

# Corporate Governance Statement

The Board of the Company is committed to having high standards of ethical behaviour and to having an effective system of corporate governance commensurate with the size of the Company and the scope of its business operations.

In accordance with ASX Listing Rule 4.10.3, set out below is the ASX Corporate Governance Council's eight principles of corporate governance (ASX Governance Principles) and outlined accordingly is how the Board has applied each principle and the recommendations set out within them.

The Company is fully supportive of the 'if not, why not' disclosure based approach to governance adopted by the ASX Governance Principles and the recognition within them that there is no single model of corporate governance and that good corporate governance practice is not restricted to adopting the recommendations contained in the ASX Governance Principles.

There are a small number of recommendations made in the ASX Governance Principles that the Board, following careful consideration, has not adopted. Full details of these, together with an explanation of why an alternate and more appropriate approach has been taken by the Board, are set out in the following statement.

## Principle 1: Laying Solid Foundations for Management and Oversight

Compliance with this Principle requires the Company to establish and disclose the respective roles and responsibilities of both the Board and Management.

### Role of the Board

The Company's Corporate Objective is to provide shareholders with medium to long term investment gains through holding core investments in selected small and medium sized companies in Australia and New Zealand and to provide attractive dividend returns to shareholders from these investments.

The role of the Board underpins and supports the Corporate Objective of the Company. The Board generally sets objectives and goals for the operation of the Company, oversees the Company's management, regularly reviews the Company's performance and monitors its affairs in the best interests of the Company. For these responsibilities, the Board is accountable to its shareholders as owners of the Company.

During the course of the year, the Board approved a Board charter which formalised the existing role of the Board outlined above and the matters that the Board has reserved to itself. Those matters include:

- setting the Corporate Objective of the Company and approving business strategies and plans of the Company designed to meet that objective;
- approving the expense budget at least annually;
- approving changes to the Company's capital structure and dividend policy;
- appointing and removing the CEO/Managing Director and carrying out succession planning for the CEO/Managing Director as applicable;
- reviewing the composition of the Board and Board Committees, the independence of Directors, the Board's performance and for carrying out succession planning for the Chairman and other Non-Executive Directors; and
- reviewing the performance of management and the Company, including in relation to the risk management, internal controls and compliance systems adopted by the Company and the monitoring and review of the performance of Australian Investment Company Services Limited (AICS) in relation to the services that AICS provides the Company.

The Directors meet formally as a Board at least 11 times a year and the Non-Executive Directors meet regularly in the absence of the Managing Director and members of management.

### Delegation to Board Committees

The Board has established the following principal Board Committees to assist the Board in exercising its authority:

- Investment Committee; and
- Audit Committee.

## Corporate Governance Statement continued

Each Board Committee operates under a formal charter that is made publicly available on the Company's website. The role and work of the Audit Committee is outlined under Principle 4 on page 16 and Principle 7 on page 18.

The general role of the Investment Committee, whose membership currently comprises each of the Directors with the exception of IA Campbell and GW Sinclair, who regularly attend meetings of the Committee in an ex officio capacity, is to make investment decisions to support the Company's Corporate Objective. In doing this, the Committee:

- makes investment decisions to maintain the investment and trading portfolios;
- makes decisions in relation to other portfolio related activities, including voting instructions and lodgement of proxies in respect of general meetings of companies which the Company has invested in;
- receives reports from management on portfolio matters, including portfolio performance, transaction reports, portfolio position reports and performance attribution analysis; and
- receives reports and recommendations in relation to the review and analysis of companies/securities in which the Company is able to invest, or has invested.

The number of Board and Board Committee meetings held during the year and attendance by Directors are set out on page 7.

### Delegation to Management

The Company has entered into an agreement with AICS to provide a comprehensive range of management services to the Company on a non-exclusive basis under the leadership of the Managing Director, including the day-to-day maintenance of the portfolios and associated research.

The Managing Director is responsible to the Company for the performance of those services and the Board acts in close consultation and cooperation with AICS in relation to the provision of services by AICS to the Company. AICS is paid a fee based on 0.475 per cent (excluding GST) of the total market value of the portfolio (excluding cash).

In addition, Goldman Sachs JBWere continues to provide research support subject to oversight of the Investment Committee. From 1 April 2008, this has been provided for a fee of 0.10 per cent per annum (excluding GST) of the total market value of the portfolio, excluding cash, determined quarterly.

The Board believes that the Company is fully compliant with Principle 1. As set out above, the Board continuously reviews the performance of AICS, under the leadership of the Managing Director, in providing services to the Company, and as such there is no separate evaluation of the performance of individual senior executives.

