**ABERDEEN LEADERS LIMITED**

**ABN: 25 003 236 173**

**RESULTS ANNOUNCEMENT**
**FOR THE YEAR ENDED 30 JUNE 2014**

# CONTENTS



The Appendix 4E Accounts have been audited.

**Gil Orski**
**Company Secretary** **18 August 2014**


**Aberdeen Leaders Limited**
GPO Box 4306, Sydney NSW 2001
Telephone: +61 (0)2 9950 2888 Fax: +61 (0)2 9950 2800
aberdeenasset.com.au



Aberdeen Leaders Limited ABN 25 003 236 173 is managed by Aberdeen Asset Management Limited, a member of the Aberdeen Asset Management Group of Companies.

# Aberdeen Leaders Limited
# Appendix 4E
# Preliminary Final Report
# Year ended 30 June 2014

Results for announcement to the market

| | | | | $'000 |
|---|---|---|---|---|
| Revenue for ordinary activities (2013: $4,277) | Down | 0.42% | to | 4,259 |
| Net profit before tax benefit for the period attributable to members (2013: $1,247 profit) | Up | 5.29% | to | 1,313 |
| Net profit after tax benefit (from ordinary activities) for the period attributable to members (2013: $1,794 profit) | Up | 2.79% | to | 1,844 |

Distributions

| Ex date | Record date | Payment date | Dividend amount (cents per share) | Percentage Franked |
|---|---|---|---|---|
| 8 Oct 13 | 14 Oct 13 | 1 Nov 13 | 1.75 | 100% |
| 7 Jan 14 | 13 Jan 14 | 31 Jan 14 | 1.75 | 100% |
| 1 Apr 14 | 7 Apr 14 | 1 May 14 | 1.50 | 100% |
| 26 Jun 14 | 30 Jun 14 | 31 Jul 14 | 2.00 | 100% |

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| Net tangible asset before tax (per share) | **1.16** | 1.08 |
| Dividend paid for year (fully franked) (cents per share) | **7.00** | 9.50 |

*The Company's financial health is measured by its net tangible assets, not by accounting profits. The increase or decrease in realised gains in any period should be taken into account when reviewing actual or percentage changes in income and profit in any period for an investment company.*

**ALR CHAIRMAN'S STATEMENT JUNE 2014**

Dear Shareholder

I'm pleased to say that for the year to 30 June 2014 the Australian share market showed a positive return for the second consecutive year, with the S&P/ASX200 Accumulation Index (our benchmark) returning 17.43 per cent. Similarly to last year the returns were characterised by two halves. The first half of the year was strong, with the benchmark up 13.97 per cent, followed by a more muted second half up, 3.04 per cent.

Interest rates started the financial year at 2.75%, but were reduced in August 2013 by the Reserve Bank of Australia (RBA) to the current level of 2.50%. The start of the financial year also saw the Australian dollar sitting at 91.40c against the US dollar and, although the Governor of the RBA has continued to comment that the Australian dollar is too high, it finished at a relatively similar level of 93.95c at 30 June 2014. Most economists are not predicting any rise in the Australian cash rate in the near future and the relative strength of our dollar continues to have a detrimental impact on some industries. Another factor affecting certain sectors is the relatively high cost of doing business in Australia, especially as a result of high wages and red tape. Company results announced during the year were characterised as benefitting from reduced interest expense, either from lower borrowing levels or cost of service, and cost cutting by companies. Although the Materials sector was affected by lower realised commodity prices, the ramp up in production (especially iron ore) resulted in the sector as a whole performing broadly in line with the stock market. Capital expenditure by companies in general remains muted. Cash deposits remain the major source of funding for the big four Australian banks and deposit growth continues to outstrip loan growth.

September's federal election saw a change in Government. The incoming Coalition flagged significant changes to policy, although some of these are yet to be passed, with the lack of a clear majority in the Senate inhibiting policy changes. In its first budget in May the Government introduced strong measures to reduce spending and increase taxes, which have negatively impacted consumer confidence.

Our Company's returns were positive this year, with gross assets up 11.52 per cent, although there was underperformance relative to the index which occurred in the first half of the financial year.

Profit after tax for the current year was $1.84 million, a slight rise over last year.

As at 30 June 2014, the NTA per share stood at $1.16, up $0.08 on the same time last year ($1.08). Net of deferred tax on unrealised gains, the NTA stood at $1.11 per share. The share price closed at $1.23, representing an annual return of 6.43% when factoring dividends paid during the year.

As at 30 June 2014 the share price stood at a significant premium to both pre- and post-tax NTA.

**Final Dividend**

A final dividend of 2 cents per share was paid on 31 July 2014, resulting in an aggregate dividend of 7 cents per share for the year (fully franked) – a reduced dividend on the prior year, partly as a result of lower realised gains from the portfolio and utilisation of retained earnings from earlier years.

Based on the dividends paid over the previous 12 months this equates to a yield of 5.69 per cent (8.13 per cent gross of franking credits) on the closing share price at 30 June 2014. The Board will continue to review the level of future dividends payable in light of market conditions, the level of dividends received from the investment portfolio, and realised gains on investments.

## Dividend Reinvestment Plan

I would like to remind investors of the Company's Dividend Reinvestment Plan (DRP) which allows eligible shareholders to have their dividends automatically reinvested in the Company. If you would like to participate in the DRP, or would like more information, please phone 02 9290 9600 and we will mail you a DRP booklet containing the relevant information.

## Outlook

The new financial year has started positively, with the share market posting strong gains in July, ahead of reporting season. After a somewhat contractionary budget, we remain cautiously optimistic despite recent weaker retail sales and signs of weaker consumer sentiment. There are early signs of recovery in certain non-resource sectors (such as housing), buoyed by the strength of the highly profitable and adequately capitalised Australian banking sector (compared to both Europe and the US). We will be watching the upcoming results season for any signs of top-line growth rather than cost cuts. We remain firm in our belief that Australian investors will benefit in the long term by sticking to well-managed companies which are underpinned by the strength of their balance sheets and cash flows.

