MIRRABOOKA
Investments Limited

Appendix 4E Statement for the Full-Year ending 30 June 2018

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

Mirrabooka Investments Limited
ABN 31 085 290 928

PRELIMINARY RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2018 with the corresponding period being the year ended 30 June 2017.

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

Results for announcement to the market

- Net Profit attributable to members was $10.4 million, up 36.9% from the previous corresponding period.

- Net profit per share was 6.6 cents, up 35.7% on the previous corresponding period.

- Revenue from operating activities was $10.5 million, 11.6% up on the previous corresponding period.

- The interim dividend for the 2018 financial year was 3.5 cents per share fully franked (the same as last year), and it was paid to shareholders on 15 February 2018.

- The final dividend of 6.5 cents per share fully franked, the same as last year, plus a 2 cent special dividend, will be paid on 13 August 2018 to shareholders on the register on 27 July 2018. Shares are expected to trade ex-dividend from 26 July 2018. There is no conduit foreign income component of the dividend.

- Under recent changes to corporate tax legislation, and in the continued absence of the expected legislation denying investment companies the lower tax rate, the final dividend has to be franked using the current corporate tax rate for 2018-19 of 27.5%.

- Part of the final dividend and all of the special dividend are sourced from capital gains, on which the Company has paid or will pay tax. The amount of the pre-tax attributable gain, known as an "LIC capital gain", attached to this dividend is 9.66 cents. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.

- The Company's Dividend Reinvestment Plan is in operation for the final and special dividends, under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be based on a **2.5% discount** to the average selling price of shares traded on the ASX and Chi-X automated trading systems in the five days from the day the shares begin trading on an ex-dividend basis. The last day for the receipt of an election notice for participation in the plan is 30 July 2018. All shares issued under the DRP will rank equally with existing shares.

- 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 2018 was $2.59 (before allowing for any dividend), up from $2.39 at the end of the previous corresponding period (also before allowing for any dividend).

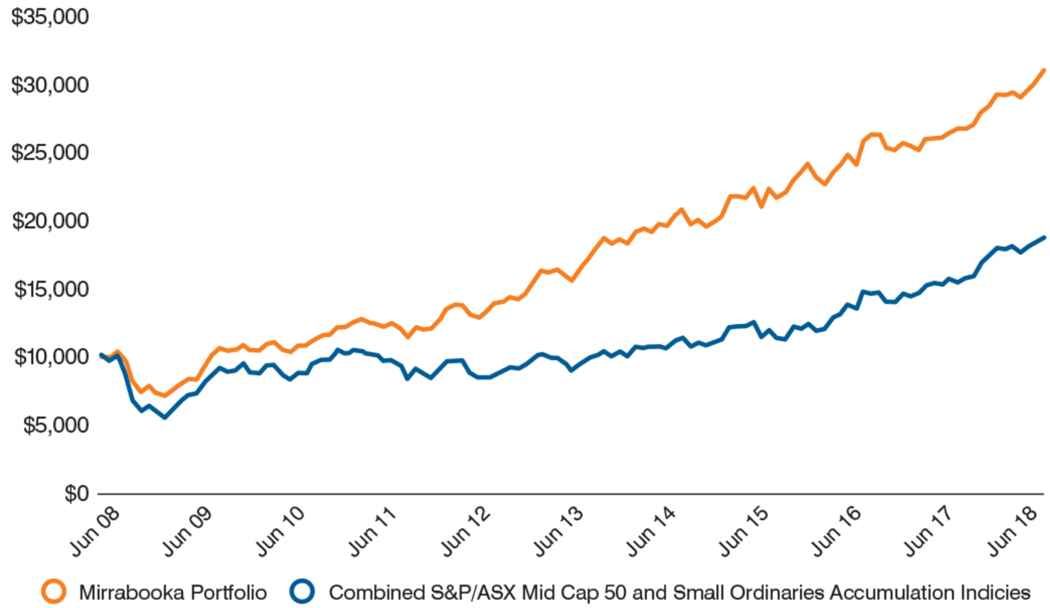
- The 2018 AGM will be held at Zinc, Federation Square, Melbourne, at 1.30 PM on Tuesday 9th October.

Mirrabooka lifts profit 37% in strong market

Full Year Report to 30 June 2018

- **Mirrabooka is a medium to long term investor in small and mid cap companies.**
- **Full Year Profit increased to $10.4 million from $7.6 million, due to increased income from investments and a significantly higher contribution from the Trading Portfolio.**
- **Final dividend maintained at 6.5 cents per share fully franked. A special dividend of 2.0 cents per share fully franked has also been declared (special dividend last year was 4 cents per share, fully franked).**
- **Twelve month portfolio return was 14.7%; including franking it was 17.3%.**
- **The benchmark return including franking was 20.4%. Mirrabooka has less exposure to speculative resource companies, which have been very strong this year. Over the long term this has not hindered Mirrabooka's performance with returns being consistently strong, whilst the small and mid cap resource indices have been volatile.**
- **Cash position is $28 million, 7% of the portfolio. We will be patient deploying this cash as valuations across most areas of the small and mid cap market remain very high. This cash gives Mirrabooka the capacity to add to selected holdings at lower prices should market volatility increase.**

Growth in Investment of $10,000 (including benefit of franking) - 10 Years to 30 June 2018



Note assumes an investor can take full advantage of the franking credits. This chart calculates the benefit of franking credits at the time dividends are paid for both Mirrabooka and the Index. In practice there is a timing difference between receipt of the dividend and the realisation of the franking benefit in the following tax year.

