent Leisure	1,462	-
Arrow Energy	-	1,952
ASG Group	8,145	3,283
Australian Agricultural Co.	2,625	2,371
Australian Infrastructure Fund	8,472	5,428
Austbrokers	3,698	2,963
Boral	2,606	2,201
Bradken	6,422	3,844
Campbell Brothers	8,125	4,924
Catalpa	1,087	-
Cedar Woods	-	1,095
CFS Retail Property	1,953	-
CMA Corporation	-	429
Coca-Cola Amatil	7,046	5,288
Computershare	-	1,127
Crane Group	2,214	3,303
Customers	2,520	-
Eastern Star Gas	1,320	-
Equity Trustees	4,115	3,566
Fleetwood Corporation	6,622	4,251
Fletcher Building	3,828	3,011
Graincorp	-	2,350
Gunns	-	2,688
Healthscope	9,640	7,040
Hexima	92	147
Iluka Resources	6,975	4,290
Incitec Pivot	1,651	1,428

	2010	2009
	\$'000	\$'000
Invocare	3,000	2,469
Iress Market Technology	7,890	6,583
James Hardie Industries	4,138	3,717
Lion Selection	-	890
Maryborough Sugar Factory	1,524	1,163
Mermaid Marine	3,175	2,562
Nufarm	4,959	8,262
Oakton	1,020	910
Oil Search	7,718	7,592
OneSteel	5,651	4,892
Peet	4,220	3,763
Perpetual	3,872	2,855
PrimeAg Australia	1,146	1,080
Ramsay Healthcare	1,218	-
REA Group	5,068	2,933
Reece Australia	1,101	819
Regional Express	2,010	1,600
Seek	2,804	1,668
Select Harvests	2,561	1,233
Talent2 International	2,689	1,577
Tassal Group	3,004	4,035
Toll Holdings	2,527	2,883
Tower Australia	1,032	-
Tox Free Solutions	8,110	5,868
Transurban Group	1,850	1,817
Trust Company	1,836	-
Victoria Petroleum	720	-
Viridis Clean Energy	-	931
West Australian Newspapers	3,761	2,725
Wellcom Group	3,397	2,880
Total	194,483	154,797