**Brian Sherman AM** **August 2014**

**Chairman**

**MANAGER'S REVIEW**

The Portfolio had another positive year, returning 11.52%, although this was lower than the benchmark (S&P/ASX200 Accumulation Index) return of 17.43%. Most of the relative underperformance occurred in the first half of the financial year and, as mentioned in the December 2013 half-yearly review, was largely due to stock specific issues and the underweight to utilities. In the second half of the year the Portfolio's performance broadly matched the benchmark.

During the year we sold out of our small holdings in David Jones and Newcrest Mining. We increased our weightings to Australian Stock Exchange, Woolworths, Woodside Petroleum, Cochlear, CSL, and SingTel, and reduced our weightings, in varying degrees, to WorleyParsons and Rio Tinto. Towards the end of June the demerger of Westfield Group into its component parts resulted in the creation of two separate holdings, namely Scentre Group and Westfield Corp.

The table below identifies the major positive and negative contributions to performance relative to the benchmark over the twelve months to 30 June 2014:

| **Top 5 Contributors** | | **12 months** | | **Top 5 Detractors** | | **12 months** |
|---|---|---|---|---|---|---|
| **Stock** | **Rel. Weight*** | **Contribution** | | **Stock** | **Rel. Weight*** | **Contribution** |
| AMP | 3.29% | 0.39% | | QBE Insurance | 2.91% | -1.84% |
| Wesfarmers | -3.59% | 0.21% | | Coca-Cola Amatil | 3.37% | -1.39% |
| Computershare | 2.58% | 0.19% | | WorleyParsons | 0.26% | -0.58% |
| SP AusNet | 3.71% | 0.19% | | Westfield Group | 3.37% | -0.48% |
| Woodside Petroleum | 1.81% | 0.13% | | Macquarie Group | -1.44% | -0.40% |

* Relative weights are at 30 June only and may differ during the period

AMP Limited was our biggest contributor during the year and not holding Wesfarmers also contributed positively, closely followed by our holding in Computershare, for the second year running. QBE Insurance was the biggest detractor from performance for the year following a profit warning in December. Coca-Cola Amatil also detracted from performance after it issued a profit warning on the back of weak sales in Australia. This was due to the impact of PepsiCo seeking market share and currency effects impacting Coca-Cola's Indonesian operations.

The best performing sectors over the financial year were Financials, Information Technology and Energy. We were underweight the banking sector, primarily from a valuation perspective but also because we expected to see an uptick in loan provisions which has not yet eventuated. Relative underperformance came from Consumer Staples, where our largest exposure Woolworths, and Coca-Cola Amatil, underperformed the benchmark. Healthcare also underperformed as did the Utilities sector, although our holding in SP AusNet stood us in good stead.

The first month of the new financial year has begun positively for the Australian share market. In the run up to reporting season we have not heard many "confessions" from companies. The exception has been the retail sector where weak consumer sentiment following the federal budget has impacted sales. The relatively strong Australian dollar is still hurting businesses with significant overseas earnings, despite the RBA trying to talk its value down, and we feel it is unlikely that the RBA will increase the cash rate any time soon. We will be monitoring the up-coming results announcements for any signs of revenue growth and still expect to see continued cost cuts in the results. We do not feel that the market is particularly expensive at current levels, but would like to see some growth in the bottom line of some companies to justify valuations.

We continue to believe that identifying good quality companies at reasonable valuations and holding them for the long term will provide good returns in the long run.

**Aberdeen Asset Management Limited** **August 2014**

## Investment Portfolio and Sector Analysis

30-Jun-14

| Sector | Company | Quantity | Market Vaule $ | % |
|---|---|---|---|---|
| CONSUMER DISCRETIONARY | Tattersall's Limited | 514,300 | 1,671,475.00 | 1.70 |
| | | | **1,671,475.00** | 1.70 |
| CONSUMER STAPLES | Coca-Cola Amatil | 389,800 | 3,683,610.00 | 3.75 |
| | Woolworths Limited | 156,300 | 5,504,886.00 | 5.61 |
| | | | **9,188,496.00** | 9.36 |
| ENERGY | Caltex Australia | 66,300 | 1,415,505.00 | 1.44 |
| | Worley Group | 31,000 | 528,550.00 | 0.54 |
| | Woodside Petroleum | 95,500 | 3,920,275.00 | 3.99 |
| | | | **5,864,330.00** | 5.97 |
| HEALTHCARE | Cochlear Limited | 33,400 | 2,054,100.00 | 2.09 |
| | CSL Limited | 62,900 | 4,183,479.00 | 4.26 |
| | | | **6,237,579.00** | 6.35 |
| INFORMATION TECHNOLOGY | Computershare | 241,100 | 2,987,229.00 | 3.04 |
| | | | **2,987,229.00** | 3.04 |
| MATERIALS | BHP Billiton Limited | 310,500 | 11,143,845.00 | 11.35 |
| | Incitec Pivot Limited | 528,900 | 1,528,521.00 | 1.56 |
| | Orica Limited | 85,900 | 1,665,601.00 | 1.70 |
| | Rio Tinto | 110,200 | 6,529,350.00 | 6.65 |
| | | | **20,867,317.00** | 21.25 |
| PROPERTY TRUSTS | Westfield Corp Npv Stapled U | 532,500 | 3,807,375.00 | 3.88 |
| | Scentre Grp Npv | 663,495 | 2,116,549.05 | 2.16 |
| | | | **5,923,924.05** | 6.03 |
| TELECOMMUNICATION SERVICES | Singapore Telecommunicatio | 1,489,900 | 4,871,973.00 | 4.96 |
| | | | **4,871,973.00** | 4.96 |
| UTILITIES | AGL Energy Limited | 252,500 | 3,901,125.00 | 3.97 |
| | SP Ausnet | 2,873,800 | 3,807,785.00 | 3.88 |
| | | | **7,708,910.00** | 7.85 |
| FINANCIALS EX PROPERTY TRUSTS | ANZ Banking Group | 191,000 | 6,366,030.00 | 6.48 |
| | Australian Stock Exchange | 130,300 | 4,633,468.00 | 4.72 |
| | AMP LTD | 828,100 | 4,388,930.00 | 4.47 |
| | Commonwealth Bank | 80,700 | 6,527,016.00 | 6.65 |
| | QBE Insurance Group | 356,000 | 3,866,160.00 | 3.94 |
| | Westpac Banking Corp | 114,800 | 3,888,276.00 | 3.96 |
| | | | **29,669,880.00** | 30.21 |
| | | | | |
| Equity Total | | | 94,991,113.05 | 96.73 |
| Net Liquidity Including dtl | | | 3,210,791.48 | 3.27 |
| Total Assets excluding Debt | | | 98,201,904.53 | 100.00 |
| Loan Facility | | | 30,000,000.00 | 30.55 |
| Total Equity | | | 68,201,904.53 | 69.45 |