Market and Portfolio Returns

Mirrabooka is an investor in small and mid cap companies. The portfolio, including the benefit of franking, delivered a return of 17.3% for the twelve months to 30 June 2018, as companies such as Lifestyle Communities, Alumina, Reece, HUB 24 and Freedom Foods Group contributed strongly to returns in the portfolio. The benchmark, including franking, was up 20.4%. Over the ten year period, including the benefit of franking, Mirrabooka returned 12.3% per annum, whereas the benchmark returned 5.9% per annum.

In an environment where many large companies are facing subdued growth, there has been an increased flow of funds into the small and mid cap section of the market. This has seen very strong share price performance in those small and mid cap stocks with the strongest growth expectations. While a number of companies have delivered on these expectations, the majority of the robust share price gains across the market has come from a re-rating of share prices relative to earnings, which in our opinion increases investment risk.

In addition, Mirrabooka's benchmark has also been heavily influenced by the strong returns of the small and mid cap resource sectors driven by rising commodity prices. These sectors were up 49.0% and 42.3% respectively over the twelve month period. Mirrabooka has some exposure to the resources sectors, although it is not a large part of the portfolio given investment in this area can often be more speculative and short term in nature.

Portfolio Changes

In this environment, Mirrabooka is mindful of the risk that a sudden shift in market sentiment could significantly reduce valuations and available share liquidity across a number of companies in the small and mid cap sector. In this context, the Company closely scrutinised those investments that are not meeting expectations. As a result, nineteen stocks in the portfolio (excluding takeovers) were exited over the financial year, a larger number than usual.

In replacing these positions, the Company focused on businesses with earnings resilience, balance sheet strength and better long term growth prospects. The most significant new additions to the portfolio were Boral, Webjet and Breville. More modest positions were also established in Reliance Worldwide, Dulux, Adelaide Brighton, Technology One and Corporate Travel. These are investments that we have the capacity to add to, particularly should prices fall with any increase in market volatility. In total, twenty new stocks were added to the Investment Portfolio over the year.

Major sales included the complete disposal of Treasury Wine Estates, which had become very large in the portfolio and is now a top 50 company, Healthscope, Incitec Pivot and Japara Healthcare, as well as a reduction in the position of ALS.

Profit and Dividend

Mirrabooka's Reported Profit was $10.4 million for the twelve months to 30 June 2018, compared with $7.6 million last year.

The Company maintained the final dividend at 6.5 cents per share fully franked. A special fully franked dividend of 2.0 cents per share has also been declared. This brings total dividends for the year to 12.0 cents per share, fully franked. Under current corporate tax legislation, dividends are franked using the company tax rate for 2018-19 of 27.5%.

Opportunities to Invest

Whilst many small companies are achieving good growth, Mirrabooka continues to see heightened investment risks. Our approach will be to continue to focus on long term investments in quality companies with a defendable competitive advantage and to be wary of paying extreme prices. In this context, we will carefully manage our cash position.

Please direct any enquiries to:

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11 July 2018

MAJOR CHANGES TO THE INVESTMENT PORTFOLIO

Acquisitions	Cost $'000
Boral	6,904
Webjet	5,941
Breville Group	5,849
Reliance Worldwide (including $0.76m in 1 for 1.98 issue @$4.15)	4,971
Dulux Group	4,180

Sales	Proceeds $'000
Healthscope#	7,150
Incitec Pivot#	6,784
Treasury Wine Estates#	5,887
Japara Healthcare#	5,572
ALS	4,020

Complete disposals from the portfolio.

