

Finding Opportunities in
Small and Medium-Sized
Companies



Appendix 4E Statment
for the Full-Year Ending
30 June 2023

Contents

- Results for Announcement to the Market
- Media Release
- Appendix 4E Accounts

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

This announcement was authorised for release
by the Board of Mirrabooka Investments Limited
ABN 31 085 290 928

Results for Announcement to the Market

The reporting period is the year ended 30 June 2023 with the prior corresponding period being the year ended 30 June 2022.

This report is based on financial statements that are in the process of being audited.

Results for Announcement to the Market

- > Net Profit attributable to members was \$11.3 million, up 68.2% on the previous corresponding period.
- > Net profit per share was 5.92 cents, up 57.4% on the previous corresponding period.
- > Revenue from operating activities was \$11.8 million, up 13.7% on the previous corresponding period.
- > The final dividend of 6.5 cents per share fully franked, the same as last year, and a special dividend of 4.5 cents per share, up from 2.0 cents last year (also fully franked) will be paid on 17 August 2023 to shareholders on the register on 31 July 2023. Shares are expected to trade ex-dividend from 28 July 2023. There is no foreign conduit income included in the dividends.
- > The interim dividend for the 2023 financial year was 3.5 cents per share fully franked (the same as last year). It was paid to shareholders on 17 February 2023.
- > Total dividends for the year per ordinary share are therefore 14.5 cents, up from 12 cents last year.
- > The entire 6.5 cents of the final dividend and the 4.5 cents 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 15.7 cents. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.
- > A Dividend Reinvestment Plan (DRP) and Dividend Substitution Share Plan (DSSP) are available. The price for both will be set at a **nil discount** to the Volume Weighted Average Price of the Company's shares traded on the ASX and Cboe automated trading systems over the five trading days after the shares trade ex-dividend. Notices of participation in the DRP and the DSSP need to be received by the share registry by 5 pm (AEST) on 1 August 2023. All shares issued under the DRP and DSSP 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 2023 was \$2.91 (before allowing for any dividend), up from \$2.62 at the end of the previous corresponding period (also before allowing for any dividend).
- > The Company will be providing an update on these results via a webcast for shareholders on 19 July at 3.30pm (AEST). Details are on the website mirra.com.au.
- > The 2023 AGM will be held at 1.30pm on Tuesday 3 October. Further details on location and how to participate will be sent to shareholders.

Portfolio Outperforms, Special Dividend Declared Full Year Report to 30 June 2023

Mirrabooka is an investor in small and mid-cap companies seeking to provide attractive income and capital growth over the medium to long term to shareholders at a low cost.

Full Year Profit was \$11.3 million, up from \$6.7 million in the corresponding period last year. The increase in profit was due to an increased contribution from investment income, which included a large special dividend from Oz Minerals. There was also a significant contribution from the Trading Portfolio primarily from a newly initiated holding in Medibank Private, and income from call option activity.

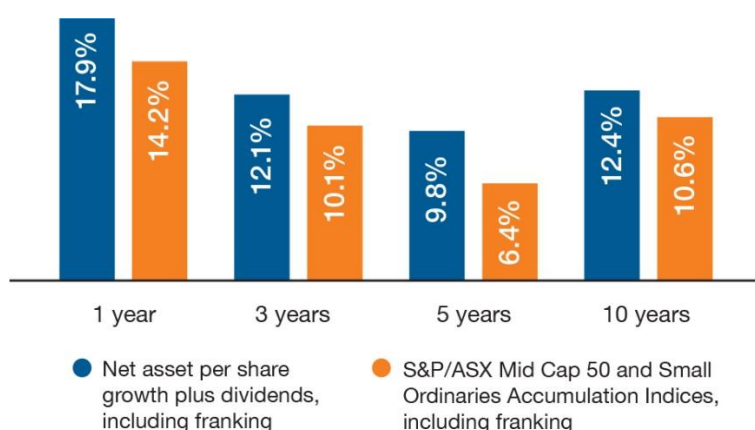
Adjustments made to the portfolio through the period produced realised gains after tax of \$16.6 million. In the corresponding period last year realised gains after tax were \$36.4 million.