**ABERDEEN LEADERS LIMITED**

**ABN: 25 003 236 173**

**APPENDIX 4E FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2014**

## CONTENTS



**18 August 2014**


**Aberdeen Leaders Limited**
GPO Box 4306, Sydney NSW 2001
Telephone: +61 (0)2 9950 2888 Fax: +61 (0)2 9950 2800
aberdeenasset.com.au



Aberdeen Leaders Limited ABN 25 003 236 173 is managed by Aberdeen Asset Management Limited, a member of the Aberdeen Asset Management Group of Companies.

| | Notes | **Year ended** **2014** **$'000** | 2013 $'000 |
|---|---|---|---|
| **Investment income from continuing operations** | 7 | **4,259** | 4,277 |
| **Expenses** | | | |
| Management fees | 24 | **(1,071)** | (1,057) |
| Share registry fees | | **(83)** | (90) |
| Custody fees | | **(106)** | (97) |
| Tax fees | 22 | **(8)** | (5) |
| Directors' liability insurance fees | | **(42)** | (45) |
| Legal fees | | **-** | (1) |
| Directors' fees | 21 | **(189)** | (164) |
| ASX fees | | **(55)** | (44) |
| Audit fees | 22 | **(65)** | (65) |
| Other expenses | | **(35)** | (40) |
| Finance costs | | **(1,292)** | (1,422) |
| | | **(2,946)** | (3,030) |
| **Profit before income tax** | | **1,313** | 1,247 |
| Income tax benefit | 8(a) | **531** | 547 |
| **Net profit for the year** | | **1,844** | 1,794 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Changes in the fair value of cash flow hedges | 19(a) | **(265)** | - |
| Income tax relating to changes in fair value of cash flow hedges | 8(c) | **79** | - |
| *Items that will not be reclassified to profit or loss* | | | |
| Net unrealised gains on investments taken to equity | 19(a) | **8,972** | 7,162 |
| Income tax relating to unrealised gains on investments taken to equity | 8(c) | **(2,692)** | (2,148) |
| Net realised (losses)/gains on investments taken to equity | 19(a) | **(2,350)** | 2,549 |
| Income tax benefit/(expense) relating to realised gains on investments taken to equity | 8(c) | **705** | (765) |
| **Other comprehensive income for the year, net of tax** | | **4,449** | 6,798 |
| **Total comprehensive income for the year** | | **6,293** | 8,592 |
| | | **Cents** | Cents |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (excluding all net gains/(losses) on investments):** | | | |
| Basic earnings per share | 28 | **3.02** | 2.97 |
| Diluted earnings per share | 28 | **3.02** | 2.97 |

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

| | Notes | At 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | **3,096** | 1,083 |
| Trade and other receivables | 10 | **1,425** | 1,211 |
| Other current assets | 11 | **34** | 35 |
| **Total current assets** | | **4,555** | 2,329 |
| **Non-current assets** | | | |
| Financial assets at fair value through other comprehensive income | 4, 13 | **94,991** | 93,704 |
| Deferred tax assets | 14 | **3,763** | 2,462 |
| **Total non-current assets** | | **98,754** | 96,166 |
| **Total assets** | | **103,309** | 98,495 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **386** | 276 |
| Dividends payable | | **1,227** | 2,276 |
| **Total current liabilities** | | **1,613** | 2,552 |
| **Non-current liabilities** | | | |
| Borrowings | 16 | **30,000** | 30,000 |
| Derivative financial instruments | 4, 12 | **265** | - |
| Deferred tax liabilities | 17 | **3,230** | 554 |
| **Total non-current liabilities** | | **33,495** | 30,554 |
| **Total liabilities** | | **35,108** | 33,106 |
| **Net assets** | | **68,201** | 65,389 |
| **EQUITY** | | | |
| Issued capital | 18 | **58,809** | 58,009 |
| Reserves | 19(a) | **7,152** | 1,058 |
| Retained earnings | 19(b) | **2,240** | 6,322 |
| **Total equity** | | **68,201** | 65,389 |

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

| | Notes | **Issued capital $'000** | **Reserves $'000** | **Retained earnings $'000** | **Total equity $'000** |
|---|---|---|---|---|---|
| **Balance at 1 July 2012** | | 57,661 | (3,956) | 8,496 | 62,201 |
| Net profit for the year | | - | - | 1,794 | 1,794 |
| **Other comprehensive income for the year** | | | | | |
| Net unrealised gains on investments taken to equity | | - | 7,162 | - | 7,162 |
| Net realised gains/losses on investments taken to equity | | - | 2,549 | - | 2,549 |
| Net income tax relating to these items | | - | (2,913) | - | (2,913) |
| **Total other comprehensive income for the year, net of tax** | | - | 6,798 | - | 6,798 |
| **Total comprehensive income for the year** | | **-** | **6,798** | **1,794** | **8,592** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Net realised gains/losses transferred to retained earnings (net of income tax) | | - | (1,784) | 1,784 | - |
| Contributions of equity | 18 | 349 | - | - | 349 |
| Buy-back of ordinary shares, net of tax | 18 | (1) | - | - | (1) |
| Dividends provided for or paid | 20 | - | - | (5,752) | (5,752) |
| | | 348 | (1,784) | (3,968) | (5,404) |
| Balance at 30 June 2013 | | **58,009** | **1,058** | **6,322** | **65,389** |
| **Balance at 1 July 2013** | | 58,009 | 1,058 | 6,322 | 65,389 |
| Net profit for the year | | - | - | 1,844 | 1,844 |
| **Other comprehensive income for the year** | | | | | |
| Changes in fair value of cash flow hedges | | - | (265) | - | (265) |
| Net unrealised gains/losses on investments taken to equity | | - | 8,972 | - | 8,972 |
| Net realised gains/losses on investments taken to equity | | - | (2,350) | - | (2,350) |
| Net income tax relating to these items | | - | (1,908) | - | (1,908) |
| **Total other comprehensive income for the year, net of tax** | | - | 4,449 | - | 4,449 |
| **Total comprehensive income for the year** | | **-** | **4,449** | **1,844** | **6,293** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Net realised gains/losses transferred to retained earnings (net of income tax) | | - | 1,645 | (1,645) | - |
| Contributions of equity | 18 | 800 | - | - | 800 |
| Dividends provided for or paid | 20 | - | - | (4,281) | (4,281) |
| | | 800 | 1,645 | (5,926) | (3,481) |
| Balance at 30 June 2014 | | **58,809** | **7,152** | **2,240** | **68,201** |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