New Companies Added to the Portfolio	
Boral	Adelaide Brighton
Webjet	Technology One
Breville Group	Corporate Travel Management
Reliance Worldwide	Australis Oil and Gas
Dulux Group	Syrah Resources
Starpharma Holdings	Netwealth Group
Pacific Smiles	Gage Roads Brewing Company
Australian Ethical Investments	Catapult Group International
Cooper Energy	Vista Group International
Select Harvests	Whispir (unlisted)

TOP INVESTMENTS AS AT 30 JUNE 2018

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 29 June 2018

			Total Value $'000	% of Portfolio
1		Lifestyle Communities	16,546	4.3%
2		Mainfreight	12,735	3.3%
3		Qube Holdings	12,602	3.3%
4	*	Alumina	11,743	3.1%
5		Freedom Foods Group	11,407	3.0%
6	*	Seek	10,706	2.8%
7		Reece	10,620	2.8%
8		Challenger	10,140	2.7%
9		ARB Corporation	9,589	2.5%
10		IRESS	9,331	2.4%
11	*	ResMed	8,949	2.3%
12		AUB Group	8,550	2.2%
13		CYBG	7,938	2.1%
14		Webjet	7,398	1.9%
15		Computershare	7,372	1.9%
16		Objective Corporation	7,350	1.9%
17	*	Iluka Resources	7,162	1.9%
18	*	ALS	7,136	1.9%
19	*	Carsales.com	6,721	1.8%
20		Washington H Soul Pattinson & Company	6,650	1.7%
			190,646	
		As % of Total Portfolio (excludes cash)		49.9%

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

PORTFOLIO PERFORMANCE TO 30 JUNE 2018

PERFORMANCE MEASURES AT 30 JUNE 2018	1 YEAR	5 YEARS %PA	10 YEARS %PA
PORTFOLIO RETURN – NET ASSET BACKING RETURN INCLUDING DIVIDENDS REINVESTED	***14.7%***	***11.7%***	***9.4%***
COMBINED S&P/ASX MID 50'S AND SMALL ORDINARIES ACCUMULATION INDEX	*19.3%*	*14.0%*	*4.9%*
*PORTFOLIO RETURN – NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED**	***17.3%***	***15.0%***	***12.3%***
*COMBINED S&P/ASX MID 50'S AND SMALL ORDINARIES GROSS ACCUMULATION INDEX**	20.4%	15.1%	5.9%

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

Note: Rebalancing of the portfolio to manage risk is an important part of Mirrabooka's investment approach. The tax paid on realised gains can impact relative performance figures against the index which does not have such imposts. The inclusion of the benefit of franking credits from the tax paid and distributed to shareholders in the dividend is one way of overcoming this distortion.

Mirrabooka Investments Ltd

Annual Financial Statements

30 June 2018

Financial statements

Income Statement for the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
Dividends and distributions	A3	9,875	8,928
Revenue from deposits and bank bills		661	501
Other revenue		-	14
Total revenue		**10,536**	**9,443**
Net gains on trading portfolio		2,235	301
Income from options written portfolio		860	398
Income from operating activities		**13,631**	**10,142**
Administration expenses	B1	(2,315)	(2,325)
Profit for the year before income tax		**11,316**	**7,817**
Income tax expense	B2, E2	(956)	(247)
Profit for the year		**10,360**	**7,570**
		Cents	**Cents**
Basic earnings per share	A5	6.57	4.84

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

Statement of Comprehensive Income for the Year Ended 30 June 2018

	Year to 30 June 2018			Year to 30 June 2017		
	Revenue[1]	**Capital[1]**	**Total**	Revenue	Capital	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Profit for the year	**10,356**	**4**	**10,360**	**7,551**	**19**	**7,570**
Other Comprehensive Income						
Gains for the period on securities	-	43,433	**43,433**	-	23,591	**23,591**
Tax on above	-	(16,069)	**(16,069)**	-	(4,138)	**(4,138)**
Total Other Comprehensive Income	-	**27,364**	**27,364**	-	**19,453**	**19,453**
Total Comprehensive Income	**10,356**	**27,368**	**37,724**	**7,551**	**19,472**	**27,023**

[1] 'Capital' includes realised or unrealised gains or losses on securities in the investment portfolio and unrealised gains or losses on the options written portfolio, and the relevant taxation charge/credit. Income in the form of distributions and dividends is recorded as 'Revenue'. All other items, including expenses, are included in 'Profit for the year', which is categorised under 'Revenue'.

None of the items included in Other Comprehensive Income will be recycled through the Income Statement.

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

Balance Sheet as at 30 June 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash	D1	28,140	35,671
Receivables		1,370	1,720
Trading portfolio		978	4,634
Total current assets		**30,488**	**42,025**
Non-current assets			
Deferred tax assets	E2	123	-
Investment portfolio	A2	381,689	339,908
Total non-current assets		**381,812**	**339,908**
Total assets		**412,300**	**381,933**
Current liabilities			
Payables		266	265
Tax payable		2,103	5,754
Options Sold		785	992
Total current liabilities		**3,154**	**7,011**
Non-current liabilities			
Deferred tax liabilities	E2	-	56
Deferred tax liabilities – investment portfolio	B2	47,493	32,815
Total non-current liabilities		**47,493**	**32,871**
Total liabilities		**50,647**	**39,882**
Net Assets		**361,653**	**342,051**
Shareholders' equity			
Share capital	A1, D5	200,911	197,062
Revaluation reserve	A1, D2	97,227	74,584
Realised capital gains reserve	A1, D3	47,851	57,225
Retained profits	A1, D4	15,664	13,180
Total shareholders' equity		**361,653**	**342,051**