The Company maintained the final dividend at 6.5 cents per share fully franked. A special fully franked dividend of 4.5 cents per share has also been declared following the strong realised capital gains for this and previous years. This brings total dividends for the year to 14.5 cents per share, fully franked. Last year total dividends were 12.0 cents per share, which included a 2.0 cent special dividend. Over the past 10 years Mirrabooka has paid in total 46.5 cents per share in fully franked special dividends.

The 12-month portfolio return for Mirrabooka including franking to 30 June 2023 was 17.9%. The combined S&P/ASX Mid Cap 50 and Small Ordinaries Accumulation benchmark return over the corresponding period, including franking, was 14.2%. This outperformance was driven by the strong performance across a number of holdings in the portfolio with the strongest contributors being IPD Group and Gentrack, which were up over 100% for the period and are now in our top 20 holdings. Performance was also achieved with little exposure to the more cyclical Mid Cap 50 Resources Accumulation Index which was up 33.3% over the financial year.

Long-term performance for Mirrabooka also remains very positive. Over 10 years to 30 June 2023 Mirrabooka's return is 12.4% per annum, versus 10.6% per annum for the benchmark. Both figures include the full benefit of franking with Mirrabooka's returns after costs.

Portfolio return (including the full benefit of franking and after costs) – per annum to 30 June 2023



Figures assume an investor can take full advantage of the franking credits.
Past performance is not indicative of future performance.

Market and Portfolio Commentary

Mirrabooka delivered a return for the financial year ended 30 June 2023 including the benefit of franking of 17.9 per cent. This outperformed the return for the S&P/ASX Mid Cap 50 and Small Ordinaries benchmark, which was 14.2 per cent including franking over the same period. Of note was the significant outperformance of Mirrabooka in the second half of the financial year which was seven percentage points higher than the benchmark when the benefit of franking is included.

We have been surprised by the continued resilience and strength in markets over the financial year. In the face of underlying inflation that remains well above central bank target levels and a significant squeeze in the disposable income of consumers across the developed world, we view current valuations following this market strength with some caution.

We have however been served well this financial year by our investment approach that sees us remain largely fully invested in quality companies, rather than adjusting our settings dramatically with a view that we can accurately pick near-term market direction.

Drivers of portfolio performance came from three key sources.

Firstly, recent portfolio additions IPD Group (an electrical components distributor) and Gentrack (software provider to utility customers) were bought at what now look like exceptional valuations as subsequent earnings growth has surpassed initial expectations.

Secondly, long-standing holdings Carsales.com and AUB Group have continued to deliver consistently attractive earnings growth and been rewarded with a lift in their valuations.

And finally, our patience as long-term investors focussed on company fundamentals was rewarded as we remained invested in Temple & Webster, Reece and Pinnacle Investment Management Group, all of which experienced strong share price recovery over the financial year.

Another notable feature of the year was the strength in contribution of the trading and options portfolio. Trading opportunities were identified in AMP early in the financial year, which was sold for a profit as expected developments played out, and

Medibank Private which was bought in late 2022 as market fears about the risk of its cyber breach saw valuation dislocate from fundamental fair value.

The selling of call options across selected holdings was also a stronger feature than is typical for Mirrabooka. This reflected a view that many significant portfolio positions experienced periods through the year where valuations became quite stretched. This allowed us to successfully capture option premium from counterparties prepared to position for further strength in these share prices.

Following the portfolio outperformance delivered in financial year 2023, Mirrabooka has outperformed its benchmark over all our commonly reported timeframes. We continue to focus most particularly on the 10-year measure as long-term investors, where we have delivered 12.4% per annum including franking versus our benchmark of 10.6% per annum.