| | Notes | Year ended 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Dividends and trust distributions received | | **4,099** | 4,191 |
| Interest received | | **64** | 91 |
| Management fees paid | | **(970)** | (1,145) |
| Finance costs paid | | **(1,319)** | (2,023) |
| Payments for other expenses | | **(557)** | (532) |
| **Net cash inflow from operating activities** | 26 | **1,317** | 582 |
| **Cash flows from investing activities** | | | |
| Payments for purchase of investments | | **(11,440)** | (15,535) |
| Proceeds from sale of investments | | **16,666** | 17,972 |
| **Net cash inflow from investing activities** | | **5,226** | 2,437 |
| **Cash flows from financing activities** | | | |
| Share issue and buy-back transaction costs | | **-** | (1) |
| Dividends paid | | **(4,530)** | (5,393) |
| **Net cash outflow from financing activities** | | **(4,530)** | (5,394) |
| **Net increase/(decrease) in cash and cash equivalents** | | **2,013** | (2,375) |
| Cash and cash equivalents at the beginning of the year | | **1,083** | 3,458 |
| **Cash and cash equivalents at the end of the year** | 9 | **3,096** | 1,083 |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## 1 General information

Aberdeen Leaders Limited (the "Company") is a listed public company domiciled in Australia. The address of Aberdeen Leaders Limited's registered office is Level 6, 201 Kent Street, Sydney NSW, 2000. The financial statements of Aberdeen Leaders Limited are for the year ended 30 June 2014. The Company is primarily involved in making investments, and deriving revenue and investment income from listed securities and unit trusts in Australia.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity Aberdeen Leaders Limited.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Aberdeen Leaders Limited is a for-profit entity for the purpose of preparing the financial statements.

The Financial Statements were authorised for issue by the directors on 18 August 2014.

*(i) Compliance with IFRS*

The financial statements of the Aberdeen Leaders Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*(ii) New and amended standards adopted by the Company*

The Company has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2013:

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

*Change in accounting policy: fair value measurement*

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

The Company has adopted AASB 13 *Fair Value Measurement* with effect from 1 July 2013. As a result, the Company has adopted a new definition of fair value, as set out below. The change had no material impact on the measurement of the Company's assets and liabilities. However the Company has included new disclosures in the financial statements which are required under AASB 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

*(ii) New and amended standards adopted by the Company (continued)*

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value of neither a quoted price in an active market for identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instruments are initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

AASB 13 removes the requirement to use bid/ask prices for actively quoted financial instruments. Rather the most representative price within the bid/ask spread is used. Management has elected to continue using bid price consistent with its securities pricing policy and prior years.

*Offsetting financial instruments*

The Company has applied the amendments to AASB 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

*(iii) Historical cost convention*

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income.

*(iv) Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

### (b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

*(i) Investment income*

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the year they are incurred in accordance with the policies described in Note 2(g).

*(ii) Dividends and trust distributions*

Dividends and trust distributions are recognised as revenue when the right to receive payment is established.

*(iii) Interest income*

Interest income is recognised using the effective interest method.

## 2 Summary of significant accounting policies (continued)

### (c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (d) Impairment of assets

Assets excluding investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses.

### (e) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

## 2 Summary of significant accounting policies (continued)

### (f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

### (g) Investments and other financial assets

***Classification***
*(i) Financial assets at fair value through other comprehensive income*

The Company has designated long-term investments as "fair value through other comprehensive income". All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive Income.

***Recognition and derecognition***
Purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

***Measurement***
At initial recognition, the Company measures its financial assets and liabilities at fair value.

Transaction costs of financial assets carried at fair value through other comprehensive income are directly attributable to the acquisition of the financial asset.

Subsequent changes in fair value are recognised through the investment portfolio revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long-term holding of equity investments.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to retained earnings.

***Determination of Fair Value***
AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value measurements is discussed in Note 2(a)(ii).

Under AASB 13, if an investment has a bid price and an ask price, the price within the bid-ask spread that is more representative of fair value in the circumstances shall be used to measure fair value. Accordingly, the Company uses the last bid price as a basis of measuring fair value.

## 2 Summary of significant accounting policies (continued)

### (g) Investments and other financial assets (continued)

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Company is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Company recognises the difference in profit or loss to reflect a change in factors, including time that market participants would consider in setting a price.

Further details on how the fair value of financial instruments are determined are discussed in Note 4.

### (h) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates derivatives as:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 12. Movements in the hedging reserve in shareholder's equity are shown in Note 19.

*(i) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

## 2 Summary of significant accounting policies (continued)

### (i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### (j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (l) Finance costs

Finance costs are recognised as expenses in the year in which they are incurred using the effective interest rate method.

### (m) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### (n) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 2 Summary of significant accounting policies (continued)

### (o) Earnings per share

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (q) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### (r) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

### (s) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

## 2 Summary of significant accounting policies (continued)

### (t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not yet been applied in the financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

*(i)* AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (effective for annual reporting periods beginning on or after 1 January 2014)

AASB 2012-3 clarifies the offsetting criteria in AASB 132 *Financial Instruments: Presentation* and address inconsistencies in their application. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement arrangements may be considered equivalent to net settlement. The standard is effective for annual reporting periods beginning on or after 1 January 2014. The Directors do not expect this to have a significant impact on the Company’s financial statements.

There are no standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks. The Company uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

The Board has delegated the risk management statement and the quarterly review of all risk issues to the Risk and Compliance Committee which comprises two independent non-executive Directors who have the appropriate technical expertise and experience to carry out the Committee’s responsibilities. The committee generally meets quarterly.