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

Statement of Changes in Equity for the Year Ended 30 June 2018

Year Ended 30 June 2018

	Note	Share Capital $'000	Revaluation Reserve $'000	Realised Capital Gains Reserve $'000	Retained Profits $'000	Total $'000
Total equity at the beginning of the year		**197,062**	**74,584**	**57,225**	**13,180**	**342,051**
Dividends paid	A4	-	-	(14,099)	(7,872)	**(21,971)**
Shares issued under Dividend Reinvestment Plan	D5	3,865	-	-	-	**3,865**
Other share capital adjustments		(16)	-	-	-	**(16)**
Total transactions with shareholders		**3,849**	**-**	**(14,099)**	**(7,872)**	**(18,122)**
Profit for the year		-	4	-	10,356	**10,360**
Other Comprehensive Income (net of tax)						
Net gains for the period		-	27,364	-	-	**27,364**
Other Comprehensive Income for the year		-	27,364	-	-	**27,364**
Transfer to Realised Capital Gains of cumulative gains on investments sold		-	(4,725)	4,725	-	**-**
Total equity at the end of the year		**200,911**	**97,227**	**47,851**	**15,664**	**361,653**

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 2018 (continued)

Year Ended 30 June 2017

	Note	Share Capital $'000	Revaluation Reserve $'000	Realised Capital Gains Reserve $'000	Retained Profits $'000	Total $'000
Total equity at the beginning of the year		**192,939**	**69,606**	**57,466**	**14,200**	**334,211**
Dividends paid	A4	-	-	(14,735)	(8,571)	**(23,306)**
Shares issued under Dividend Reinvestment Plan	D5	4,139	-	-	-	**4,139**
Other share capital adjustments		(16)	-	-	-	**(16)**
Total transactions with shareholders		**4,123**	**-**	**(14,735)**	**(8,571)**	**(19,183)**
Profit for the year		-	19	-	7,551	**7,570**
Other Comprehensive Income (net of tax)						
Net gains for the period		-	19,453	-	-	**19,453**
Other Comprehensive Income for the year		-	19,453	-	-	**19,453**
Transfer to Realised Capital Gains of cumulative gains on investments sold		-	(14,494)	14,494	-	**-**
Total equity at the end of the year		**197,062**	**74,584**	**57,225**	**13,180**	**342,051**

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

Cash Flow Statement for the Year Ended 30 June 2018

	Note	2018 $'000 Inflows/ (Outflows)	2017 $'000 Inflows/ (Outflows)
Cash flows from operating activities			
Sales from trading portfolio		11,689	1,765
Purchases for trading portfolio		(5,803)	(5,111)
Interest received		707	565
Proceeds from entering into options in options written portfolio		1,980	2,245
Payment to close out options in options written portfolio		(1,326)	(995)
Dividends and distributions received		9,513	8,696
		16,760	7,165
Other receipts		-	14
Administration expenses		(2,308)	(2,329)
Income taxes paid		(76)	(221)
Net cash inflow/(outflow) from operating activities	E1	**14,376**	**4,629**
Cash flows from investing activities			
Sales from investment portfolio		95,373	95,081
Purchases for investment portfolio		(93,128)	(59,745)
Tax paid on capital gains		(6,030)	(6,099)
Net cash inflow/(outflow) from investing activities		**(3,785)**	**29,237**
Cash flows from financing activities			
Dividend reinvestment plan costs		(16)	(16)
Dividends paid		(18,106)	(19,168)
Net cash inflow/(outflow) from financing activities		**(18,122)**	**(19,184)**
Net increase/(decrease) in cash held		(7,531)	14,682
Cash at the beginning of the year		35,671	20,989
Cash at the end of the year	D1	**28,140**	**35,671**

For the purpose of the cash flow statement, 'cash' includes cash and deposits held at call.

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

Notes to the financial statements

A Understanding Mirrabooka's financial performance

A1 How Mirrabooka manages its capital

Mirrabooka's objective is to provide shareholders with attractive investment returns through a stream of fully-franked dividends and capital growth.

Mirrabooka recognises that its capital will fluctuate with market conditions. In order to manage those fluctuations, the Board may adjust the amount of dividends paid, issue new shares, buy back the Company's shares or sell assets to settle any debt.

Mirrabooka's capital consists of its shareholders' equity plus any net borrowings. A summary of the balances in equity is provided below:

	2018	**2017**
	$'000	**$'000**
Share capital	200,911	197,062
Revaluation reserve	97,227	74,584
Realised capital gains reserve	47,851	57,225
Retained profits	15,664	13,180
	361,653	**342,051**

Refer to notes D2-D5 for a reconciliation of movement for each equity account from period to period.