Portfolio Adjustments

We continued to seek out new opportunities in the market throughout the financial year.

Of our most material purchases OFX (foreign currency provider to business and consumers), Ardent Leisure Group (Dreamworld theme park and significant cash holdings) and Vista Group (cinema software provider) were bought back into the portfolio following prior investment some years ago. This is not uncommon for us, as we actively meet with and follow many companies that we currently don't own or we may have previously sold, looking for value opportunities in businesses with sufficient quality and run by management that we trust.

Other material new additions were in Tourism Holdings (dominant campervan rental and sales business in Australia and New Zealand) and Lynas Rare Earths (largest producer of rare earths outside of China).

Our largest purchase overall was adding to our existing holding in IDP Education. Our assessment is that concern over recent regulatory increases in competition in their English Language Testing business has provided a buying opportunity for the compelling prospects it has as the global leader in placing international students in universities in Australia, Canada, the UK and the US.

Our most material sales saw the disposal in full of long-standing holdings IRESS, InvoCare (including into a takeover offer), NEXTDC and Ansell. In these instances, we observed a maturing business profile making future growth and return on capital look less compelling.

We also sold our successful investment in Oz Minerals into a takeover offer by BHP.

Outlook

Following the strong absolute and relative return we have seen from our portfolio over the 2023 calendar year to date, we are again somewhat cautious on the valuations we are observing. In many cases we don't feel that these valuations are fully reflecting the heightened near-term corporate earnings risk that we observe from the lagged impact of the recent increase in interest rates.

Taking a longer-term perspective, we continue to take very significant comfort from the quality of companies and management teams that we have invested Mirrabooka shareholder funds with. Reflecting on the significant volatility that buffeted these businesses through the pandemic and post-pandemic period, we have increased conviction in the quality of our portfolio and the ability of key holdings to successfully navigate a wide range of economic outcomes.

With our caution on valuation in some parts of our investment universe, we will maintain a close eye on the value on offer from new investment opportunities that we consider as we enter financial year 2024. This will see a patient approach as we await further market volatility, which seems likely considering the many unresolved macroeconomic risks that are likely to test markets in the near term.

Please direct any enquiries to:

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18 July 2023

Major Transactions in the Investment Portfolio

Acquisitions	Cost (\$million)
IDP Education	8.6
OFX Group	6.1
Tourism Holdings	6.1
Lynas Rare Earths	5.9

Disposals	Proceeds (\$million)
IRESS*	19.0
InvoCare*	10.6
Oz Minerals* (taken over by BHP)	10.4
NEXTDC*	9.0

*Complete Disposal

New Companies Added to the Investment Portfolio

OFX Group
 Tourism Holdings
 Lynas Rare Earths
 Ardent Leisure
 Vista Group
 Ampol
 Redox (IPO)
 Port of Tauranga
 Task Group
 Dropsuite
 LGI (IPO)

Top 20 Investments at 30 June 2023

Includes investments held in both the investment and trading portfolios.

Value at Closing Prices at 30 June 2023

		Total Value \$ Million	% of the Portfolio
1	Macquarie Technology Group	30.1	5.5%
2	Mainfreight	26.9	5.0%
3	Carsales.com*	19.6	3.6%
4	ARB Corporation	19.5	3.6%
5	IDP Education	15.2	2.8%
6	Reece*	14.6	2.7%
7	REA Group*	14.4	2.6%
8	Netwealth Group*	14.3	2.6%
9	ResMed	14.3	2.6%
10	Fisher & Paykel Healthcare Corporation*	13.9	2.6%
11	EQT Holdings	13.8	2.5%
12	Auckland International Airport	13.6	2.5%
13	ALS	13.5	2.5%
14	James Hardie Industries*	13.5	2.5%
15	AUB Group*	13.4	2.5%
16	Breville Group	12.3	2.3%
17	IPD Group	12.0	2.2%
18	Eagers Automotive*	11.8	2.2%
19	Gentrack Group	11.2	2.1%
20	Temple & Webster Group*	10.9	2.0%
Total		308.7	

As percentage of total portfolio value (excludes cash) **56.8%**

* Indicates that options were outstanding against part of the holding.

Portfolio Performance to 30 June 2023

Performance Measures to 30 June 2023	1 Year	3 Years % pa	5 Years % pa	10 Years % pa
Portfolio Return – Net Asset Backing Return Including Dividends Reinvested	15.9%	10.3%	7.6%	9.6%
<i>Combined S&P/ASX Mid 50 and Small Ordinaries Accumulation Index</i>	13.2%	9.4%	5.5%	9.7%
Portfolio Return – Net Asset Backing Gross Return Including Dividends Reinvested*	17.9%	12.1%	9.8%	12.4%
<i>Combined S&P/ASX Mid 50 and Small Ordinaries Accumulation Index*</i>	14.2%	10.1%	6.4%	10.6%

* 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.

Past performance is not indicative of future performance.

Mirrabooka Investments Limited

Annual Financial Statements

30 June 2023

Financial statements

Income Statement for the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Dividends and distributions	<u>A3</u>	11,218	10,320
Revenue from deposits and bank bills		527	7
Other revenue		5	9
Total revenue		11,750	10,336
Net gains/(losses) on trading portfolio		3,406	(951)
Income from options written portfolio		1,292	765
Income from operating activities		16,448	10,150
Borrowing expenses		(90)	(95)
Administration expenses	<u>B1</u>	(3,202)	(2,821)
Profit for the year before income tax		13,156	7,234
Income tax expense	<u>B2, E2</u>	(1,846)	(508)
Profit for the year		11,310	6,726
		Cents	Cents
Basic earnings per share	<u>A5</u>	5.92	3.76

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

Statement of Comprehensive Income for the Year Ended 30 June 2023

	Year to 30 June 2023			Year to 30 June 2022		
	Revenue ¹ \$'000	Capital ¹ \$'000	Total \$'000	Revenue ¹ \$'000	Capital ¹ \$'000	Total \$'000
Profit for the year	11,310	-	11,310	6,726	-	6,726
Other Comprehensive Income						
Gains/(losses) for the period on securities	-	72,909	72,909	-	(128,026)	(128,026)
Tax on above	-	(21,873)	(21,873)	-	38,747	38,747
Total Other Comprehensive Income	-	51,036	51,036	-	(89,279)	(89,279)
Total Comprehensive Income	11,310	51,036	62,346	6,726	(89,279)	(82,553)

¹ 'Capital' includes realised or unrealised gains or losses on securities in the investment 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 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash	<u>D1</u>	23,330	27,396
Receivables		470	2,839
Trading portfolio		10,442	5,470
Total current assets		34,242	35,705
Non-current assets			
Deferred tax assets	<u>E2</u>	-	94
Investment portfolio	<u>A2</u>	533,707	477,615
Total non-current assets		533,707	477,709
Total assets		567,949	513,414
Current liabilities			
Payables		2,562	2,185
Tax payable		6,469	13,885
Options Sold		1,097	33
Total current liabilities		10,128	16,103
Non-current liabilities			
Deferred tax liabilities – investment portfolio	<u>B2</u>	52,870	37,086
Deferred tax liabilities - other	<u>E2</u>	532	-
Total non-current liabilities		53,402	37,086
Total liabilities		63,530	53,189
Net Assets		504,419	460,225
Shareholders' equity			
Share capital	<u>A1, D5</u>	300,148	296,309
Revaluation reserve	<u>A1, D2</u>	100,338	65,900
Realised capital gains reserve	<u>A1, D3</u>	59,633	65,026
Retained profits	<u>A1, D4</u>	44,300	32,990
Total shareholders' equity		504,419	460,225