### (a) Market risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

*(i) Foreign exchange risk*

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

*(ii) Price risk*

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value through other comprehensive income.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

## 3 Financial risk management (continued)

### (a) Market risk (continued)

*(ii) Price risk (continued)*

The Company's investment sectors as at 30 June 2014 and 30 June 2013 are as below:

| Sector | 2014 (%) | 2013 (%) |
|---|---|---|
| Information technology | **3.15** | 3.24 |
| Financials | **31.04** | 33.03 |
| Energy | **6.19** | 7.13 |
| Healthcare and biotechnology | **6.59** | 6.16 |
| Consumer staples | **9.70** | 9.09 |
| Industrials | **0.00** | 1.61 |
| Consumer discretionary | **1.77** | 2.98 |
| Utilities | **8.14** | 3.69 |
| Materials | **22.03** | 23.45 |
| Telecommunications services | **5.14** | 3.68 |
| Property | **6.25** | 5.94 |
| **Total** | **100.00** | 100.00 |

The following table illustrates the effect on the Company's equity from possible changes in other market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30 per cent:

| Index | Impact on other components of equity 2014 $'000 | 2013 $'000 |
|---|---|---|
| Change in variable by +10%/-10% (2013: +10%/-10%) | **6,649** | 6,559 |
| Change in variable by +15%/-15% (2013: +15%/-15%) | **9,974** | 9,839 |

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through other comprehensive income.

*(iii) Cash flow and fair value interest rate risk*

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

Cash deposits and loan receivables that are subject to floating interest rates are exposed to changes in the market interest rates. Changes in interest rates will change the fair value of any interest rate hedges.

## 3 Financial risk management (continued)

### (a) Market risk (continued)

*(iii) Cash flow and fair value interest rate risk (continued)*

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

**At 30 June 2014**

| | **Floating interest rate** | **Fixed interest rate** | **Non-interesting bearing** | **Total** |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | |
| Cash and cash equivalents (i) | **3,096** | **-** | **-** | **3,096** |
| Trade and other receivables | **-** | **-** | **1,425** | **1,425** |
| Financial assets held at fair value through other comprehensive income | **-** | **-** | **94,991** | **94,991** |
| | **3,096** | **-** | **96,416** | **99,512** |
| **Financial liabilities** | | | | |
| Trade and other payables | **-** | **-** | **(386)** | **(386)** |
| Borrowings (ii) | **(30,000)** | **-** | **-** | **(30,000)** |
| Dividends payable | **-** | **-** | **(1,227)** | **(1,227)** |
| Derivative financial instruments (iii) | **(265)** | **-** | **-** | **(265)** |
| | **(30,265)** | **-** | **(1,613)** | **(31,878)** |
| Net exposure | **(27,169)** | **-** | **94,803** | **67,634** |

At 30 June 2013

| | Floating interest rate | Fixed interest rate | Non-interesting bearing | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents (i) | 1,083 | - | - | 1,083 |
| Trade and other receivables | - | - | 1,211 | 1,211 |
| Financial assets held at fair value through other comprehensive income | - | - | 93,704 | 93,704 |
| | 1,083 | - | 94,915 | 95,998 |
| **Financial liabilities** | | | | |
| Trade and other payables | - | - | (276) | (276) |
| Borrowings (ii) | (30,000) | - | - | (30,000) |
| Dividends payable | - | - | (2,276) | (2,276) |
| | (30,000) | - | (2,552) | (32,552) |
| Net exposure | (28,917) | - | 92,363 | 63,446 |

## 3 Financial risk management (continued)

### (a) Market risk (continued)

*(iii) Cash flow and fair value interest rate risk (continued)*

(i) The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2014 is 2.91% pa (2013: 3.16% pa).

(ii) The borrowings incur an interest rate of 3.905%, inclusive of the margin of 1.20% (2013: 4.17%, inclusive of the margin of 1.30%).

(iii) Swaps currently in place cover the interest payable on the loan outstanding and are timed to expire as each interest payment falls due. The fixed interest rate is 3.215% effective 11 April 2014 for 3 years and the variable rates are between 0% and 2.705% above the 90 day bank bill swap bid rate which at the end of the reporting period is 2.705%.

*Sensitivity*

At 30 June 2014, if interest rates had increased by 75 basis points or decreased by 75 basis points from the year end rates with all other variables held constant, other components of equity would have been $143,000 lower/$143,000 higher (2013 changes of 75 basis points/75 basis points: $152,000 lower/$152,000 higher), mainly as a result of higher/lower interest expense from borrowings.

### (b) Credit risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

There are no material amounts of collateral held as security at 30 June 2014.

Credit risk is managed as noted in Note 9 with respect to cash and cash equivalents, Note 10 for trade and other receivables and Note 12 for derivative financial instruments. None of these assets are over-due or considered to be impaired.

### (c) Liquidity risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager monitors its cash-flow requirements daily in relation to the investing account taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradable securities which can be sold on-market if necessary.

As disclosed in Note 16, the Company's debt facility expires on 10 April 2017.

## 3 Financial risk management (continued)

### (c) Liquidity risk (continued)

The table below analyses the Company's financial liabilities in relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year end date. The amounts in the table are contractual undiscounted cash flows.

| **Contractual maturities of financial liabilities** **At 30 June 2014** | **Less than 1 month $'000** | **Between 1 and 2 years $'000** | **Between 2 and 5 years $'000** | **Total contractual undiscounted cash flows $'000** |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| Trade and other payables (excluding interest payable) | **310** | **-** | **-** | **310** |
| Interest payable | **76** | **2,267** | **912** | **3,255** |
| Borrowings | **-** | **-** | **30,000** | **30,000** |
| Total | **386** | **2,267** | **30,912** | **33,565** |
| **Derivatives** | | | | |
| Net settled (interest rate swaps) | **-** | **-** | **265** | **265** |
| Total | **-** | **-** | **265** | **265** |

| At 30 June 2013 | Less than 1 month $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Total contractual undiscounted cash flows $'000 |
|---|---|---|---|---|
| **Non-derivatives** | | | | |
| Trade and other payables (excluding interest payable) | 173 | - | - | 173 |
| Interest payable | 103 | 1,354 | - | 1,457 |
| Borrowings | - | 30,000 | - | 30,000 |
| Total | 276 | 31,354 | - | 31,630 |