A2 Investments held and how they are measured

Mirrabooka has three portfolios of securities: the investment portfolio, the options written portfolio and the trading portfolio. Details of all holdings (except for the specific option holdings) as at the end of the reporting period can be found at the end of the Annual Report.

The investment portfolio holds securities which the Company intends to retain on a long-term basis. The options written portfolio and trading portfolio are held for short-term trading only and are relatively small in size when utilised. The Board has therefore focused the information below on the investment portfolio.

The balance and composition of the investment portfolio was:

	2018 $'000	2017 $'000
Equity instruments (at market value)	379,477	339,005
Convertible notes that are classified as debt	2,212	903
	381,689	**339,908**

All options written by the Company and open at year end are call options. If all options were exercised, this would lead to the sale of $16.6 million worth of securities at an agreed price – the 'exposure' (2017: $26.9 million).

$6.4 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2017: $4.1 million). These shares are lodged with ASX Clear under the terms of ASX Clear Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

How investments are shown in the financial statements

The accounting standards set out the following hierarchy for fair value measurement:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset or liabilities that are not based on observable market data

All financial instruments held by Mirrabooka are classified as Level 1 (other than an immaterial amount of call options and the Company's investment in Whispir). Their fair values are initially measured at the costs of acquisition and then remeasured based on quoted market prices at the end of the reporting period.

Net tangible asset backing per share

The Board regularly reviews the net asset backing per share both before and after provision for deferred tax on the unrealised gains in Mirrabooka's long-term investment portfolio. Deferred tax is calculated as set out in note B2. The relevant amounts as at 30 June 2018 and 30 June 2017 were as follows:

	30 June 2018	30 June 2017
Net tangible asset backing per share	**$**	**$**
Before tax	**2.59**	**2.39**
After tax	2.29	2.18

Equity investments

The shares in the investment portfolio are designated under the accounting standards as financial assets measured at fair value through 'other comprehensive income' ("OCI"), because they are equity instruments held for long-term capital growth and dividend income, rather than to make a profit from their sale. This means that changes in the value of these shares during the reporting period are included in OCI in the statement of comprehensive income. The cumulative change in value of the shares over time is then recorded in the Revaluation Reserve. On disposal, the amounts recorded in the revaluation reserve are transferred to the realised capital gains reserve.

Options

Options are classified as financial assets or liabilities at fair value through profit and loss and usually have an expiry date within twelve months from the date that they are sold. 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.

Securities sold and how they are measured

Where securities are sold, any difference between the sale price and the cost is transferred from the Revaluation Reserve to the Realised capital gains reserve and the amounts noted in the Statement of Changes in Equity. This means the Company is able to identify the realised gains out of which it can pay a 'Listed Investment Company' (LIC) gain as part of the dividend.

During the period $95.2 million (2017 : $96.4 million) of equity securities were sold. The cumulative gain on the sale of securities was $4.7 million for the period after tax (2017: $14.5 million). This has been transferred from the revaluation reserve to the realised capital gains reserve (See Statement of Changes in Equity). These sales were accounted for at the date of trade.

A3 Operating income

Dividend income

The total dividends and distributions received from Mirrabooka's investments in 2018 is set out below.

	2018 $'000	2017 $'000
Dividends and distributions		
Securities held in investment portfolio at 30 June	7,756	7,670
Investment securities sold during the year	1,964	1,258
Securities held in trading portfolio at 30 June	15	-
Trading securities sold during the year	140	-
	9,875	8,928

Dividends and distributions from listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Dividends from unlisted securities are recognised as income when they are received. Capital returns on ordinary shares are treated as an adjustment to the carrying value of the shares.

Trading income

Net gains (before tax) on the trading and options portfolios are set out below.

Net gains	2018 $'000	2017 $'000
Net realised gains/(losses) from trading portfolio	2,235	(141)
Realised gains on options written portfolio	1,120	571
Unrealised gains/(losses) from trading portfolio	(6)	414
Unrealised losses from options written portfolio	(260)	(173)
Gains **Year Ended 30 June 2017** on convertible notes classified as debt	6	28
	3,095	699

A4 Dividends paid

The dividends paid and payable for the year ended 30 June 2018 are shown below:

	2018 $'000	2017 $'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2017 of 6.5 cents fully franked plus special dividend of 4 cents, also fully franked at 27.5% paid 10 August 2017 (2017: 6.5 cents fully franked plus special dividend of 5 cents also fully franked at 30% paid on 9 August 2016).	16,449	17,837
Interim dividend for the year ended 30 June 2018 of 3.5 cents per share fully franked at 27.5%, paid 15 February 2018 (2017: 3.5 cents fully franked at 30% paid 14 February 2017)	5,522	5,469
	21,971	23,306
Dividends paid in cash	18,106	19,167
Dividends reinvested in shares	3,865	4,139
	21,971	23,306
(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	22,237	24,688
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(5,099)	(6,239)
Net available	17,138	18,449
These franking account balances would allow Mirrabooka to frank additional dividend payments (at a franking rate of 27.5%) up to an amount of:	45,182	48,638

Mirrabooka's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and on Mirrabooka 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 27.5% plus a 2 cent special dividend, also fully franked at 27.5%. The aggregate amount of the final dividend for the year to 30 June 2018 to be paid on 13 August 2018, but not recognised as a liability at the end of the financial year is:	13,443	

(d) Listed Investment Company capital gain account	2018 $'000	2017 $'000
Balance of the Listed Investment Company (LIC) capital gain account	47,602	58,448
This equates to an attributable amount of	68,002	83,498

Distributed LIC capital gains may entitle certain shareholders to a deduction in their tax return, as set out in the dividend statement. LIC capital gains available for distribution are dependent on the disposal of investment portfolio holdings that qualify for LIC capital gains, or the receipt of LIC distributions from LIC securities held in the portfolios. $15.3 million of the attributable amount will be paid out as part of the final dividend on 13 August 2018.

A5 Earnings per share

The table below shows the earnings per share based on the profit for the year:

Basic Earnings per share	**2018 Number**	**2017 Number**
Weighted average number of ordinary shares used as the denominator	157,790,481	156,284,797
	$’000	**$’000**
Profit for the year	10,360	7,570
	Cents	**Cents**
Basic earnings per share	6.57	4.84

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.

B Costs, Tax and Risk

B1 Management Costs

The total management expenses for the period are as follows:

	2018 $'000	2017 $'000
Administration fees paid to AICS	(1,400)	(1,481)
Other administration expenses	(915)	(844)
	(2,315)	(2,325)

Administration fees paid to AICS

Australian Investment Company Services Limited ("AICS") undertakes the day-to-day administration of Mirrabooka's investments and its operations, including financial reporting.

Other administration expenses

A major component of other administration expenses is Directors' remuneration. This has been summarised below:

	Short Term Benefits $	Post-Employment Benefits $	Total $
2018			
Directors	371,575	35,365	406,940
2017			
Directors	315,069	29,931	345,000

Mirrabooka recognises Directors' retirement allowances that have been crystallised as 'amounts payable'. There are no further retirement allowances that will need to be expensed.

B2 Tax

Mirrabooka's tax position, and how it accounts for tax, is explained here. Detailed reconciliations of tax accounting to the financial statements can be found in note E2.

The income tax expense for the period is the tax payable on this financial year's taxable income, adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences and for any unused tax losses. Deferred tax assets and liabilities (except for those related to the unrealised gains or losses in the investment portfolio) are offset, as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis. Deferred tax balances are calculated at the rate of 30% (2017 : 27.5%). This rate has been chosen as the Government currently has legislation before Parliament to deny the lower company tax rate to investment companies such as Mirrabooka.

A provision has been made for taxes on any unrealised gains or losses on securities valued at fair value through the Income Statement – i.e. the trading portfolio, puttable instruments, convertible notes that are classified as debt and the options written portfolio.

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

Tax expense

The income tax expense for the period is shown below:

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

	2018 $'000	2017 $'000
Net profit before income tax expense	**11,316**	**7,817**
Tax at the Australian tax rate of 30% (2017 – 30%)	3,395	2,345
Tax offset for franked dividends received	(2,406)	(2,132)
Tax effect of sundry items either taxable in current year but not included in income or non-taxable	1	79
	990	**292**
Over provision in prior years	(34)	(45)
Total tax expense	**956**	**247**

Deferred tax liabilities – investment portfolio

The accounting standards require us to recognise a deferred tax liability for the potential capital gains tax on the unrealised gain in the investment portfolio. This amount is shown in the Balance Sheet. However, the Board does not intend to sell the investment portfolio, so this tax liability is unlikely to arise at this amount. Any sale of securities would also be affected by any changes in capital gains tax legislation or tax rate applicable to such gains when they are sold. The rate used at 30 June 2018 is 30% (30 June 2017 : 27.5%).

	2018 $'000	2017 $'000
Deferred tax liabilities on unrealised gains in the investment portfolio	**47,493**	**32,815**
Opening balance at 1 July	32,815	34,674
(Credited)/charged to income statement for non-equity investments	2	9
Tax on realised gains (at 30%)	(1,393)	(6,006)
Charged to OCI for ordinary securities on gains or losses for the period	16,069	4,138
	47,493	**32,815**

B3 Risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

As a Listed Investment Company that invests in tradeable securities, Mirrabooka 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 have led to a reduction in Mirrabooka's comprehensive income of $13.3 million and $26.6 million respectively, at a tax rate of 30% (2017 : $11.9 million & $23.8 million), and a reduction in profit after tax of $77,000 and $155,000 respectively, also at a tax rate of 30% (2017: $31,000 and $63,000).

A general fall in market prices of 5% and 10%, if spread equally over all assets in the trading and options portfolio, would lead to a reduction in Mirrabooka's profit after tax of $7,000 and $14,000 respectively, at a tax rate of 30% (2017 : $127,000 & $255,000).

Mirrabooka 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 and risk can be managed by reducing exposure where necessary. Mirrabooka does not have a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

Mirrabooka's total investment exposure by sector is as below:

	2018	**2017**
Energy	3.02%	1.41%
Materials	11.26%	9.36%
Industrials	14.67%	14.70%
Consumer Discretionary	16.78%	13.22%
Consumer Staples	6.94%	7.58%
Healthcare	6.91%	12.09%
Financials	13.31%	13.11%
Real Estate	4.54%	4.92%
Info Technology & Telecoms	15.71%	14.20%
Cash	6.86%	9.41%

There were no securities representing over 5% of the investment portfolio at 30 June 2018 (2017: Nil)

Mirrabooka is not currently materially exposed to interest rate risk as all its cash investments are short-term for a fixed interest rate. Mirrabooka is also not directly exposed to material currency risk as most of 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.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Mirrabooka is exposed to credit risk from cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are overdue. The risk in relation to each of these items is set out below.

Cash

All cash investments not held in a transactional account are invested in in cash management trusts which invest predominantly in securities with an A1+ rating.

In the unlikely event of a bank default or default on the underlying securities in the cash trust, there is a risk of losing the cash deposits and any accrued unpaid interest.

Receivables

Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within two days of the date of a transaction. Receivables are non-interest bearing and unsecured. In the event of a payment default, there is a risk of losing any difference between the price of the securities sold and the price of the recovered securities from the discontinued sale.

Trading and investment portfolios

Converting and convertible notes or other interest-bearing securities that are not equity securities carry credit risk to the extent of their carrying value. Any loss as a consequence of this risk will be realised in the event of a shortfall on winding-up of the issuing companies.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial liabilities.

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

Mirrabooka's inward cash flows depend upon the dividends received. Should these drop by a material amount, Mirrabooka would amend its outward cash-flows accordingly. Mirrabooka's major cash outflows are the purchase of securities and dividends paid to shareholders, and both of these can be adjusted by the Board and management. Furthermore, the assets of Mirrabooka are largely in the form of readily tradeable securities which can be sold on-market if necessary.

The table below analyses Mirrabooka'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 2018	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Payables	266	-	-	266	266
	266	-	-	266	266
30 June 2017					
Non-derivatives					
Payables	265	-	-	265	265
	265	-	-	265	265

In the case of call options, 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.

C Unrecognised items

Unrecognised items, such as contingencies, do not appear in the financial statements, usually because they do not meet the requirements for recognition. However, they have the potential to have a significant impact on the Company's financial position and performance.

C1 Contingencies

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

Additional information

Additional information that shareholder may find useful is included here. It is grouped into three sections:

D Balance sheet reconciliations

E Income statement reconciliations

F Other information

D Balance sheet reconciliations

This section provides information about the basis of calculation of line items in the financial statements.

D1 Current assets – cash

	2018 $'000	2017 $'000
Cash at bank and in hand (including on-call)	28,140	35,671
	28,140	35,671

Cash holdings yielded an average floating interest rate of 1.83% (2017: 1.94%). All cash investments are held in a transactional account or an over-night 'at call' account invested in cash management trusts which invest predominantly in securities with an A1+ rating.

D2 Revaluation reserve

	2018 $'000	2017 $'000
Opening balance at 1 July	74,584	69,606
Gains/(losses) on investment portfolio		
- Equity Instruments	43,433	23,591
- Non-equity instruments (transferred from retained profits)	6	28
Provision for tax on above	(16,071)	(4,147)
Cumulative taxable realised (gains)/losses (net of tax)	(4,725)	(14,494)
	97,227	**74,584**

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note A2.

D3 Realised capital gains reserve

	2018 $'000	2017 $'000
Opening balance at 1 July	57,225	57,466
Dividends paid	(14,099)	(14,735)
Cumulative taxable realised gains for period through OCI (net of tax)	4,725	14,494
	47,851	**57,225**

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio as described in A2

D4 Retained profits

	2018 $'000	2017 $'000
Opening balance at 1 July	13,180	14,200
Dividends paid	(7,872)	(8,571)
Profit for the year	10,360	7,570
Transfer to revaluation reserve (non-equity investments) (net of tax)	(4)	(19)
	15,664	**13,180**

This reserve relates to past profits.

D5 Share capital

Date	Details	Notes	Number of shares '000	Issue price $	Paid-up Capital $'000
1/7/2016	Balance		**155,106**		**192,939**
9/8/2016	Dividend Reinvestment Plan	i	1,163	2.71	3,152
14/2/2017	Dividend Reinvestment Plan	i	384	2.57	987
Various	Costs of issue		-		(16)
30/6/2017	Balance		**156,653**		**197,062**
10/8/2017	Dividend Reinvestment Plan	i	1,126	2.58	2,905
15/2/2018	Dividend Reinvestment Plan	i	372	2.58	960
Various	Costs of issue		-		(16)
30/6/2018	Balance		**158,151**		**200,911**

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

All shares have been fully paid, rank pari passu and have no par value.