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

Statement of Changes in Equity for the Year Ended 30 June 2023

Year Ended 30 June 2023

	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		296,309	65,900	65,026	32,990	460,225
Dividends paid	<u>A4</u>	-	-	(21,991)	-	(21,991)
Shares issued under Dividend Reinvestment Plan	<u>D5</u>	3,856	-	-	-	3,856
Other share capital adjustments		(17)	-	-	-	(17)
Total transactions with shareholders		3,839	-	(21,991)	-	(18,152)
Profit for the year		-	-	-	11,310	11,310
Other Comprehensive Income (net of tax)						
Net gains for the period		-	51,036	-	-	51,036
Other Comprehensive Income for the year		-	51,036	-	-	51,036
Transfer to Realised Capital Gains of cumulative gains on investments sold		-	(16,598)	16,598	-	-
Total equity at the end of the year		300,148	100,338	59,633	44,300	504,419

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 2023 (continued)

Year Ended 30 June 2022

	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		250,948	191,540	49,018	26,264	517,770
Dividends paid	<u>A4</u>	-	-	(20,353)	-	(20,353)
Shares issued under Dividend Reinvestment Plan	<u>D5</u>	3,347	-	-	-	3,347
Shares issued under Share Purchase Plan	<u>D5</u>	42,101	-	-	-	42,101
Other share capital adjustments		(87)	-	-	-	(87)
Total transactions with shareholders		45,361	-	(20,353)	-	25,008
Profit for the year		-	-	-	6,726	6,726
Other Comprehensive Income (net of tax)						
Net losses for the period		-	(89,279)	-	-	(89,279)
Other Comprehensive Income for the year		-	(89,279)	-	-	(89,279)
Transfer to Realised Capital Gains of cumulative gains on investments sold		-	(36,361)	36,361	-	-
Total equity at the end of the year		296,309	65,900	65,026	32,990	460,225

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

Cash Flow Statement for the Year Ended 30 June 2023

		2023	2022
		\$'000	\$'000
	Note	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Sales from trading portfolio		12,541	7,446
Purchases for trading portfolio		(14,106)	(18,351)
Interest received		527	7
Proceeds from entering into options in options written portfolio		3,905	1,111
Payment to close out options in options written portfolio		(1,549)	(355)
Dividends and distributions received		11,029	9,279
		12,347	(863)
Other receipts		5	9
Administration expenses		(3,323)	(2,821)
Borrowing expenses		(90)	(95)
Income taxes paid		(310)	(162)
Net cash inflow/(outflow) from operating activities	<u>E1</u>	8,629	(3,932)
Cash flows from investing activities			
Sales from investment portfolio		104,655	134,866
Purchases for investment portfolio		(85,048)	(145,428)
Tax paid on capital gains		(14,150)	(10,944)
Net cash inflow/(outflow) from investing activities		5,457	(21,506)
Cash flows from financing activities			
Share issue under SPP		-	42,101
Share issue costs		(17)	(87)
Dividends paid		(18,135)	(17,006)
Net cash inflow/(outflow) from financing activities		(18,152)	25,008
Net increase/(decrease) in cash held		(4,066)	(430)
Cash at the beginning of the year		27,396	27,826
Cash at the end of the year	<u>D1</u>	23,330	27,396

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:

	2023 \$'000	2022 \$'000
Share capital	300,148	296,309
Revaluation reserve	100,338	65,900
Realised capital gains reserve	59,633	65,026
Retained profits	44,300	32,990
	504,419	460,225

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:

	2023 \$'000	2022 \$'000
Equity instruments (at market value)	533,707	477,615
	533,707	477,615

All options written by the Company and open at year end are call options. If all options were exercised (excluding options in the trading portfolio), this would lead to the sale of \$39.5 million worth of securities at an agreed price – the 'exposure' (2022: \$2.2 million).

\$8.0 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2022: \$7.0 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 Marketplacer which is Level 3). 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 2023 and 30 June 2022 were as follows:

	30 June 2023	30 June 2022
Net tangible asset backing per share	\$	\$
Before tax	2.91	2.62
After tax	2.63	2.42

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 from the investment portfolio, 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 \$102.4 million (2022 : \$138.5 million) of equity securities were sold. The cumulative gain on the sale of securities from the investment portfolio was \$16.6 million for the period after tax (2022: \$36.4 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 2023 is set out below.

	2023 \$'000	2022 \$'000
Dividends and distributions		
Securities held in investment portfolio at 30 June	9,105	8,572
Investment securities sold during the year	1,984	1,543
Securities held in trading portfolio at 30 June	122	-
Trading securities sold during the year	7	205
	<u>11,218</u>	<u>10,320</u>

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	2023 \$'000	2022 \$'000
Net realised gains/(losses) from trading portfolio	1,853	(402)
Realised gains/(losses) on options written portfolio	1,379	762
Unrealised gains/(losses) from trading portfolio	1,553	(549)
Unrealised gains/(losses) from options written portfolio	(87)	3
	<u>4,698</u>	<u>(186)</u>

A4 Dividends paid

The dividends paid and payable for the year ended 30 June 2023 are shown below:

	2023 \$'000	2022 \$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2022 of 6.5 cents fully franked and a special dividend of 2 cents fully franked paid on 17 August 2022 (3.25 cents and 1 cent for the MIRNB shares) (2022: 6.5 cents fully franked and a special dividend of 2 cents full franked paid on 17 August 2021)	15,392	14,251
Interim dividend for the year ended 30 June 2023 of 3.5 cents per share fully franked paid 17 February 2023 (2022: 3.5 cents fully franked paid 17 February 2022)	6,599	6,102
	21,991	20,353
Dividends paid in cash	18,135	17,006
Dividends reinvested in shares	3,856	3,347
	21,991	20,353
(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	32,617	32,131
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(9,031)	(6,672)
Net available	23,586	25,459
These franking account balances would allow Mirrabooka to frank additional dividend payments (at a franking rate of 30%) up to an amount of:	55,034	59,404
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 30% and a 4.5 cents special dividend, also fully franked. The aggregate amount of the final and special dividends for the year to 30 June 2023 to be paid on 17 August 2023, but not recognised as a liability at the end of the financial year is:	21,073	

(d) Listed Investment Company capital gain account

	2023	2022
	\$'000	\$'000
Balance of the Listed Investment Company (LIC) capital gain account	44,621	52,403
This equates to an attributable amount of	63,744	74,861

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. \$30.1 million of the attributable amount will be paid out as part of the final and special dividends on 17 August 2023.

A5 Earnings per share

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

Basic Earnings per share	2023	2022
	Number	Number
Weighted average number of ordinary shares used as the denominator	191,145,170	178,934,861
	\$'000	\$'000
Profit for the year	11,310	6,726
	Cents	Cents
Basic earnings per share	5.92	3.76

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:

	2023 \$'000	2022 \$'000
Administration fees paid to AICS	(2,058)	(1,702)
Other administration expenses	(1,144)	(1,119)
	<u>(3,202)</u>	<u>(2,821)</u>

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 and the provision of key personnel.

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 \$
2023			
Directors	401,890	42,199	444,089
2022			
Directors	449,746	45,086	494,832

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% (2022 : 30%).

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

	2023 \$'000	2022 \$'000
Net profit before income tax expense	13,156	7,234
Tax at the Australian tax rate of 30% (2022 – 30%)	3,947	2,170
Tax offset for franked dividends received	(2,099)	(2,003)
Trading losses treated as capital	-	340
Tax effect of sundry items taxable but not included in income or not taxable in the current year	(2)	18
	1,846	525
Over provision in prior years	-	(17)
Total tax expense	1,846	508

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 2023 is 30% (30 June 2022 : 30%).

	2023 \$'000	2022 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	52,870	37,086
Opening balance at 1 July	37,086	89,985
Tax on realised gains (at 30%)	(6,089)	(14,152)
Charged to OCI for ordinary securities on gains or losses for the period	21,873	(38,747)
	52,870	37,086

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 \$18.7 million and \$37.4 million respectively, at a tax rate of 30% (2022 : \$16.7 million & \$33.4 million).

A general fall in market prices of 5% and 10%, if spread equally over the liabilities in the options portfolio, would be immaterial (2022 : immaterial).

A general fall in market prices of 5% and 10%, if spread equally over the assets in the trading portfolio, would have led to a reduction in net profit of \$365,500 and \$731,000 at a tax rate of 30% (2022 : \$191,000 and \$383,000).

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:

	2023	2022
Energy	1.69%	2.66%
Materials	3.36%	3.40%
Industrials	23.10%	18.05%
Consumer Discretionary	17.93%	17.56%
Consumer Staples	0.07%	0.28%
Healthcare	7.23%	9.00%
Financials	15.72%	13.30%
Real Estate	2.74%	3.47%
Info Technology & Telecoms	24.04%	26.91%
Cash	4.12%	5.37%

There was one investment representing over 5% of the investment portfolio at 30 June 2023 – Macquarie Technology (formerly Macquarie Telecom) (5.5%) (2022: Two : Mainfreight (5.8%) and Macquarie Telecom (5.4%))

Mirrabooka is not currently materially exposed to interest rate risk as the majority of its cash investments are in an over-night 'at call' account invested in cash management trusts which invest predominantly in securities with an A1+ rating which are for fixed rates for short-term duration. 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 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. Receivables also include dividends from securities that have passed the record date for the distribution but have not been paid as at balance date.

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. As at 30 June 2023, no such investments are held (2022 : Nil).

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 2023

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

2,562

-

-

2,562

2,562

2,562

-

-

2,562

2,562

30 June 2022

Non-derivatives

Payables

2,185

-

-

2,185

2,185

2,185

-

-

2,185

2,185

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

C1 Contingencies

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

Further notes to the financial statements are included here. These are grouped into three sections:

- D Balance sheet reconciliations
- E Income statement reconciliations
- F Further 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

	2023 \$'000	2022 \$'000
Cash at bank	503	499
Cash Management Trusts	22,827	26,897
	<u>23,330</u>	<u>27,396</u>

Cash holdings yielded an average floating interest rate of 2.97% (2022: 0.08%). 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.

The Company also has access to a \$10 million liquidity facility with the Commonwealth Bank of Australia, which expires in May 2025. It remains undrawn at balance date.

D2 Revaluation reserve

	2023 \$'000	2022 \$'000
Opening balance at 1 July	65,900	191,540
Gains/(losses) on investment portfolio		
- Equity Instruments	72,909	(128,026)
Provision for tax on above	(21,873)	38,747
Cumulative taxable realised (gains)/losses (net of tax)	(16,598)	(36,361)
	<u>100,338</u>	<u>65,900</u>

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

	2023 \$'000	2022 \$'000
Opening balance at 1 July	65,026	49,018
Dividends paid	(21,991)	(20,353)
Cumulative taxable realised gains for period through OCI (net of tax)	16,598	36,361
	59,633	65,026

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

	2023 \$'000	2022 \$'000
Opening balance at 1 July	32,990	26,264
Dividends paid	-	-
Profit for the year	11,310	6,726
	44,300	32,990

This reserve relates to past profits.

D5 Share capital

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
1/7/2021	Balance		175,194		250,948
17/8/2021	Dividend Reinvestment Plan	i	622	3.70	2,304
17/8/2021	Dividend Substitution Share Plan	ii	29	3.70	n/a
17/2/2022	Dividend Reinvestment Plan	i	286	3.64	1,043
17/2/2022	Dividend Substitution Share Plan	ii	15	3.64	n/a
11/4/2022	Share Purchase Plan	iii	13,987	3.01	42,101
Various	Costs of issue				(87)
30/6/2022	Balance		190,133		296,309
17/8/2022	Dividend Reinvestment Plan	i	909	2.94	2,673
17/8/2022	Dividend Substitution Share Plan	ii	60	2.94	n/a
17/2/2023	Dividend Reinvestment Plan	i	435	2.72	1,183
17/2/2023	Dividend Substitution Share Plan	ii	33	2.72	n/a
Various	Costs of issue		-		(17)
30/6/2023	Balance		191,570		300,148

- 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.

- ii. The Company has a Dividend Substitution Share Plan (DSSP) whereby shareholders may elect to forgo a dividend and receive shares instead. Pricing for the DSSP shares is done as per the DRP shares.
- iii. The Company had a Share Purchase Plan ("SPP") during the previous period. Shareholders could apply for up to \$30,000 worth of new securities. Shares were issued at a 10% discount to the 5-day VWAP calculated up to and including the day on which the SPP closed (4 April 2022). New shares issued under the SPP were given the code MIRNB and were entitled to 50% of the final dividend paid on 17 August 2022, and converted into ordinary shares on the ex-dividend date of 27 July 2022.

All shares have been fully paid, rank pari passu (except as related to dividends as noted above) and have no par value.

E Income statement reconciliations

E1 Reconciliation of net cash flows from operating activities to profit

	2023	2022
	\$'000	\$'000
Profit for the year	11,310	6,726
Net decrease (increase) in trading portfolio	(4,972)	(1,820)
Sale of stock from trading portfolio to investment portfolio	-	(8,854)
Increase (decrease) in options sold portfolio	1,064	(8)
Dividends received as securities under DRP investments	-	-
Decrease (increase) in current receivables	2,369	(2,477)
- Less (decrease) increase in receivables for investment portfolio	(2,291)	2,373
Increase (decrease) in deferred tax liabilities	16,410	(52,987)
- Less (increase) decrease in deferred tax liability on investment portfolio	(15,784)	52,899
Increase (decrease) in current payables	377	2,004
- Less decrease (increase) in payables for investment portfolio	(501)	(2,000)
Increase (decrease) in provision for tax payable	(7,416)	3,420
- Less CGT provision	(6,089)	(14,152)
- Add taxes paid on capital gains	14,152	10,944
Net cash flows from operating activities	8,629	(3,932)

E2 Tax reconciliations

	2023	2022
	\$'000	\$'000
Tax expense composition		
Charge for tax payable relating to the current year	1,220	613
Over provision in prior years	-	(17)
(Increase) decrease in deferred tax assets	626	(88)
	1,846	508

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	21,873	(38,747)
	21,873	(38,747)

Deferred tax assets & liabilities

The deferred tax balances are attributable to:

	2023	2022
	\$'000	\$'000
(a) Tax on unrealised gains or losses in the trading portfolio	(466)	165
(b) Tax on unrealised gains/losses in the options written portfolio	25	(1)
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	18	53
(d) Interest and dividend income receivable which is not assessable for tax until receipt	(109)	(123)
	(532)	94

Movements:

Opening asset balance at 1 July	94	6
Credited/(charged) to Income statement	(626)	88
	(532)	94

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% (2022 : 30%).

F Further information

This section covers 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. The only such transactions were in connection with the services provided by AICS (see B1).

F2 Remuneration of auditors

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

	2023	2022
	\$	\$
PricewaterhouseCoopers		
Audit or review of financial reports	82,647	76,194
<u>Permitted Non-Audit Services</u>		
Taxation compliance services (including review of tax balances)	64,247	48,049
Total remuneration	146,894	124,243

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 no investments comprising more than 10% of Mirrabooka's income, including realised income from the trading and options written portfolios (2022: 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 in accordance with a resolution of the Board and is presented in the Australian currency. The directors of Mirrabooka have 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 2023 ("the inoperative standards"). 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.