## 4 Fair value measurements

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Derivative financial instruments
- Financial assets at fair value through other comprehensive income (FVTOCI)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

### (a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

*(i) Recognised fair value measurements*

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013.

| **At 30 June 2014** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| ***Recurring fair value measurements*** | | | | |
| **Financial assets** | | | | |
| Financial assets at FVTOCI | | | | |
| Equity securities | **94,991** | **-** | **-** | **94,991** |
| **Total financial assets** | **94,991** | **-** | **-** | **94,991** |
| **Financial liabilities** | | | | |
| Derivatives used for hedging | **-** | **(265)** | **-** | **(265)** |
| **Total financial liabilities** | **-** | **(265)** | **-** | **(265)** |

| At 30 June 2013 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| ***Recurring fair value measurements*** | | | | |
| **Financial assets** | | | | |
| Financial assets at FVTOCI | | | | |
| Equity securities | 93,704 | - | - | 93,704 |
| **Total financial assets** | 93,704 | - | - | 93,704 |
| **Financial liabilities** | | | | |
| Derivatives used for hedging | - | - | - | - |
| **Total financial liabilities** | - | - | - | - |

There were no transfers between levels for recurring fair value measurements during the year.

## 4 Fair value measurements (continued)

### (a) Fair value hierarchy (continued)

#### *(i)* Recognised fair value measurements (continued)

The Company’s policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

*(ii) Disclosed fair values*

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant.

### (b) Valuation techniques used to derive level 2 and level 3 fair values

*(i) Recurring fair value measurements*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

## 5 Critical accounting estimates and judgements

In the process of applying the Company's accounting policies, management has made the following judgements which would have the most effect on the amounts reported in the financial statements:

*Designation of Investments as 'fair value through other comprehensive income'*
Management has designated all investments as 'fair value through other comprehensive income', which results in the fair value adjustments for the year being recognised directly in equity in the asset revaluation reserve net of tax. Once an investment is sold, any revaluation gain or loss recognised attributable to that investment is transferred to retained earnings.

*Income taxes*
Based on the Company's history of realised gains, the Directors believe that the Company will realise taxable gains in the future against which the prior period realised losses can be utilised.

## 6 Segment information

The Company has only one reportable segment. The Company operates predominantly in Australia and in one industry being the securities industry, deriving revenue from dividend and distribution income, interest income and from the sale of its investment portfolio.

## 7 Investment income

| | Year ended | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **From continuing operations** | | |
| Dividends on long term investments held at the end of the year | **3,533** | 3,677 |
| Dividends on long term investments sold during the year | **294** | 58 |
| Distributions on long term investments held at year end | **140** | 458 |
| Distributions on long term investments sold during the year | **225** | - |
| Interest | **67** | 84 |
| | **4,259** | 4,277 |

## 8 Income tax benefit

### (a) Income tax benefit through profit or loss

| | Year ended | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Deferred tax benefit | **(531)** | (547) |
| | | |
| *Income tax benefit is attributable to:* | | |
| Origination and reversal of temporary differences | **688** | (835) |
| Current year tax losses to be utilised in future periods | **(1,219)** | - |
| Prior year tax losses utilised in the current period | **-** | 288 |
| | **(531)** | (547) |

### (b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

| | Year ended | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Profit from continuing operations before income tax benefit | **1,313** | 1,247 |
| Tax at the Australian tax rate of 30.0% (2013 - 30.0%) | **394** | 374 |
| Tax effect of : | | |
| Franking credits on dividends received | **(1,341)** | (1,316) |
| Imputation gross up on dividends income | **416** | 395 |
| Income tax benefit | **(531)** | (547) |
| | | |
| The applicable weighted average effective tax rates are as follows: | -40% | -44% |

## 8 Income tax benefit (continued)

### (c) Tax expense (income) relating to items of other comprehensive income

| | Year ended | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Changes in fair value of cash flow hedges | **(79)** | - |
| Net unrealised gains/(losses) on investments taken to equity | **2,692** | 2,148 |
| Net realised gains/(losses) on investments taken to equity | **(705)** | 765 |
| | **1,908** | 2,913 |

## 9 Current assets - Cash and cash equivalents

| | At | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Operating bank account | **200** | 200 |
| Deposits at call | **2,896** | 883 |
| | **3,096** | 1,083 |

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

| | At | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Cash and cash equivalents | **3,096** | 1,083 |

### (b) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with BNP Paribas which is rated A+ by Standard & Poor's.

## 10 Current assets - Trade and other receivables

| | At | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Dividends and distributions receivable | **455** | 362 |
| Interest receivable | **6** | 3 |
| GST receivable | **43** | 33 |
| Unsettled sales | **921** | 813 |
| | **1,425** | 1,211 |

## 10 Current assets - Trade and other receivables (continued)

Receivables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction. None of the receivables is past due or impaired at the end of the reporting period.

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

## 11 Current assets - Other current assets

| | At | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Prepayments | **34** | 35 |

## 12 Derivative financial instruments

In the normal course of business, the Company enters into transactions in derivative financial instruments with certain risks. A derivative is a financial instrument or other contract whose value depends on, or is derived from, underlying assets, liabilities or indices. Derivative transactions include a wide assortment of instruments, such as forwards, futures, options and swaps.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

The Company holds the following derivative instruments:

| | At | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Non-current liabilities** | | |
| Interest rate swap contracts - cash flow hedges | **265** | - |
| Total non-current derivative financial instrument liabilities | **265** | - |

### (a) Instruments used by the Company

The Company is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Company financial risk management policies (refer to Note 3).

*(i) Interest rate swap contracts*

Bank loans of Aberdeen Leaders Limited currently bear an average variable interest rate of 3.9050%. It is policy to protect part of the loans from exposure to fluctuations in interest rates. Accordingly, Aberdeen Leaders Limited has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover the interest payable on the loan outstanding and are timed to expire as each interest payment falls due. The fixed interest rate is 3.215% effective 11 April 2014 for 3 years and the variable rates are between 0% and 2.705% above the 90 day bank bill swap bid rate which at the end of the reporting period is 2.705%.