### Principle 2: Structuring the Board to Add Value

Compliance with this Principle requires the Company to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

#### The Board

The Board is comprised of a Non-Executive Chairman (TA Campbell), Managing Director (RE Barker) and four other Non-Executive Directors (D Evans, IA Campbell, DE Meiklejohn and GW Sinclair), all of whom have a personal financial interest in the Company. The Directors normally meet as a Board each month.

The Directors' Report on page 6 sets out the details of the skills, experience, and expertise of each Director.

The roles of the Chairman and Managing Director are separate. The role of the Managing Director is set out under Principle 1, above. The role of the Chairman is set out in the Board charter, including being responsible for:

- the business of the Board, taking into account the issues and the concerns of all Directors and the requirements of the Board charter;
- the leadership and conduct of Board and Company meetings to be in accordance with the agreed agenda, the Company's Corporate Objective and Principles of Conduct (described under Principle 3, below); and
- encouraging active engagement by Directors and an open and constructive relationship between the Board and the Managing Director and senior executives.

The Chairman also has the authority to act and speak for the Board between meetings, subject to any agreed consultation processes.

## Appointment and Renewal

Details of the term of office held by each Director in office as at the date of this report are as follows:

TA Campbell	– 10 years
RE Barker	– 10 years
D Evans	– 5 years
DE Meiklejohn	– 3 years
IA Campbell	– 1 year
GW Sinclair	– Appointed 6 August 2009

The Board endorses the importance of maintaining an orderly process of self-renewal. The Board needs to continue to identify, attract and retain candidates of a high calibre who provide the required skills and experience and who are able to bring an independent and fresh approach to the Board deliberations. Being a long term investor is an essential part of the Company's Corporate Objective and continuity on the Board is regarded as an important factor in the Board's approach.

Due to the size of the Company, it has not established a formal Nomination Committee and the functions of a Nomination Committee are undertaken by the full Board.

Each Director of the Company is encouraged to have a financial interest in the Company and each current Director has a meaningful financial interest in the Company. In this way, the Directors participate in improving shareholder value on the same basis as all other shareholders. The Chairman meets with each Director individually to discuss issues including the performance and effectiveness of the Board as a whole, Board Committees and individual Directors, with the intention of providing mutual feedback. The Chairman reports on the general outcome of those meetings to the Board. As at the date of this report, such meetings were in the process of being held.

All Directors have entered into an agreement with the Company covering the terms of their appointment, access to documents, Director's indemnity against liability, and Directors' and Officers' insurance.

The Company's constitution provides that each Non-Executive Director must seek re-election by shareholders at least every three years if they wish to remain a Director. Any new Non-Executive Director appointed by the Board must seek election by shareholders at the next Annual General Meeting of the Company. This approach is consistent with the ASX Listing Rules.

## Independence of Directors

The Board reviews the independence of each of the Directors (excluding the Managing Director) on an annual basis, taking into account the factors set out in box 2.1 of the ASX Governance Principles, including situations where an individual Director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with the Company. In looking at such relationships, the Board has set an initial materiality threshold of \$500,000 and this threshold is reviewed annually by the Board.

TA Campbell, the Chairman, has been a Director of the Company since it commenced operations in April 1999. Given that Mirrabooka is a Listed Investment Company whose primary activity is investing its capital in listed securities, it is important that the Chairman has a depth of experience and skills in the securities industry and has an involvement in the investment decisions of the Company. The Company and Goldman Sachs JBWere maintain a close relationship. TA Campbell is Senior Chairman, former Chief Executive and a shareholder of Goldman Sachs JBWere. Accordingly, he is not regarded as independent. Given the specialist, straightforward nature of the Company, an independent Chairman is not regarded as necessary.

D Evans was Managing Director of the Equity Products Division of Goldman Sachs JBWere until May 2007 when he became Managing Partner of Evans and Partners Pty Ltd. Evans and Partners Pty Ltd received brokerage for transactions executed during the year of \$11,507. He was not involved in the selection of the firm to undertake the work and the Board is of the view that this does not compromise his independence.

D Evans is therefore regarded as an independent Director, as are DE Meiklejohn, IA Campbell and GW Sinclair. Accordingly, the Board consists of a majority of independent Non-Executive Directors.

Any real or potential conflicts of interest which Directors may have are dealt with by procedures consistent with Corporations Act requirements which are designed to ensure that conflicted Directors do not take part in the decision making on the relevant issue.

## Corporate Governance Statement continued

The Board is of the view that, given Mirrabooka's nature as a medium to long term investor, the length of service on the Board does not, of itself, compromise independence. In fact, the Board believes that it assists the Board for Directors to have had experience over a number of investment cycles to enable them to properly assess investments over a medium to long term horizon against the underlying investment cycles.

To assist Directors to fully meet their responsibilities to bring an independent view to matters coming before them, the Board has agreed a procedure in appropriate situations for Directors to take independent professional advice at the expense of the Company after advising the Chairman of their intention to do so. This is in relation to carrying out their duties as members of the Board and members of Board Committees.

The Board believes that the Company is fully compliant with Principle 2 but acknowledges that for the reasons stated above, it does not consider it appropriate to follow the recommendation that the Chairman should be an independent Director and that a separate Nomination Committee be established.

### Principle 3: Promotion of Ethical and Responsible Decision-making

Compliance with this Principle requires that the Board should actively promote ethical and responsible decision making.

The Company, including its Directors and senior executives, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the interests of the Company's shareholders.

The Company has approved and published Corporate Principles of Conduct and a Trading Policy for Directors which are available on the website together with the Trading Policy that the Company has for dealing in its own shares by its officers or those working on the Company's behalf. In accordance with the Company's policy, no Mirrabooka shares held by Directors are to be held subject to margin loans. These documents are provided to management and new Directors as they join the Company and any updates are provided to all those working on the Company's behalf and Directors.

Because of the Company's operation as a Listed Investment Company, its key stakeholders are its shareholders, employees and the small number of creditors connected with the administration of the Company's affairs. As noted above, the Company has published Corporate Principles of Conduct which are intended to guide the activities of Directors, senior executives and those working on the Company's behalf and are designed to ensure that the legal requirements and other obligations to stakeholders are complied with at all times. It is available on the Company's website.

In addition to the consideration by the Board of individual Directors' independence, the Corporate Principles of Conduct set out details of how conflicts of interest should be avoided. The Company's Directors and those working on behalf of the Company must disclose to the Company any material personal interest that they or any associate may have in a matter that relates to the affairs of the Company. Directors must inform the Company Secretary immediately they become aware of any changes to their shareholdings or directorships. Where a conflict of interest may arise, full disclosure by all interested persons must be made and appropriate arrangements followed, such that interested persons are not included in making the relevant decisions and discussions.

The Board believes that the Company is fully compliant with Principle 3 and its recommendations.

### Principle 4: Safeguarding Integrity in Financial Reporting

Compliance with this Principle requires that the Company has a structure to independently verify and safeguard the integrity of the Company's financial reporting.

#### Audit Committee

The Company has established an Audit Committee which comprises three members, all of whom are independent Directors: DE Meiklejohn (Chairman), IA Campbell and D Evans. Details of their qualifications and number of meetings attended are set out in the Directors' Report on pages 6 and 7.

All members of the Audit Committee have the requisite financial experience and understanding to effectively discharge its responsibilities under its charter. In addition, the Chairman of the Committee is a Fellow of CPA Australia.

The Audit Committee is responsible for reviewing:

- the Company's accounting policies;
- the content of financial statements;
- issues relating to the controls applied to the Company's activities;
- the conduct, effectiveness and independence of the external audit;
- risk management and related issues; and
- compliance issues.

The role of the Audit Committee in respect of its oversight of risk management issues is set out under Principle 7, on page 18.

### Written Affirmations

The Board has obtained from the Managing Director and the Chief Financial Officer written affirmation concerning the Company's financial statements as set out in the Directors' Declaration.

### External Audit

The Company has a process to ensure the independence and competence of the Company's external auditors including the Audit Committee reviewing any non-audit work to ensure that it does not conflict with audit independence. Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is set out on the Company's website. Policies relating to rotating external audit engagement partners are set by the external audit firm in accordance with Corporations Act and international best practice requirements.

The Board believes that the Company is fully compliant with Principle 4 and its recommendations.

### Principle 5: Timely and Balanced Disclosure

Compliance with this Principle requires that the Company promotes timely and balanced disclosure of all material matters concerning the Company.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in relation to its securities. Accordingly, the market is kept advised of all information required to be disclosed under the Listing Rules which it is believed would or may have a material effect on the price or value of the Company's securities.

The Company has a written policy and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The policy is publicly available on the Company's website.

The Board believes that the Company is fully compliant with Principle 5 and its recommendations.

### Principle 6: Respecting the Rights of Shareholders

Compliance with this Principle requires that the Company respects the rights of shareholders and facilitates the effective exercise of those rights.

The shareholders own the Company and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. The Board maintains active communication with shareholders as owners of the Company.

In addition to communicating to shareholders via the Annual and Half Year Reports, the Company holds an Annual General Meeting of shareholders to fulfil statutory requirements, to provide shareholders with the opportunity to meet with representatives of the Board and Management, to learn more about the Company's activities and, particularly, to provide an opportunity to question the Board and Management about any aspect of the Company's activities.

## Corporate Governance Statement continued

In addition, the Company holds teleconferences for its shareholders which provide them with further opportunities to question members of the Board and management about the Company's activities.

The Company maintains a comprehensive website that contains all ASX announcements, Annual Reports, Half Year Reports, details of corporate governance practices, presentations to shareholders, and related material and these are available for shareholders.

The Board believes that the Company is fully compliant with Principle 6 and its recommendations.

### Principle 7: Recognising and Managing Risk

Compliance with this Principle requires that the Board establishes a sound system of risk oversight and management and internal control.

The Board considers that the Company has established and maintains a sound system of risk oversight, management and internal control. The Risk Management Framework adopted by the Board is available on the Company's website. The framework has been designed taking into account best practice from the standard AS/NZS 4360 'Risk Management', the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and the Group of 100's 'Guide to Compliance with ASX Principle 7'.

The Board is assisted in its risk management activities by the Audit Committee and coordination of risk management activities is done by the Chief Financial Officer, who reports to the Audit Committee on such matters.

There are two main areas of risk that have been identified:

- investment risk; and
- operational risk.

### Investment Risk

Investment risk includes:

- market risk;
- credit and settlement risk;
- liquidity risk; and
- reputational risk (insofar as it relates to the investments that the Company enters into).

The Investment Committee is primarily responsible for dealing with issues arising from investment risk and has delegated day-to-day management of the portfolios to an experienced investment team provided by AICS. All decisions of the team are reviewed, discussed and where necessary, ratified by the Committee. By its nature as a Listed Investment Company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

### Operational Risk

The Company's management is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk, human risk, reputational risk (insofar as it relates to the operations of the Company), disaster recovery, operational health and safety, credit and counter-party risk. This is in the context that most of Mirrabooka's administrative functions have been outsourced to AICS using AICS's systems and staff. Accordingly, risk issues associated with these activities are handled in accordance with the policies and procedures adopted by AICS for dealing with them. The Audit Committee has specific oversight of management's role in identifying and responding to risk issues.

The Company has received a report from AICS outlining the control objectives for AICS and the specific policies and procedures established to meet these procedures. These policies include management oversight, segregation of duties, multiple sign-offs and specific authorisation levels. AICS has stated that these have been in place throughout the period, and have been effective in meeting the control objectives. This statement and verification have been confirmed by AICS's internal auditors, Ernst & Young, under the requirements of Auditing Standard 810.

### Written Affirmations

The Board has obtained from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to the financial reporting risks. The Audit Committee and the Board have also received reports from the senior executives as to the effectiveness of Company's management of its material business risks whilst noting that as a Listed Investment Company, the Company can never be entirely free of investment risk.

The Board believes that the Company is fully compliant with Principle 7 and its recommendations.

### Principle 8: Remunerating Fairly and Responsibly

Compliance with this Principle requires that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. The Board has not established a Remuneration Committee. Again, given the Company's small size, it is not considered necessary as the Board can deal with matters relating to the remuneration of Directors itself.

### Directors' Remuneration

The Constitution of Mirrabooka requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In addition, Directors who were eligible to receive a retirement allowance when it was frozen at 30 June 2004 will be paid the amounts accrued for them at that point when they retire. In proposing the maximum amount for consideration in general meeting and in determining the allocation, the Board takes account of the time demands made on Directors together with such factors as the general level of fees paid to Australian corporate Directors.

No Non-Executive Directors receive any performance-based remuneration.

### Management Remuneration Approach

Because the Company has outsourced its research, dealing and administrative functions, it has not adopted any 'at risk' remuneration arrangements for the Managing Director or any other person involved in the activities of the Company. This is not considered necessary at this stage of the Company's development.

In relation to Mr Barker's position as Managing Director of the Company, he is made available for this position by AICS and the Director's fees which he earns for his involvement with the Company are paid directly to AICS as part of his remuneration arrangements with them. As part of his remuneration by AICS, Mr Barker receives an 'at risk' component based on the achievement of short term objectives which include, among other things, the services he has provided to the Company and for which AICS has been paid. Further information on Directors and Executives remuneration is set out in the Financial Report on page 36.

The Board believes that the Company is fully compliant with Principle 8 but that, for the reasons given above, it is not appropriate for the Company to follow the recommendation that a separate Remuneration Committee be established. In addition, as the Company does not have any equity-based remuneration schemes, there is no need to have a policy around prohibiting the hedging of risk over unvested entitlements in such schemes.