E Income statement reconciliations

E1 Reconciliation of net cash flows from operating activities to profit

	2018 $'000	2017 $'000
Profit for the year	**10,360**	**7,570**
Change in fair value of non-equity investments	(4)	(19)
Net decrease (increase) in trading portfolio	3,656	(3,951)
Increase (decrease) in options written portfolio	(207)	853
Dividends received as securities under DRP investments	(431)	(100)
Decrease (increase) in current receivables	350	(949)
- Less increase (decrease) in receivables for investment portfolio	(158)	1,290
Increase (decrease) in deferred tax liabilities	14,499	(1,786)
- Less (increase) decrease in deferred tax liability on investment portfolio	(14,678)	1,859
Increase (decrease) in current payables	1	(2,670)
- Less decrease (increase) in payables for investment portfolio	2	2,661
Increase (decrease) in provision for tax payable	(3,651)	(222)
- Less CGT provision	(1,393)	(6,006)
- Add taxes paid on capital gains	6,030	6,099
Net cash flows from operating activities	**14,376**	**4,629**

E2 Tax reconciliations

Tax expense composition

Charge for tax payable relating to the current year	1,167	210
Over provision in prior years	(34)	(45)
Increase (decrease) in deferred tax liabilities	(179)	73
Increase in deferred tax liabilities charged to income statement from investment portfolio	2	9
	956	**247**

Amounts recognised directly through Other Comprehensive Income

Net increase in deferred tax liabilities relating to capital gains tax on the movement in gains in the investment portfolio	16,069	4,138
	16,069	**4,138**

Deferred tax assets & liabilities

The deferred tax balances are attributable to:

		2018 $'000	2017 $'000
(a)	Tax on unrealised gains or losses in the trading portfolio	2	(114)
(b)	Tax on unrealised gains/losses in the options written portfolio	78	48
(c)	Provisions and expenses charged to the accounting profit which are not yet tax deductible	78	39
(d)	Interest and dividend income receivable which is not assessable for tax until receipt	(35)	(29)
		123	(56)
	Movements:		
	Opening asset balance at 1 July	(56)	17
	Credited/(charged) to Income statement	179	(73)
		123	(56)

Deferred tax assets arise when provisions and expenses have been charged but are not yet tax deductible. These assets are realised when the relevant items become tax deductible, as long as enough taxable income has been generated to claim the assets against, and as long as there are no changes to the tax legislation that affect Mirrabooka's ability to claim the deduction. As noted in B2, deferred tax assets and liabilities have been calculated at a rate of 30% (2017 : 27.5%).

F Other information

This section covers other information that is not directly related to specific line items in the financial statements, including information about related party transactions and other statutory information.

F1 Related parties

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

F2 Remuneration of auditors

For the year the auditor earned or will earn the following remuneration:

	2018 $	2017 $
PricewaterhouseCoopers		
Audit or review of financial reports	104,895	122,042
Non-Audit Services		
Taxation compliance services	15,708	17,633
Total remuneration	120,603	139,675

F3 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.

Description of segments

The Board makes the strategic resource allocations for Mirrabooka. Mirrabooka 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 Mirrabooka'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 Mirrabooka's performance is evaluated on an overall basis.

Segment information provided to the Board

The internal reporting provided to the Board for Mirrabooka'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 Mirrabooka's Net Tangible Asset announcements to the ASX).

Other segment information

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.

Mirrabooka is domiciled in Australia and most of Mirrabooka's income is derived from Australian entities or entities that maintain a listing in Australia. Mirrabooka has a diversified portfolio of investments, with only one investment comprising more than 10% of Mirrabooka's income, including realised income from the trading and options written portfolios. This was attributable to the gains through the trading portfolio of the Company's investment in Rhipe Limited (10.8% of total income) (2017: Nil).

F4 Summary of other accounting policies

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

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

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

Mirrabooka complies with International Financial Reporting Standards (IFRS). Mirrabooka is a 'for profit' entity.

Mirrabooka has not applied any Australian Accounting Standards or AASB Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2018 ("the inoperative standards") except for AASB 9 which was adopted on 7 December 2009. The impact of the inoperative standards has been assessed and the impact has been identified as not being material. Mirrabooka only intends to adopt other inoperative standards at the date at which their adoption becomes mandatory.

Basis of accounting

The financial statements are prepared using the valuation methods described in A2. All other items have been treated in accordance with the historical cost convention.

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 Mirrabooka approximates their carrying value.

Rounding of amounts

Mirrabooka is a company of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument, to the nearest thousand dollars, or in certain cases, to the nearest dollar.