The contracts require settlement of net interest receivable or payable each 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

## 12 Derivative financial instruments (continued)

### (a) Instruments used by the Company (continued)

*(i) Interest rate swap contracts (continued)*

The Company's interest rate swap contract is with Westpac Banking Corporation which is rated AA- by Standard & Poor's.

### (b) Risk exposures and fair value measurements

Information about the Company's exposure to credit risk and interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3.

## 13 Non-current assets - Financial assets at fair value through other comprehensive income

| | **At** | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Listed securities | | |
| Investment in shares and property trusts | **94,991** | 93,704 |

The list showing investments treated as equity instruments and revalued through Other Comprehensive Income can be found on page 3 of this report.

Certain securities within the investment portfolio were disposed during the financial year during the normal course of the Company's business as a listed Investment Company. The fair value of the investments sold during the period was $16.774 million (2013: $18.519 million). The cumulative loss on these disposals was $2.35 million for the year before tax (2013: Gain $2.549 million), which has been transferred from the investment portfolio revaluation reserve to retained earnings.

### (a) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 3.

## 14 Non-current assets - Deferred tax assets

| | **At** | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **The balance comprises temporary differences attributable to:** | | |
| Prior period taxable losses to be utilised in future periods | **3,665** | 2,446 |
| Changes in the fair value of cash flow hedges | **79** | - |
| Other temporary differences | **19** | 16 |
| | **3,763** | 2,462 |

## 15 Current liabilities - Trade and other payables

| | At | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Management fees payable | **192** | 92 |
| Interest payable | **76** | 103 |
| Other payables | **118** | 81 |
| | **386** | 276 |

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

Payables are non-interest bearing, unsecured and are usually paid within 30 days of recognition. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

## 16 Non-current liabilities - Borrowings

| | At | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Secured** | | |
| Bank loans | **30,000** | 30,000 |

The Directors have entered into a $30 million revolving cash advance facility with Westpac Banking Corporation. In 2014, the term of the debt facility was extended to 10 April 2017.

The facility is secured by a fixed and floating charge over the Company's assets. The carrying amount of assets pledged as security is $99,546,000 (2013: $96,033,000). The facility is drawn to the extent of $30 million on 30 June 2014 (2013: $30 million). At the date of this report the facility incurs an interest rate of 3.905%, inclusive of the margin of 1.20% (2013: 4.17%, inclusive of the margin of 1.30%).

## 17 Non-current liabilities - Deferred tax liabilities

| | At | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Net unrealised gains on investments | **3,221** | 545 |
| Other temporary differences | **9** | 9 |
| | **3,230** | 554 |

## 18 Issued capital

### (a) Share capital

| | 30 June 2014 Shares | 30 June 2013 Shares | 2014 $'000 | 2013 $'000 |
|---|---|---|---|---|
| Ordinary shares - fully paid | **61,339,314** | 60,691,871 | **58,809** | 58,009 |

### (b) Movements in ordinary share capital

| Date | Details | Note | Number of shares | Issue price $ | $'000 |
|---|---|---|---|---|---|
| 1 July 2012 | Opening balance | | 60,401,603 | | 57,661 |
| | Dividend reinvestment plan issues | (d) | 290,970 | | 349 |
| | On market buybacks | (e) | (702) | 1.04 | (1) |
| 30 June 2013 | Balance | | 60,691,871 | | 58,009 |
| | Dividend reinvestment plan issues | (d) | 647,443 | | 800 |
| 30 June 2014 | Balance | | 61,339,314 | | 58,809 |

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. During the year the Company issued 647,443 shares under the DRP (2013: 290,970 shares).

On 28 May 2014, the Company amended the terms and conditions of the Dividend Reinvestment Plan (DRP) to reflect changes to the ASX Listing Rules which came into effect 14 April 2014.

### (e) Share buy-back

The Company announced an on-market share buy-back program in February 2012. The buy-back period ended on 27 February 2013, however, was extended until 27 February 2014. The Company renewed the share buy-back program for 12 months from 27 February 2014 but has not bought any shares (2013: 702 shares at an average price of $1.04).

## 18 Issued capital (continued)

### (f) Capital risk management

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in Notes 18, 19(a) and 19(b) respectively.

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence. The overall strategy remains unchanged from 2013.

To achieve this, the Board of Directors monitor the monthly NTA results, investment performance, the Company's Indirect Cost Ratio (formerly known as 'Management Expense Ratio') and share price movements.

## 19 Reserves and retained earnings

### (a) Reserves

| | **At** | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Reserves | **7,152** | 1,058 |

| | Notes | **At** | |
|---|---|---|---|
| | | **2014** | 2013 |
| **Movements:** | | **$'000** | $'000 |
| *Investment portfolio revaluation reserve* | | | |
| Opening balance | | **1,058** | (3,956) |
| Net unrealised gains on investments | | **8,972** | 7,162 |
| Income tax on net unrealised gains on investments | 8(c) | **(2,692)** | (2,148) |
| Net realised gains/(losses) on investments | | **(2,350)** | 2,549 |
| Income tax on net realised gains/(losses) on investments | 8(c) | **705** | (765) |
| Transfer of net realised gains/(losses) from investment portfolio revaluation reserve to retained earnings | 19(b) | **1,645** | (1,784) |
| Balance 30 June | | **7,338** | 1,058 |
| *Cash flow hedging reserve* | | | |
| Changes in fair value of cash flow hedges | | **(265)** | - |
| Income tax on changes in fair value of cash flow hedges | 8(c) | **79** | - |
| Balance 30 June | | **(186)** | - |
| **Total reserves** | | **7,152** | 1,058 |

## 19 Reserves and retained earnings (continued)

### (b) Retained earnings

Movements in retained earnings were as follows:

| | Notes | At 2014 $'000 | At 2013 $'000 |
|---|---|---|---|
| Balance 1 July | | **6,322** | 8,496 |
| Net profit for the year | | **1,844** | 1,794 |
| Dividends | 20 | **(4,281)** | (5,752) |
| Transfer of net realised gains/(losses) from investment portfolio revaluation reserve to retained earnings | 19(a) | **(1,645)** | 1,784 |
| Balance 30 June | | **2,240** | 6,322 |

### (c) Nature and purpose of reserves

For a description of the nature and purpose of the reserves, refer to Note 2(g) and Note 2(h)(i).

## 20 Dividends

| | Year ended 2014 $'000 | Year ended 2013 $'000 |
|---|---|---|
| **(a) Ordinary shares** | | |
| Final dividend | **1,227** | 2,276 |
| Interim dividends | **3,054** | 3,476 |
| | **4,281** | 5,752 |

### (b) Dividend franking account

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Opening balance of franking account** | **10,658** | 11,803 |
| Franking credits on dividends receivable | **1,341** | 1,315 |
| Franking credits on ordinary dividends payable | **(2,285)** | (2,460) |
| **Closing balance of franking account** | **9,714** | 10,658 |
| Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2013 - 30.0%) | **(402)** | (832) |
| **Adjusted franking account balance** | **9,312** | 9,826 |

## 20 Dividends (continued)

### (c) Dividend rate

Dividends paid fully franked at 30% tax rate

| | Dividend Rate | Total Amount $'000 | Date of Payment | % Franked |
|---|---|---|---|---|
| **2014** | | | | |
| Ordinary shares - final | 2.00cps | $1,227 | 31/07/2014 | 100% |
| Ordinary shares - interim | 1.50cps | $918 | 01/05/2014 | 100% |
| Ordinary shares - interim | 1.75cps | $1,069 | 31/01/2014 | 100% |
| Ordinary shares - interim | 1.75cps | $1,067 | 01/11/2013 | 100% |
| 2013 | | | | |
| Ordinary shares - final | 3.75cps | $2,276 | 31/07/2013 | 100% |
| Ordinary shares - interim | 2.00cps | $1,211 | 02/05/2013 | 100% |
| Ordinary shares - interim | 2.00cps | $1,208 | 31/01/2013 | 100% |
| Ordinary shares - interim | 1.75cps | $1,057 | 02/11/2012 | 100% |

## 21 Key management personnel disclosures

### (a) Key management personnel compensation

| | Year ended | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Short-term employee benefits | **183,731** | 119,500 |
| Post-employment benefits | **5,319** | 44,000 |
| | **189,050** | 163,500 |

Detailed remuneration disclosures are provided in the remuneration report of the Annual Report.

## 22 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

### (a) Deloitte Touche Tohmatsu

| | Year ended | |
|---|---|---|
| | **30 June 2014 $** | 30 June 2013 $ |
| *Audit and other assurance services* | | |
| Audit and review of financial statements | **64,853** | 64,854 |
| Total remuneration for audit and other assurance services | **64,853** | 64,854 |
| *Taxation services* | | |
| Tax compliance services | **7,700** | 4,840 |
| Total remuneration for taxation services | **7,700** | 4,840 |
| Total remuneration of Auditors | **72,553** | 69,694 |

## 23 Contingencies

The Investment Management Agreement entered into by the Company with Aberdeen Asset Management Limited may be terminated by either party giving to the other no less than one-year written notice of its intention to do so.

The Company had no other contingent liabilities at 30 June 2014 (2013: nil).

## 24 Related party transactions

### (a) Key management personnel

Disclosures relating to key management personnel are set out in Note 21.

### (b) Transactions with other related parties

| | Year ended | |
|---|---|---|
| | **2014 $** | 2013 $ |
| Management fees paid or payable | **1,070,920** | 1,057,482 |

The Company has entered into a Management Agreement with Aberdeen Asset Management Limited ("Investment Manager") such that it will manage investments of the Company, ensure regulatory compliance with all the relevant laws and regulations, and provide administrative and other services for a fee.

No performance fees were paid or payable to Aberdeen Asset Management Limited for the year ended 30 June 2014 (2013: nil).

## 25 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## 26 Reconciliation of profit after income tax to net cash inflow from operating activities

| | Year ended | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Profit for the year | **1,844** | 1,794 |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in trade and other receivables | **(105)** | 12 |
| Decrease in other current assets | **1** | 3 |
| Increase in deferred tax assets | **(1,222)** | - |
| Increase/(decrease) in trade and other payables | **110** | (680) |
| Decrease in deferred tax liabilities | **689** | (547) |
| Net cash inflow from operating activities | **1,317** | 582 |

## 27 Non-cash investing and financing activities

| | Year ended | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Dividends reinvested | **800** | - |

## 28 Earnings per share

### (a) Basic earnings per share

| | Year ended | |
|---|---|---|
| | **2014** | 2013 |
| | **Cents** | Cents |
| From continuing operations attributable to the ordinary equity holders of the Company | **3.02** | 2.97 |
| Total basic earnings per share attributable to the ordinary equity holders of the Company | **3.02** | 2.97 |

## 28 Earnings per share (continued)

### (b) Diluted earnings per share

| | Year ended | |
|---|---|---|
| | **2014** **Cents** | 2013 Cents |
| From continuing operations attributable to the ordinary equity holders of the Company | **3.02** | 2.97 |
| Total diluted earnings per share attributable to the ordinary equity holders of the Company | **3.02** | 2.97 |

Diluted earnings per share is the same as basic earnings per share. The Company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

### (c) Weighted average number of shares used as denominator

| | Year ended | |
|---|---|---|
| | **2014** **Number** | 2013 Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | **61,109,632** | 60,495,113 |
| Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share | **61,109,632** | 60,495,113 |

In the Directors' opinion:

(a) the financial statements and notes set out on pages 4 to 33 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the entity's financial position as at 30 June 2014 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of Directors.
Augustine Mark Daniels
Director

Sydney
18 August 2014

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 9322 7001
www.deloitte.com.au

# Independent Auditor's Report to the Members of Aberdeen Leaders Limited

We have audited the accompanying financial report of Aberdeen Leaders Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 24 to 54.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

**Deloitte.**

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aberdeen Leaders Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

(a) the financial report of Aberdeen Leaders Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 19 to 21 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Aberdeen Leaders Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 18 August 2014

# Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 9322 7001
www.deloitte.com.au

The Board of Directors
Aberdeen Leaders Limited
Level 6, 201 Kent Street
SYDNEY NSW 2000

18 August 2014

Dear Board Members

**Aberdeen Leaders Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Aberdeen Leaders Limited.

As lead audit partner for the audit of the financial statements of Aberdeen Leaders Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited