

# Aberdeen Leaders Limited

Annual Report and Accounts  
30 June 2015





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## Corporate Information

# Corporate Summary

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## The Company

Aberdeen Leaders Limited (ABN 25 003 236 173) is a listed investment company and its shares are listed on the Australian Securities Exchange (ASX: ALR).

## Objective

The Company invests primarily in Australian companies within the S&P/ASX200 Index with the objective of delivering regular income and long term capital growth.

## Benchmark

The Company compares its performance with the S&P/ASX200 Accumulation Index.

## Investment Manager

The Company has outsourced its investment management function to Aberdeen Asset Management Limited which holds an Australian Financial Services Licence No. 240263.

## Capital Structure

The Company's capital structure comprises Ordinary Shares only. The Company also has bank borrowings of \$30 million under a cash advance facility which rank for repayment ahead of any capital return to shareholders.

## Total Assets and Net Tangible Assets

The Company had total assets of \$100.4 million and an NTA per share of \$1.19 cents, \$1.14 cents net of deferred tax on unrealised gains as at 30 June 2015.

## Duration

The Company does not have a maximum fixed life.

## Risk

The Company generally invests in shares listed on the ASX. The value of shares and the income derived may fall or rise depending on a range of factors.

The Company currently utilises gearing through bank borrowings as noted above and as detailed in Note 15 on page 42. Gearing has the effect of exacerbating market falls and market gains.

## Management Agreement

The Company has an agreement with Aberdeen Asset Management Limited for the provision of management services, details of which are contained in the Directors' Report on page 19.

The Directors review the terms of the investment management agreement on an annual basis.

Website: [www.aberdeenasset.com.au](http://www.aberdeenasset.com.au)

Aberdeen Customer Services

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Email: [client.service.aust@aberdeen-asset.com.au](mailto:client.service.aust@aberdeen-asset.com.au)

# Your Board

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## **Brian Michael Sherman AM, BComm, SA Fin Chairman**

Brian Sherman has been a Director of the Company since inception in 1987. He was appointed Chairman on 20 February 2004 and brings to the position his considerable experience gained in both funds management and stockbroking, as well as general commercial fields of endeavour.

He was chairman and joint managing director of the funds management company EquitiLink, a director of SOCOG and chair of its finance committee and a director of Channel 10 for some 16 years.

Mr Sherman was appointed as a member of the Order of Australia 2004 for his service to the community as a philanthropist and benefactor to arts, education and sporting organisations, and to business and commerce. Mr Sherman was the winner of the Ernst & Young Eastern Region Champion of Entrepreneurship 2006 and in 2009 was awarded an Honorary Doctor of Letters (HonLittD) from the University of Technology Sydney (UTS) for his significant philanthropic support for the community.  
Director since 1987.

## **Neville John Miles, BComm (Hons), CA**

Neville Miles has over twenty years of international investment bMARKanking experience. He was formerly Head of Corporate Treasury at Westpac Banking Corporation and subsequently has been Managing Director of Ord Minnett Securities Limited and Director of EL&C Baillieu Limited, Sydney. Mr Miles is a director of a number of other listed and unlisted companies. Mr Miles chairs the Risk and Compliance Committee and the Audit Committee.  
Director since 1996.

## **David Lindsay Elsum AM, BEE (Hons), BComm, MSc, FCPA**

David Elsum was the founding Managing Director of Capel Court Merchant Bank. He was subsequently Managing Director of Renison Goldfields Consolidated Limited and MLC Limited. Mr Elsum is a member of the Risk and Compliance Committee and the Audit Committee.  
Director since 1991

## **Barry Sechos, BComm LLB**

Barry Sechos has over 25 years' experience as a director, business executive and corporate lawyer. Barry is a Director of the Sherman Group Limited, a privately owned investment company located in Sydney, Australia. Barry is also a director of See-Saw Films, an Australian and UK based film production and finance group and winner of the 2011 Academy Award for Best Picture for The King's Speech; Transmission Films, an Australian film distribution company; Regeneus Limited, an Australian based regenerative medicine company listed on the Australian Securities Exchange which focuses on using the regenerative capacities of stem cells to develop innovative cell therapies for humans and animals and DirectCash Payments Inc, an ATM payments processing company listed on the Toronto Stock Exchange.  
Director since 2013

## **Augustine Mark Daniels, BscEcon**

Mark Daniels is an Investment Director within the Australian equities team. Mark has spent over 25 years with Aberdeen, much of that as a UK equity manager, in particular of closed ended funds. Since moving to Sydney in 2005, Mark has helped embed the Group's highly regarded, bottom-up investment process. Previously, Mark worked for Cork Gully where he was a supervisor responsible for receiverships and liquidations. Prior to that, Mark worked as an articulated clerk at Coopers & Lybrand. Mark graduated with a BscEcon in Economics from University College, Cardiff in the UK. Mr Daniels is a member of the Audit Committee.  
Director since 2008.

## **Gil Orski, BCom LLB**

Company Secretary

Gil Orski is Chief Operating Officer for Aberdeen Asset Management Limited and has previously been Legal Counsel. Prior to joining Aberdeen he had several roles in the Australian financial services industry including at the Australian Securities and Investments Commission.  
Company Secretary since 2007.

# Information about the Manager

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Aberdeen Asset Management Limited, Australia, is the Manager of the Company. It is a subsidiary of Aberdeen Asset Management PLC ("Aberdeen") whose group of companies as at 30 June 2015 managed a combined A\$628.8 billion for institutions, unit trusts, listed investment companies, offshore funds and private clients.

Aberdeen has its headquarters in Aberdeen, Scotland, and operates 36 offices in 26 countries around the world. Clients access Aberdeen's investment expertise across the three asset classes of equities, fixed income and property as well as tailored solutions. Aberdeen follows a predominantly long-only approach, based on fundamentally sound investments. Aberdeen's investment teams are based in the markets or regions in which they invest.

## Global reach, local understanding

We know global markets from the local level upwards. We believe our focus, size and approach enable us to provide effective asset management and superior client service.

Our teams champion original thinking and knowledge, so investment decisions are based only on our own research.

As a group, we have the scale to provide global coverage of financial markets, yet we are small enough to focus on each and every portfolio decision.

Close-knit teams, clear investment processes and flat structures are important to us. We seek to grow our clients' assets in a way that is manageable and sustainable over the longer term.

## Aberdeen in Australia

Aberdeen commenced its Australian operations in December 2000, and as at 30 June 2015 had A\$16.7 billion in assets under management and advice. In addition to managing the investments of a number of Australian registered funds, Aberdeen in Australia also manages the Aberdeen Group's Australian and New Zealand assets for a range of global and domestic clients.

# Financial Record

	At 30 June 2015
NTA per share (pre-tax)	1.19
NTA per share (post-tax)	1.14
Share Price	1.12
Discount to NTA (pre-tax)	5.71%
Discount to NTA (post-tax)	1.75%
Annualised dividend yield* (100% franked)	4.46%**

\* Using the share price at the end of the period

\*\* 6.38% gross of franking credits

## Performance Summary

	3 Months	12 Months	3 Years	5 Years
	%	%	% pa	% pa
Total portfolio*	-6.16	9.12	12.12	7.67
Benchmark**	-6.55	5.68	15.06	9.69
Net Assets (pre-tax)	-9.00	6.74	12.56	6.12
Net Assets (post-tax)	-5.76	7.44	10.34	5.71
Share Price	-4.24	-4.91	10.31	4.46

All returns assume reinvestment of dividends.

\* Performance is calculated based on the change in the value of the total portfolio (excluding the loan and tax liabilities) before deduction of all other fees. Past performance is not a guide to future performance.

\*\* Benchmark: S&P/ASX 200 Accumulation Index.

## Portfolio Composition

	At 30 June 2015
Equities	95.3
Cash	4.7
Total	100%

Asset allocation is on gross assets and excludes the loan facility liability.

## Dividend

	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012
Dividend – cpu	5.0	7.0	9.5	9.5
Share price (\$)*	1.12	1.16	1.22	0.995
Dividend yield % **	4.46 (6.38)	5.69 (8.13)	7.79 (11.12)	9.55 (13.64)

\* Share price at the period end

\*\* figure in brackets is the yield gross of franking credits

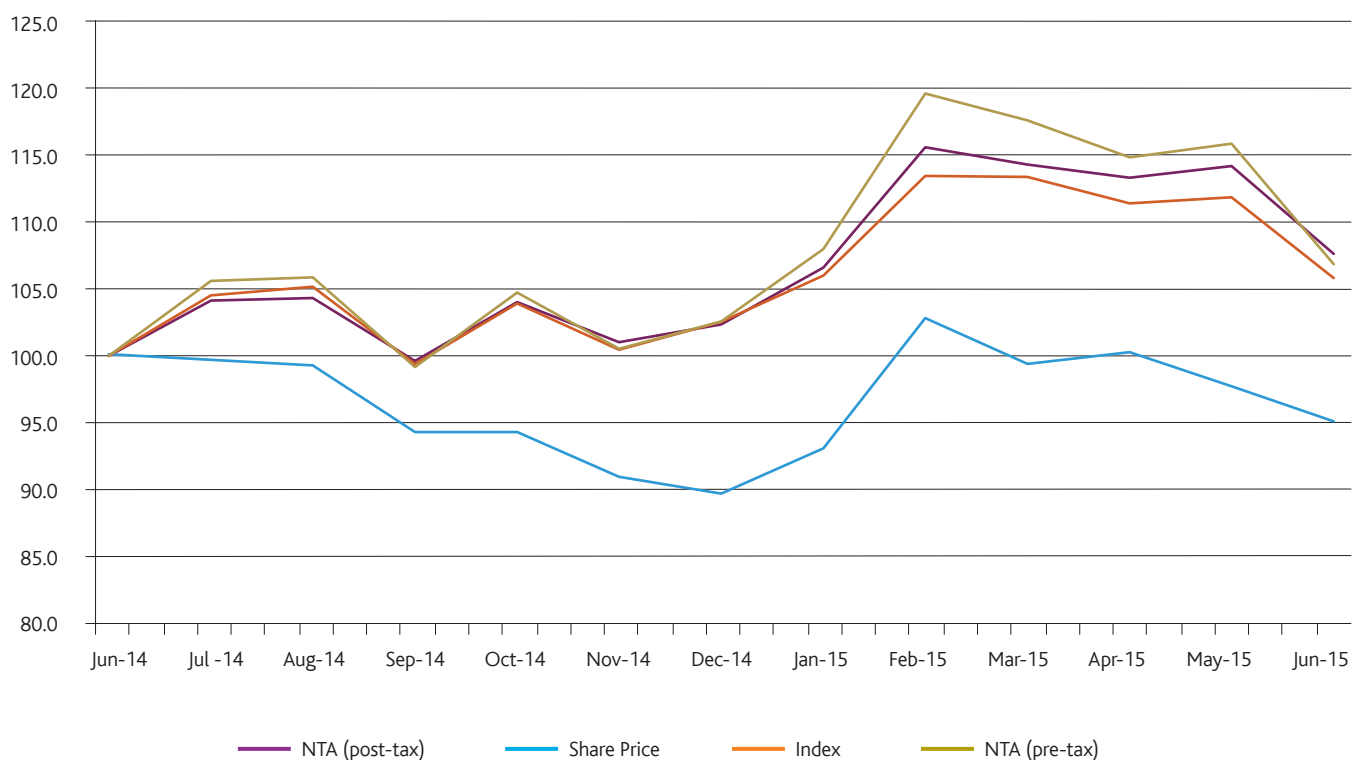
A fully franked dividend of 2.00 cents per share payable for the June quarter was declared on 18th June 2015, payable on 31st July 2015. Given the uncertain market conditions the Board will continue to review future dividends and will be closely monitoring corporate results, asset values and dividend statements in the months ahead.

## Franking Credits

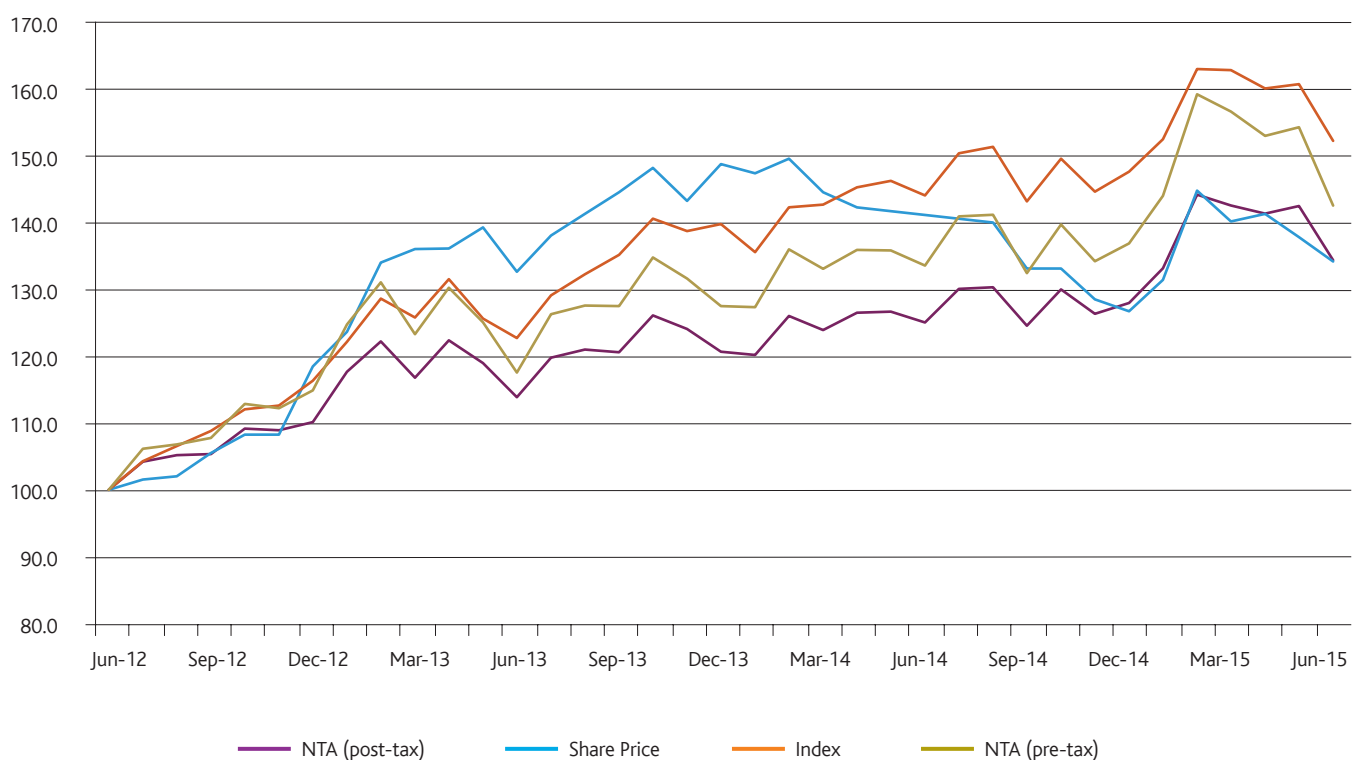
As at 30th June 2015 the Company franking account had a franking credits balance of \$9.8m

# Financial Record

One Year Performance Chart - value rebased to 100 at 30 June 2013.



Three Year Performance Chart - value rebased to 100 at 30 June 2011.





# Financial Record

Three Year Share Price (Discount) / Premium to the NTA.



# Chairman's Statement



Dear Shareholder

I'm pleased to say that for the third consecutive year to 30 June 2015 the Australian share market showed a positive return, with the S&P/ASX 200 Accumulation Index (our benchmark) returning 5.68%. The first six months of the financial year saw the benchmark post a positive return of 2.50%, before rising an additional 10.33% in the third quarter and then falling by 6.55% in the final quarter to June. This market retreat towards the end of the period reflected a weakening outlook for the Chinese economy, as well as uncertainty surrounding Greece's position in the Eurozone and a possible further bail-out.

For the first half of the financial year the Reserve Bank of Australia (RBA) maintained interest rates at 2.5%, before cutting rates in February and May 2015 to bring the cash rate down to its current 2.0% rate, an all-time historic policy setting low point by the RBA. This move reflects the relatively benign level of inflation in Australia, and an attempt by the RBA to kick-start the broader economy outside of the commodities sector. Consumer discretionary spending remains subdued, with retailers reporting weak demand as individuals continue to pay down debt rather than spend on discretionary items. Cash deposits remain the major source of funding for the big four Australian banks and deposit growth continues to outstrip loan growth. The RBA has been largely successful in its efforts to talk down the Australian dollar against the US dollar, and the Australian dollar down almost 18% over the past year from 93.95c to 77.07c as at 30 June. This will provide a boost to Australian exporters and companies with significant overseas earnings.

As mentioned above, the benchmark returned 5.68% during the financial year. Our Company's portfolio returns were also positive at 9.12%\* – a pleasing improvement in performance over 2014 (referred to in more detail in the Manager's Report). As at 30 June 2015, the NTA per share stood at \$1.19, 3 cents up on the same time last year (\$1.16). Net of deferred tax on unrealised gains, the NTA stood at \$1.14 per share. The share price closed at \$1.12, representing a decline of 11 cents from 30 June 2014.

\*After adding back dividends paid during the period

As at 30 June 2015 the share price stands at a discount to both pre and post-tax NTA.

## Final Dividend

A final dividend of 2.0 cents per share was paid on 31 July 2015, resulting in an aggregate dividend of 5.0 cents per share for the year (fully franked). This represents a smaller dividend than the previous year, as the Board took into account profit for the year, realised gains on the portfolio and the balance of retained earnings.

Based on the dividends paid over the previous 12 months, this equates to a yield of 4.46% (6.38% gross of franking credits) on the closing share price at 30 June 2015. 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) that 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 booklet containing the relevant information.

## Outlook

Volatility continues to weigh on markets, as possible interest rate rises in the United States and an uncertain situation in Europe are factored in. In Australia the housing market remains underpinned, although APRA is seeking for banks to tighten up lending criteria, particularly on loans for investment properties. The upcoming results season will be watched with interest for both signs of top line growth and conversion into profit increases. We continue to monitor good quality companies for reasonable buying opportunities.

A handwritten signature in black ink, appearing to read 'Brian Sherman'.

**Brian Sherman AM**  
Chairman

August 2015

# Manager's Review

The portfolio had another year of positive returns, up 9.12%. Against this, our benchmark (S&P ASX200 Accumulation index) returned 5.68%. Sectorially the biggest contributor was our exposure to the Healthcare sector with Energy and Utilities also contributing. The biggest detractor was our low exposure to the Industrials sector, followed by our overweight to Materials.

During the financial year we sold out of our holdings in WorleyParsons and Orica due to deteriorating industrial conditions. We also sold out of Singtel on the news that it was going to de-list from the ASX, crystallising a significant profit on our investment. We introduced six new holdings, namely Resmed, Amcor, Adelaide Brighton, Telstra, Brambles and Medibank. We reduced our weight by varying degrees to Coca-Cola Amatil, Woolworths, Woodside Petroleum, Computershare, BHP Billiton, Rio Tinto, AusNet Services, ANZ Bank, Commonwealth Bank and QBE Insurance. We increased the portfolio weighting to Caltex, Cochlear, CSL, Incitec Pivot, Westfield Corporation, Scentre, AGL Energy and ASX Limited.

The table below identifies the major positive and negative contributions to performance relative to the benchmark over the twelve months to 30 June 2015:

Top 5 Contributors Stock	Relative weight* (%)	12 Months Contribution (%)
Singtel	0.00%	1.07%
Resmed	2.78%	0.80%
Westfield	3.14%	0.71%
Caltex	1.73%	0.64%
CSL	2.68%	0.62%

Top 5 Detractors Stock	Relative weight* (%)	12 Months Contribution (%)
Telstra	-0.78%	-0.72%
Macquarie Group	-1.96%	-0.55%
BHP Billiton	0.74%	-0.55%
Woolworths	-0.38%	-0.41%
Qantas Airways	-0.50%	-0.32%

\* Relative weights are at 30 June 2015 only and may differ during the period

Singtel was our biggest contributor to relative performance, despite being sold towards the end of the financial year due to its imminent de-listing from the ASX. Our health care holdings Resmed and CSL were also top contributors. The biggest detractor was our underweight position to Telstra, which we introduced into the portfolio at a modest weight in the first half of the financial year and subsequently increased towards the end of the period. Not holding Macquarie Group or Qantas Airways also hurt performance as both rose strongly.

The Australian share market is off to a positive start for the new financial year. With interest rates remaining at all-time lows the market continues to focus on high-yielding stocks, and we expect this to continue given rates in Australia are unlikely to rise any time soon. The significant decline in the Australian dollar against the US dollar – particularly since this time last year – is benefitting companies earning revenue overseas, but hurting those companies that import goods into Australia. We will be monitoring the upcoming results announcements carefully to see whether any investment themes become apparent, and what effect these might have on our portfolio. We do not feel that the market is particularly expensive at current levels, but would like to see some growth in the bottom line to justify valuations.

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

Aberdeen Asset Management Limited

August 2015

# Portfolio

The full portfolio of the Company at market value at 30 June 2015 is shown below:

Sector	Company	Quantity	Market value \$	%
Consumer Discretionary	Tattersall's Limited	466,900	1,732,199	1.72
			<b>\$1,732,199</b>	<b>1.72</b>
Consumer Staples	Coca-Cola Amatil	255,700	2,329,427	2.32
	Woolworths Limited	78,300	2,110,185	2.10
			<b>\$4,439,612</b>	<b>4.42</b>
Energy	AGL Energy Limited	293,800	4,553,900	4.53
	Caltex Australia	75,200	2,380,832	2.37
	Woodside Petroleum	100,200	3,422,832	3.41
			<b>\$10,357,564</b>	<b>10.31</b>
Healthcare	Cochlear Limited	38,700	3,081,294	3.07
	CSL Limited	65,800	5,668,670	5.64
	Resmed Inc	444,500	3,222,625	3.21
			<b>\$11,972,589</b>	<b>11.92</b>
Information Technology	Computershare	167,400	1,950,210	1.94
			<b>\$1,950,210</b>	<b>1.94</b>
Materials	Adelaide Brighton Ltd	212,500	913,750	0.91
	AMCOR Limited	118,800	1,610,928	1.60
	BHP Billiton Limited	263,000	7,101,000	7.07
	Brambles Limited	153,000	1,606,500	1.60
	Incitec Pivot Limited	628,100	2,405,623	2.40
	Rio Tinto	104,600	5,621,204	5.60
	South32 Limited	460,900	822,707	0.82
			<b>\$20,081,712</b>	<b>19.99</b>
Property Trusts	Westfield Corp Npv Stapled Units	491,100	4,419,900	4.40
	Scentre Grp Npv	906,800	3,391,432	3.38
			<b>\$7,811,332</b>	<b>7.78</b>
Telecommunication Services	Telstra Corporation Limited	766,600	4,699,258	4.68
			<b>\$4,699,258</b>	<b>4.68</b>
Utilities	Ausnet Services	2,261,800	3,143,902	3.13
			<b>\$3,143,902</b>	<b>3.13</b>
Financials Ex Property Trusts	ANZ Banking Group	201,800	6,477,780	6.45
	ASX Ltd	147,200	5,851,200	5.83
	AMP LTD	761,800	4,570,800	4.55
	Commonwealth Bank	80,700	6,859,500	6.83
	Medibank Private Ltd	496,600	998,166	0.99
	QBE Insurance Group	261,700	3,572,205	3.56
	Westpac Banking Corp	128,400	4,126,776	4.11
			<b>\$32,456,427</b>	<b>32.32</b>
Equity Total			<b>\$98,644,805</b>	<b>98.22</b>
Net Liquidity including dtl			<b>\$1,789,147</b>	<b>1.78</b>
Total Assets excluding Debt			<b>\$100,433,951</b>	<b>100.00</b>
Loan Facility			<b>(\$30,000,000)</b>	<b>-29.87</b>
Total Equity			<b>\$70,433,951</b>	<b>70.13</b>

# The Investment Process and Team

## Philosophy and Style

The Manager believes markets are not always efficient and superior investment returns are therefore attainable by buying good companies cheaply, defined in terms of fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment, including company visits, in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we keep in close touch with the company, meeting management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up on price weakness or top slice on share price strength positions, which typically account for the bulk of the activity within the portfolio during the year under review.

## Asset Allocation and Stock Selection

Robert Penalzo heads up the eight-strong Sydney equity team. Our portfolio managers act as generalists, cross-covering the investment universe. Stock selection decisions are team based. Hugh Young, the Group's Singapore-based regional managing director and Group head of equities, oversees the operation.

## Risk Controls

We seek to minimise risk through our in-depth research. We do not view divergence from a benchmark as risk, rather we view investment in poorly run, expensive companies that we do not understand as risk. In fact, where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification provides our main control.

Aberdeen's performance and risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, and not as a predictive tool.

## The Investment Team



### Robert Penalzo Director and Head of Australian Equities

Robert Penalzo is a Head of Australian Equities. Robert joined Aberdeen in 1997 as an Assistant Investment Manager on the Asia ex Japan Equity Team in Singapore where he gained the company's distinctive 'bottom-up' investment style and regional portfolio management experience. Robert was also CEO and Head of Investments for Aberdeen Thailand where he established the company's successful investment management business. Robert graduated with a BA in Business Management (banking and finance) from the Charles Darwin University, Australia and has successfully completed the General Management Program from Harvard Business School. Robert is a graduate member of the Australian Institute of Company Directors (GAICD) and a Fellow of the Thai Institute of Company Directors.



### Mark Daniels Investment Director

Mark Daniels is an Investment Director within the Australian equities team. Mark has spent over 25 years with Aberdeen, much of that as a UK equity manager, in particular of closed ended funds. Since moving to Sydney in 2005, Mark has helped embed the Group's highly regarded, bottom-up investment process. Previously, Mark worked for Cork Gully where he was a supervisor responsible for receiverships and liquidations. Prior to that, Mark worked as an articled clerk at Coopers & Lybrand. Mark graduated with a Bsc Econ in Economics from University College, Cardiff in the UK.



**Andrew Preston**  
**Senior Investment Manager**

Andrew joined Aberdeen in 1985 from the Australian Department of Foreign Affairs. Andrew has managed equity portfolios in the UK, US and Japanese markets and global and SRI portfolios for UK and North American clients. In August 2007 Andrew returned to Australia and joined the Australian Equity Team.



**Michelle Lopez, CFA\***  
**Senior Investment Manager**

Michelle joined Aberdeen in 2004 and is a Senior Investment Manager on the Australian equities team. Previously, Michelle worked for KPMG – Corporate Finance as an intern, and Watson Wyatt as a quant analyst. Michelle graduated with a BA in Applied Finance and Commerce (Marketing) from Macquarie University, Sydney. Michelle is a CFA Charterholder.



**Natalie Tam, CFA\***  
**Senior Investment Manager**

Natalie is a Senior Investment Manager on the Australian equity desk in Sydney. Natalie joined Aberdeen in 2005 from Deutsche Bank, where she worked as an equity research analyst. She was earlier an intern at Coca Cola Amatil (business development), Rothschild (corporate finance) and Promina Group (management accounting). Natalie holds a Bachelor of Commerce from the University of New South Wales where was awarded a UNSW co-op program scholarship in accounting & finance. Natalie is a CFA Charterholder.



**Camille Simeon**  
**Investment Analyst**

Camille joined Aberdeen in April 2008 as an Investment Analyst on the Australian equity desk. Camille has over 15 years' industry experience, most recently at Citi Australia, where she was Vice President, Institutional Equity Research Sales. Camille graduated with a Bachelor of Business, University of Technology, Sydney. Camille is currently a level 3 CFA\* program candidate.



**Marco Lo Blanco**  
**Investment Analyst**

Marco Lo Blanco is an Investment Analyst on the Australian Equities desk. Marco joined Aberdeen in 2012 from KPMG where he worked in Financial & Business Group Modelling. Prior to that he worked in KPMG's Corporate Audit division, specialising in Consumer and Industrial markets. Marco graduated from the University of Sydney with a Bachelor of Commerce, and is a member of the Institute of Chartered Accountants of Australia. Marco is currently a level 3 CFA\* program candidate.



**Jason Kururangi**  
**Investment Analyst**

Jason Kururangi is an Investment Analyst on the Australian Equities desk. Jason joined Aberdeen in 2011 as an intern with the Pan-European equity team, before being offered a position in the UK graduate programme in October 2012 and spending time working in Marketing (Edinburgh), Operations (Aberdeen), Private Equity (London) and Pan-European Equity (Edinburgh/London). Previously, Jason worked as a Civil Engineer in New Zealand.

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# Aberdeen Leaders Limited

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Corporate Governance Statement, Directors' Report and Financial Statements for the Year Ended 30 June 2015



## CORPORATE GOVERNANCE STATEMENT

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The Company's Corporate Governance Statement is consistent in all material aspects with the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations" (as revised in 2014 for the 3rd Edition), save for those matters expressly discussed below. With the Company's long time commitment to transparency and oversight, many of the updated recommendations continue to reflect the existing governance practices.

Set out below are the key features of the Company's current corporate governance policies and practices. The Board and the Company Secretary keep these under review to ensure that the Board operates effectively and in the best interests of shareholders.

The Board of Aberdeen Leaders Limited ("ALR" or the "Company") operates in accordance with its Charter. In carrying out its responsibilities, the Board will at all times recognise its overriding responsibility to act honestly, fairly, diligently and in accordance with the duties and obligations imposed upon it by the Company's constitution and the law. The investment of the Company's funds is carried out by Aberdeen Asset Management Limited ("Aberdeen") under the terms of an Investment Management Agreement ("IMA") which is reviewed on an annual basis. ALR utilises the resources of Aberdeen under the IMA and therefore has no employees.

The Board has specific responsibility to:

- oversee and monitor the performance of Aberdeen's compliance with the IMA and to ensure that Aberdeen is monitoring the performance of other external service providers;
- oversee and monitor the internal controls and legal compliance of ALR;
- monitor financial performance including approval of statutory financial reports and liaison with the auditors;
- set the ethical tone and standards of ALR;
- identify, control and monitor the significant risks faced by ALR; and
- oversee communications and reporting to shareholders

### Composition of the Board

The Board currently has five (5) members. Under the Company's constitution, the number of Directors shall be not less than 3 and no more than 11. Each director should sign a written agreement setting out the terms of their appointment.

The Board has been structured to ensure that it has the necessary skills and expertise for a company such as ALR and can effectively represent stakeholder interests. These include experience in corporate finance, accounting, asset management, capital markets and governance.

The Chairman, Mr Brian Sherman, is responsible for leading the Board, ensuring that the Board's activities are efficiently organised and conducted. Mr Sherman does have a substantial shareholding and is not considered by the Board to be "independent" having regard to the definition of independence set out below based on that recommended by the ASX Corporate Governance Council. Mr Barry Sechos is also a director of the Company and an alternate director for Mr Sherman. Mr Sechos is a director of an entity related to Mr Sherman and is also not considered by the Board to be "independent".

However, while not independent, their interest in seeing the Company prosper is undeniably aligned with all shareholders. Mr Sherman or Mr Sechos do not participate in the day to day management of the portfolio and are not involved in related party transactions. The appointment of Mr Sechos as an alternate and the terms of that appointment were approved by the Board.

The Director representing Aberdeen, Mr Mark Daniels, is considered to be in a position equivalent to that of an executive director since ALR is an investment company which has outsourced its investment management function. The Executive Director is responsible for ensuring that Aberdeen provides a level of service consistent with the IMA. When the Board reviews and considers the appointment of Aberdeen under the IMA, no Aberdeen representatives are present.

The other two Directors, Mr Neville Miles and Mr David Elsum, are considered by the Board to be independent.

The Company Secretary is accountable to the Board, through the Chairman, on relevant matters to do with the proper functioning of the Board.

Biographical information in respect of each Director is set out on page 3.

The Board as presently constituted does not have a majority of independent non-executive directors. Importantly, however, the roles of Chairman and Executive Director are undertaken by separate persons and there is a majority of non-executive directors.

The board as presently constituted provides an effective mixture of skills and expertise in order to achieve the company's strategic objectives. With extensive experience providing effective corporate governance and within the financial sector- as well as a thorough and robust oversight into Aberdeen's team-based stock selection process- the board is currently positioned to fulfil the company's objective to deliver regular income and long term capital growth. Furthermore, the board is well positioned to provide effective risk management with expertise ranging from risk management, compliance and corporate law- in addition to its flexible and diligent risk committee. Moreover, from an investment perspective, the current board possesses an intimate knowledge of Aberdeen's investment philosophy, style and bottom-up investment process.



## Director Independence

A Director is only to be regarded as independent if:

- the Director is a non-executive Director; is not a substantial (5% or more) shareholder of ALR; an officer of, or otherwise associated directly with, a substantial shareholder of ALR;
- within the last three years the Director has not been employed in an executive capacity by ALR or an employee materially associated with a service provider;
- within the last three years the Director has not been a principal of a material professional adviser or material consultant to ALR;
- the Director is not a material supplier or customer of ALR, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- the Director has no material contractual relationship with ALR other than as a director of ALR.

Material in respect of independence above is to be judged by the Board on both a quantitative and qualitative basis. An amount of over 5% of ALR's total shareholders' equity is considered material for these purposes. The Board regularly assesses the independence of directors. In addition, a transaction of any amount or relationship is deemed material if knowledge of it impacts the shareholders' understanding of Director's performance.

All Directors are to disclose to the Company, as soon as it is to hand, any information that may affect their independence.

## Nomination of Directors

The Chairman is responsible for reviewing the membership of the Board, the nomination of Directors to the Board and the re-election of Directors to the Board. Any review / recommendation is considered by the full Board. Appropriate expertise and experience are essential attributes for any nominee.

Having regard to ALR's size, nature as an investment company and Board responsibilities, a formal nominations committee is not considered necessary. Any new directors are subject to appropriate investigation and checks prior to appointment. Furthermore all directors receive regular market and regulatory updates from service providers and the Manager.

## Term of Office

Each year one-third of all executive and non-executive Directors (rounded down and based on who has been longest in office) are required to retire by rotation and may offer themselves for re-election by members at the Annual General Meeting. As further required by the Constitution (and ASX Listing Rules), each director is required to stand for re-election every 3 years.

Any Director appointed during the year is required to stand for re-election at the next Annual General Meeting of the Company.

## Meetings

The Board will meet as and when necessary to efficiently discharge its duties. The Board has determined that given the current nature of the business, quarterly Board meetings are appropriate, supplemented with monthly information updates. Additional meetings can be called by any Director to deal with items of special business and the Board will pass resolutions in circulation as required.

The quorum necessary for Directors to conduct business is two Directors.

## Remuneration

The Directors shall be paid out of the funds of the Company by way of remuneration for their services up to such sum as may from time to time be determined by the shareholders of the Company in a general meeting and allocated between Directors as the Board deems appropriate. No employees of Aberdeen or the Director representing Aberdeen receive any remuneration from the Company. Remuneration is currently paid only to the non-executive Directors in the form of fees and/or superannuation.

No Director receives equity remuneration from the Company. Information concerning the remuneration for each Director is set out on page 21.

Having regard to ALR's size and board responsibilities in respect of remuneration, a formal remuneration committee is not considered necessary. As required under Section 300A (1) of the Corporations Act however, a Remuneration Report is contained within the Directors' Report and the adoption of the Remuneration Report is proposed by means of an advisory only, non-binding vote at the Annual General Meeting. However, under the Corporations Act 2001, if 25% or more of the votes that casted for this resolution voted against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which certain directors of the Company must go up for re-election. In addition, as required by the company constitution, Shareholders approve the maximum aggregate amount payable to directors. The company has no employees and therefore pays no remuneration benefits to individuals beyond what is paid to directors.

## Independent Professional Advice

All Directors are entitled to seek independent professional advice at the expense of ALR. Prior to seeking such professional advice, the relevant matter of concern to the Director should be raised for discussion with the full Board. If this is impractical, the matter(s) should be raised with the Chairman.

The full resources of the legal, compliance, company secretarial, finance and operations departments of Aberdeen are available at all times to the Directors of ALR to assist them in resolving any query or concern they may have. If, after such discussions, the relevant Director's query or concern is not satisfied, independent professional advice may be sought at the Company's expense.

## Board Committees

The Board may establish committees to assist it in carrying out its responsibilities, consisting of such members as it thinks fit. The Board shall adopt charters setting out matters relevant to the composition, responsibilities and administration of such committees, and other matters the Board may consider appropriate.

An Audit Committee has been established since 1990 and a Risk and Compliance Committee was established in 2004.

### Audit Committee

The Audit Committee is comprised of the two independent non-executive Directors (Messrs Miles and Elsum) and the Executive Director (Mr Daniels) and is chaired by Mr Neville Miles. While ALR is not a company that is required to comply with the audit committee composition requirements set out in the ASX Corporate Governance Council's Recommendations, the Committee actively manages any potential conflicts that might arise as a result of the presence of the Executive Director. Relevant measures include the provisions relating to material personal interest under the law.

However, it is considered that the Company and its shareholders benefit from the knowledge and skills that the Executive Director brings to the Committee.

A Charter setting out matters relevant to the composition, responsibilities, and administration of the Audit Committee has been adopted. It provides that the Audit Committee has the following duties and responsibilities:

- the nomination, appointment, rotation and remuneration of external auditors. This includes ensuring the adequacy of existing external audit arrangements, with particular emphasis on the independence, scope and quality of the audit. To ensure that the external auditor has full access to information and that no unacceptable management or other restrictions are placed on them. To action and respond to any "management letters" sent by the external auditor to the Company;
- to review the draft half-yearly and year end financial statement with both representatives of Aberdeen and the external auditor prior to recommending their adoption and lodgement by the Board. This will include the review of any statement from the Executive Director representing Aberdeen to the Board on whether the Company's financial reports present a true and fair view in accordance with relevant accounting standards;
- responsibility for all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels. This includes responsibility for the effectiveness of management information and other systems of internal controls relating to financial arrangements and monitoring the adequacy of management information, internal financial control systems, asset valuations and expenditure controls; and
- to review any reports relating to questionable accounting or auditing matters and to ensure that any query from shareholders relating to such matters are dealt with expeditiously.

### Risk and Compliance Committee

The Risk and Compliance Committee, comprised of two independent non-executive Directors (Neville Miles and David Elsum) and recently joined by another non-executive director (Mr Barry Sechos), is chaired by Mr Neville Miles. The Committee receives regular reports on compliance by the Company and the risks faced by ALR and whether those risks are being managed effectively. The economic, environmental and social sustainability risks faced by ALR are reflected in the underlying holdings of the fund.

A Charter setting out matters relevant to the composition, responsibilities, and administration of the Risk and Compliance Committee has been adopted. It provides that the Committee has the following duties and responsibilities:

- to review the risk management statement formally on a yearly basis and also to review all risk issues on a quarterly basis. Risks include market risk, credit risk, interest rate risk and liquidity risk. This includes, where the facts warrant, to bring the matter to the attention of the Board and to recommend the implementation of additional controls;
- as a key body of the Company's compliance framework, the Committee is responsible for maintaining the compliance programme. This encompasses responsibility to:
- monitor compliance by the manager of their AFSL conditions
- Corporations Act; and
- various company procedures;
- responsibility for monitoring the performance of external services providers e.g. Custodian, Administrator and Registrar. As well as to ensure that Aberdeen, the investment manager continues to maintain an adequate system for detecting, resolving and reporting breaches; and
- to review compliance with the terms of any banking covenants in relation to any facility the Company may have negotiated and drawn down from time to time.

The Committee has access to and benefits from the work done by the various departments within the risk division of Aberdeen including compliance, legal, business risk and internal audit. The internal audit function at Aberdeen is responsible for providing an independent assessment of the Group's entire control environment and reports directly to the Aberdeen Group's Audit Committee.

### Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an on-going process of identifying, evaluating and managing the significant risks faced by the Company.

The key components designed to provide effective internal control are outlined below:

- the Risk and Compliance Committee meets on a quarterly basis since it was constituted to review the internal controls;
- the Risk and Compliance Committee has a documented compliance programme;
- risks and internal controls and the risk management framework have been documented in the Risk Management Statement;
- the Audit Committee has responsibility for all areas of significant financial risk and arrangements are in place to contain those risks to an acceptable level;
- written agreements are in place which specifically define the roles and responsibilities of Aberdeen and other third party service providers;
- Aberdeen has clearly defined investment criteria and specified levels of authority. Reports on these matters, including performance statistics and investment valuations are submitted regularly to the Board; and
- as a matter of course Aberdeen's compliance and internal audit departments regularly review the investment manager's operations.

Aberdeen holds an Australian Financial Services Licence (No. 240263) and is also licensed as an investment adviser by the Securities and Exchange Commission of the United States under the United States Investment Advisors Act of 1940.

### Representation on Accounts

Under the Company's corporate governance practices, the Executive Director (being the person equivalent to a CEO and CFO) shall provide to the Board with the half-yearly and yearly accounts with the following representations:

- the Company's financial reports present a true and fair view in accordance with the relevant accounting standards;
- the Company's financial reports are based on a sound system of risk management and internal control consistent with the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

This procedure was first adopted for the 30 June 2004 accounts.

### Performance Evaluation of the Board, its Committees and Individual Directors

The Board of Directors Charter provides that the Chairman shall undertake an annual review of the Board and consider the appropriate mix of skills required to ensure its continuing effectiveness. The review shall be conducted in such manner as the Chairman deems fit. In turn, the Board shall undertake an annual review of the performance of the Chairman to ensure that the Board's activities continue to be efficiently organised and conducted.

### Review of IMA

The Board reviews the performance of Aberdeen on an annual basis. This review shall be conducted in such manner as the Board deems fit but includes a review of the following:

- appointment, duties and fees charged;
- performance/returns of the portfolio;
- administration duties and support functions;
- management fee comparison; and
- risk controls.

The Board considers these matters in the absence of the Executive Director and any other Aberdeen staff.

### Diversity

Given the current nature of the business and the fact that it does not have any employees, ALR does not believe it is appropriate to have in place a formal diversity policy. The Chairman is responsible for the oversight of the composition of the Board to ensure the company has access to the appropriate expertise and experience.

### Continuous Disclosure and Shareholder Communication

ALR is committed to:

- the promotion of investor confidence by ensuring that trading in its securities takes place in an efficient, competitive and informed market;
- encouraging shareholder participation at the annual general meeting in person or by proxy;
- complying with its disclosure obligations under the ASX Listing Rules and the Corporations Act 2001; and
- ensuring that ALR stakeholders have the opportunity to access externally available information issued by ALR.

The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the Board.

Shareholders, prospective shareholders, stakeholders and other interested parties can access detailed and up to date information on the Company via the Aberdeen web site [www.aberdeenasset.com.au](http://www.aberdeenasset.com.au) by following the links to "Aberdeen Leaders Limited" or by accessing the Company's ASX announcements platform available at [www.asx.com.au](http://www.asx.com.au).

The Aberdeen website includes access to the Company's:

- Board of Directors Charter
- Director's Code of Conduct
- Continuous Disclosure Policy
- Communications Plan
- Audit Committee Charter
- Risk and Compliance Committee Charter

ALR like many listed companies continues to embrace technology in making information and participation easier and more accessible. This includes using the technology developed by our registrar to facilitate email communication as well as online voting for general meetings of the Company. The Company is also committed to the auditor being present at the AGM and available to answer any questions from shareholders.

### Dealings by Directors in Company Securities

Directors must not trade in the shares of the Company during periods when they are in possession of information that is price sensitive and would have a material impact on a decision to buy or sell shares in ALR. Under its Communications Policy, the Company publishes its weekly net asset value and portfolio composition to the ASX. In the ordinary course of business therefore, Directors will be free to trade in the Company's shares unless there is material price sensitive information in the possession of the Directors that has not been disclosed in accordance with the permitted exceptions to the continuous disclosure rule and would have a material effect on the portfolio or net asset value of ALR. Further to the above, in accordance with ASX Listing Rule 12.9 ALR is required to have a trading policy in place with the content of the policy prescribed by ASX Listing rule 12.12. This trading policy is in relation to dealings in the securities of ALR by its Directors and Company Secretary. This trading policy sits alongside obligations under the Corporations Act 2001 and the ASX Listing Rules. The trading policy of ALR imposes "closed periods". These closed periods are times when Directors and the Company Secretary of ALR may not trade in securities of ALR or derivative products created over ALR securities subject to certain exclusions and exceptional circumstances. The closed periods for ALR are from the close of business on the last business day of the half and full financial year of ALR up till and including the day the half and full year financial results are released to the market. The Directors and Company Secretary may trade in securities of ALR on the first business day after the day the financial results are released. ALR may impose further closed periods associated with inside information.

The operation of any share buy back by the Company is as directed by the Board in accordance with the Corporations Act 2001 and the Listing Rules. The operation of the buy back, including the daily purchases, are continuously announced to the ASX. As noted above, the Company also publishes its weekly net asset value (in the usual course) and provided that there is no material price sensitive information that is not generally available, Directors can accept a buy-back offer for their shares.

### Codes of Conduct

In addition to a policy on share trading, the Director's Code of Conduct, together with the Company's other corporate governance policies, is designed to ensure that the Directors and the Company act ethically and responsibly, bearing in mind the Directors' duties under the Corporations Act and the interest of the Company's shareholders and stakeholders.

# Directors' Report

The Directors present their report on Aberdeen Leaders Limited ('the Company') for the year ended 30 June 2015.

## Directors

The following persons held office as Directors of Aberdeen Leaders Limited during the financial year:

Brian Michael Sherman AM (BComm, CTA SIA (Aff))

Neville John Miles (BComm (Hons), CA)

David Lindsay Elsum AM (BEE (Hons), BComm, MSc, FCPA)

Augustine Mark Daniels (BSc Econ)

Barry Sechos (BComm, LLB)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Further details regarding Director and Company Secretary qualifications and experience are set out on page 3 of the Annual Report.

None of the Directors or the Company Secretary was a partner in an audit firm, or a director of an audit company, that is an auditor of the Company.

## Principal activities

During the year, the principal activities of the Company included investments in securities listed on the Australian Securities Exchange.

The Company may enter into derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Company's financial risk management policies.

## Dividends

Dividends paid to members since the end of the previous financial year were as follows:

	2015 \$'000	2014 \$'000
Final ordinary dividend	1,232	1,227
Interim ordinary dividends	1,846	3,054
Total ordinary dividends	3,078	4,281

## Review of operations

The Company continued to invest in stocks primarily in the S&P / ASX 200 Accumulation Index.

As at 30 June 2015, the net assets of the Company was \$70.435 million or \$1.14 per share after providing for deferred tax on unrealised gains. The Company is a long term investor and does not intend on disposing of its total portfolio. Before provision for deferred tax the NTA was \$1.19 per share.

Net Assets at fair value before loan facility	100,435
Less: Loan Facility	(30,000)
	70,435
NTA per Ordinary Share (after inclusion of deferred tax on unrealised gains)	\$1.14
NTA per Ordinary Share (before inclusion of deferred tax on unrealised gains)	\$1.19

The fair value of financial assets traded in an active market is based on their quoted market price at the balance date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

For the year ended 30 June 2015 the Company paid and provided for total dividends of 5 cents per share fully franked, consisting of three quarterly dividend of 1 cents per share and a final dividend of 2 cents per share.

The profit from ordinary activities after income tax amounted to \$2,050,000 (2014: profit \$1,844,000).

The net tangible asset backing for each ordinary share as at 30 June 2015 amounted to \$1.14 per share (2014: \$1.11 per share).

## Earnings per share

	2015	2014
Basic and diluted earnings per share	3.33 cents	3.02 cents

**Significant changes in the state of affairs**

There have been no other significant changes in the state of affairs of the Company during the year.

**Matters subsequent to the end of the financial year**

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.

**Interests in Shares of Aberdeen Leaders Limited**

As at the date of this report, the relevant interests of the Directors in the shares of the Company and related bodies corporate were:

		Relevant Interests
		Ordinary Shares
BM Sherman	Held by entities controlled by BM Sherman	12,316,623
NJ Miles	Held by entities controlled by NJ Miles	15,892
DL Elsum	Held by entities controlled by DL Elsum	85,241
	Held directly by DL Elsum	444,313
AM Daniels		-
B Sechos(*)		-

\*Barry Sechos is a director of an entity related to Mr Sherman, which holds 12,263,623 ordinary shares as at the date of this report.

**Other Directorships**

Barry Sechos is currently a director of Regeneus Ltd.

Pursuant to section 300(11)(e) of the Corporations Act 2001, and except as disclosed above, there were no other directorships held by the Directors in Australian listed companies at any time in the 3 years immediately before the end of this financial year.

**Company secretary**

The Company secretary is Mr Gil Orski (BComm, LLB). Mr Orski was appointed to the position of Company secretary in 2007.

**Business strategies and prospects for future financial years**

The Company will continue to invest in stocks primarily in the S&P / ASX 200 Accumulation Index which meet the quality and price criteria as determined by our investment manager, Aberdeen Asset Management Limited ("Aberdeen").

It is also the Company's present intention to continue as a geared structure and maintain its \$30 million cash advance facility subject to satisfactory terms at renewal, drawn to \$30 million at balance date. We are committed to providing a meaningful dividend yield to shareholders consistent with our objective of delivering regular income and long term capital growth, subject to market conditions, the availability of distributable profits and the financial health of the Company.

The buy-back announced by the Company was for capital management purposes.

In addition, the Company will continue to monitor the performance of the investment manager, Aberdeen, under the investment management agreement. The investment management fee is 0.60% per annum which was effective from 1 October 2014 (0.90% until 30 September 2014) plus an administration fee of 0.15 per cent per annum. The Manager is also entitled (where applicable) to an annual performance fee of 20 per cent of:

- where the level of the S&P/ASX 200 Accumulation Index has increased over the period, the amount by which the value of the investments, less the investment management fee and the administration fee (in total 0.75%, 1.05% until 30 September 2014), exceeds that increase; or
- where the level of the S&P/ASX 200 Accumulation Index has decreased over the period, the amount of the increase in the value of the investments less the investment management fee and the administration fee.

No performance fee will be payable in the period where the value of investments has decreased.



**Meetings of directors**

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

	Full Meetings of Directors		Meetings of Audit Committee		Meetings of Risk and Compliance Committee	
	A	B	A	B	A	B
Brian Michael Sherman AM	1	4	-	-	-	-
Neville John Miles (1)	4	4	2	2	4	4
David Lindsay Elsum AM (2)	4	4	2	2	4	4
Augustine Mark Daniels (3)	4	4	2	2	-	-
Barry Sechos (4)	4	4	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

(1) Chair of the Audit and the Risk and Compliance Committees.

(2) Member of the Audit and the Risk and Compliance Committees.

(3) Member of the Audit Committee.

(4) Alternate Director for Brian Michael Sherman AM.

**Remuneration report**

This report details the nature and amount of remuneration for each Director and Key Management Person of Aberdeen Leaders Limited in accordance with the Corporations Act 2001.

**Directors and key management personnel disclosed in this report**

Name	Position
------	----------

*Non-executive and executive Directors - see page 2 above*

*Other key management personnel*

None

**(a) Executive remuneration policy and framework**

Given the size of the Company, the size of the board and that there are no employees, the Directors considered that a formal remuneration committee is not required.

**(i) Setting of aggregate remuneration**

Pursuant to the Constitution, the Directors' aggregate remuneration is determined by the Company in its annual general meeting. The aggregate remuneration level proposed for approval at the Company's annual general meeting is determined by the Directors, having taken into account what would be appropriate and in line with the external market, given the size of the Company in comparison with other companies in the same industry.

The Company's first general meeting in 1988 set the Directors' remuneration in the aggregate of \$100,000 per annum and that sum remained unchanged until 2004. At the 2003/2004 annual general meeting, the Company's shareholders approved to increase the Directors' aggregate remuneration from \$100,000 to \$150,000 and at the 2008/2009 annual general meeting this was further increased to \$250,000, taking into account the burgeoning regulatory and compliance environment the Company operates under and to ensure that the remuneration is commensurate with levels for other listed investment companies. The headroom will also be necessary should the Company wish to increase the number of directors in the future as it did last year. The \$250,000 maximum aggregate amount remains unchanged as at 30 June 2015.

**(ii) Division of aggregate remuneration**

The aggregate remuneration is divided between the Directors as they may determine, taking into account the concentration of responsibility of each Director.

The Directors have determined that no remuneration is to be paid to any Director, secretary or officer who represents the Company's investment manager, Aberdeen Asset Management Limited. As such, Mr Daniels and Mr Orski during their tenure do not receive remuneration for their services to the Company.

The Directors have also determined that the Board's present intention is not to have an element of an individual Director's remuneration consist of the issue of securities in the Company.

**(b) Relationship between remuneration and Aberdeen Leaders Limited performance**

The remuneration policy has been specifically designed to ensure that the Company's shareholders can determine whether the aggregate remuneration of Directors should or should not be increased. As such, the Directors' aggregate and individual remuneration levels are not directly dependent upon the Company's performance or a performance condition. However, practically, whether shareholders vote for or against an increase in the aggregate remuneration will depend upon, amongst other things, how the Company has performed over the number of years.

For the purposes of section 300A (1AB) of the Corporations Act 2001, the Company's share price on 1 July 2014 was \$1.23 and on 30 June 2015 was \$1.12 and for this financial year, the Company paid total dividends of 5.0 cents.

For the purposes of sections 300A(1)(b), 300A(1AA) and (1AB) of the Corporations Act 2001, the table and graph below provides a comparison of the Directors aggregate remuneration and the Company's profit after related income tax expense/benefit, dividend payments and share price performance for the previous 5 financial years from 1 July 2010 to 30 June 2015.

	2015	2014	2013	2012	2011
Profit/(loss) for the year attributable to owners of (\$'000)	2,050	1,844	1,794	1,802	1,959
Dividends payments (cents)	5.0	7.0	9.5	9.5	9.5
Aggregate paid remuneration	208,050	189,050	163,500	163,500	163,500
Closing share price	\$1.12	\$1.23	\$1.22	\$0.995	\$1.19



**Details of remuneration**

The following table shows details of the remuneration received by the Directors and the key management personnel of the Company for the current and previous financial year.

	Short-term Employee benefit	Post-Employment benefits	
	Cash Salary & Fees	Superannuation	Total
Year ended 30 June 2015	\$	\$	\$
Brian Michael Sherman	76,650	-	76,650
Neville John Miles	40,000	3,800	43,800
David Lindsay Elsum	40,000	3,800	43,800
Barry Sechos	43,800	-	43,800
	200,450	7,600	208,050



	Short-term Employee benefit	Post-Employment benefits	
Year ended 30 June 2014	Cash Salary & Fees \$	Superannuation \$	Total \$
Brian Michael Sherman	74,856	1,619	76,475
Neville John Miles	40,000	3,700	43,700
David Lindsay Elsum	43,700	-	43,700
Barry Sechos	25,175	-	25,175
	183,731	5,319	189,050

(c) *Equity instrument disclosures relating to key management personnel*

(i) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Aberdeen Leaders Limited and other key management personnel of the Company, including their related parties, are set out below. There were no shares granted during the reporting period or previous reporting period as compensation.

Year ended 30 June 2015	Balance at the start of the year	Net movement	Other changes during the year	Balance at end of the year
<i>Directors of Aberdeen Leaders Limited</i>				
<b>Ordinary Shares</b>				
Brian Michael Sherman AM	12,316,623	-	-	12,316,623
Neville John Miles	15,892	-	-	15,892
David Lindsay Elsum AM	499,108	21,389	-	520,497
Barry Sechos (*)	-	-	-	-
	12,831,623	21,389	-	12,853,012

**Year ended 30 June 2014**

Name

*Directors of Aberdeen Leaders Limited*

**Ordinary Shares**

Brian Michael Sherman AM	12,316,623	-	-	12,316,623
Neville John Miles	15,892	-	-	15,892
David Lindsay Elsum AM	465,328	33,780	-	499,108
Barry Sechos (*)	-	-	-	-
	12,797,843	33,780	-	12,831,623

\* Barry Sechos is a director of an entity related to Mr Sherman, which holds 12,263,623 ordinary shares as at the end of the reporting period (2014: 12,263,623 ordinary shares).

Shares acquired by the Directors and their Director-related entities include shares acquired under the Dividend Reinvestment Plan on the same basis as similar transactions with other shareholders. Directors and Director-related entities received normal dividends on these shares.

**Insurance and indemnification of officers and auditors**

During the financial year or since the end of the financial year the Company has in place insurance policies for the following persons who are or have been officers of the Company:

NJ Miles, BM Sherman, DL Elsum, AM Daniels, B Sechos and G Orski and other officers of the Company.

In broad terms, the insurance indemnifies the above individuals against a liability as permitted by law for claims arising out of actions taken in connection with the Company's business.

In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured and the amount of the premium.

### **Indemnity of auditors**

The Company has not, during the financial year or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as such an officer or auditor.

### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### **Non-audit services**

For the purposes of section 300(11B) the Directors review the provision of non-audit services by the auditor in any year and satisfy themselves that it is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 on the basis set out in the Audit Committee report on page 6. None of the non-audit services provided undermines the general principles relating to auditor independence including the fact that there is no sharing of economic risk, no management or decision making role by the auditor and they do not act as an advocate of the Company. It is the Directors' view that the auditor's impartiality and objectivity have not been impacted by the provision of any non-audit services.

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

### **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 Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors made pursuant to Section 298(2) of the Corporations Act 2001.



**Augustine Mark Daniels**  
Director

Sydney 17 August 2015

# Auditor's Independence Declaration



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

17 August 2015

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 2015, 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 faithfully

A handwritten signature in dark ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in dark ink that reads "Declan O'Callaghan".

Declan O'Callaghan  
Partner  
Chartered Accountants

# Statement of Comprehensive Income

	Notes	2015 \$'000	2014 \$'000
<b>Investment income from continuing operations</b>	7	4,352	4,259
<b>Expenses</b>			
Management fees	23	(860)	(1,071)
Performance fees	23	(42)	-
Share registry fees		(89)	(83)
Custody fees		(93)	(106)
Tax fees	21	(8)	(8)
Directors' liability insurance fees		(40)	(42)
Directors' fees	20	(208)	(189)
ASX fees		(53)	(55)
Audit fees	21	(65)	(65)
Other expenses		(38)	(35)
Finance costs		(1,321)	(1,292)
		<b>(2,817)</b>	<b>(2,946)</b>
<b>Profit before income tax</b>		1,535	1,313
Income tax benefit	8(a)	515	531
<b>Net Profit for the year</b>		<b>2,050</b>	<b>1,844</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of derivative financial instruments	18(a)	(285)	(265)
Income tax relating to changes in fair value of derivative financial instruments	8(c)	87	79
<i>Items that will not be reclassified to profit or loss</i>			
Net unrealised (loss)/ gains on financial assets taken to equity	18(a)	(306)	8,972
Income tax benefit/(expense) relating to unrealised gains on financial assets taken to equity	8(c)	104	(2,692)
Net realised gains/(losses) on financial assets taken to equity	18(a)	4,828	(2,350)
Income tax (expense)/benefit relating to realised gains/(losses) on financial assets taken to equity	8(c)	(1,448)	705
<b>Other comprehensive income for the year, net of tax</b>		<b>2,980</b>	<b>4,449</b>
<b>Total comprehensive income for the year attributable to the ordinary equity holders of the Company</b>		<b>5,030</b>	<b>6,293</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company (excluding all net gains/(losses) on investments):</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	27	3.33	3.02
Diluted earnings per share	27	3.33	3.02

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

# Statement of Financial Position

	Notes	2015 \$'000	2014 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	3,626	3,096
Trade and other receivables	10	364	1,425
Other current assets		32	34
<b>Total current assets</b>		<b>4,022</b>	<b>4,555</b>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	12	98,645	94,991
Deferred tax assets	13	2,915	3,763
<b>Total non-current assets</b>		<b>101,560</b>	<b>98,754</b>
<b>Total assets</b>		<b>105,582</b>	<b>103,309</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	241	386
Dividends payable		1,231	1,227
<b>Total current liabilities</b>		<b>1,472</b>	<b>1,613</b>
<b>Non-current liabilities</b>			
Borrowings	15	30,000	30,000
Derivative financial instruments	11	550	265
Deferred tax liabilities	16	3,125	3,230
<b>Total non-current liabilities</b>		<b>33,675</b>	<b>33,495</b>
<b>Total liabilities</b>		<b>35,147</b>	<b>35,108</b>
<b>Net assets</b>		<b>70,435</b>	<b>68,201</b>
<b>Equity</b>			
Issued capital	17	59,091	58,809
Reserves	18(a)	6,752	7,152
Retained earnings	18(b)	4,592	2,240
<b>Total equity</b>		<b>70,435</b>	<b>68,201</b>

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

# Statement of Changes in Equity

	Notes	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2013</b>		58,009	1,058	6,322	65,389
Net profit for the year				1,844	1,844
<b>Other comprehensive income for the year</b>					
Changes in fair value of derivative financial instruments		-	(265)	-	(265)
Net unrealised gains on financial assets taken to equity		-	8,972	-	8,972
Net realised losses on financial assets taken into equity		-	(2,350)	-	(2,350)
Net income tax relating to the above items		-	(1,908)	-	(1,908)
<b>Total other comprehensive income for the year, net of tax</b>		-	4,449	-	4,449
<b>Total comprehensive income for the year attributable to the ordinary equity holders of the Company</b>		-	4,449	1,844	6,293
<b>Transactions with owners in their capacity as owners:</b>					
Net realised losses transferred to retained earnings (net of income tax)		-	1,645	(1,645)	-
Contributions of equity	17	800	-	-	800
Dividends provided for or paid	19	-	-	(4,281)	(4,281)
		800	1,645	(5,926)	(3,481)
<b>Balance at 30 June 2014</b>		<b>58,809</b>	<b>7,152</b>	<b>2,240</b>	<b>68,201</b>
<b>Balance at 1 July 2014</b>		58,809	7,152	2,240	68,201
Net profit for the year		-	-	2,050	2,050
<b>Other comprehensive income for the year</b>					
Changes in fair value of derivative financial instruments		-	(285)	-	(285)
Net unrealised losses on financial assets taken to equity		-	(306)	-	(306)
Net realised gains on financial assets taken to equity		-	4,828	-	4,828
Net income tax relating to the above items		-	(1,257)	-	(1,257)
<b>Total other comprehensive income for the year, net of tax</b>		-	2,980	-	2,980
<b>Total comprehensive income for the year attributable to the ordinary equity holders of the Company</b>		-	2,980	2,050	5,030
<b>Transactions with owners in their capacity as owners:</b>					
Net realised gains transferred to retained earnings (net of income tax)		-	(3,380)	3,380	-
Contributions of equity	17	283	-	-	283
Cancellation of ordinary shares	17	(1)	-	-	(1)
Dividends provided for or paid	19	-	-	(3,078)	(3,078)
		282	(3,380)	302	(2,796)
<b>Balance at 30 June 2015</b>		<b>59,091</b>	<b>6,752</b>	<b>4,592</b>	<b>70,435</b>

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

# Statement of Cash Flows

	Notes	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Dividends and trust distributions received		4,294	4,099
Interest received		78	64
Other revenue		116	-
Management fees paid		(975)	(970)
Finance costs paid		(1,325)	(1,319)
Payments for other expenses		(656)	(557)
<b>Net cash inflow from operating activities</b>	25	1,532	1,317
<b>Cash flows from investing activities</b>			
Payments for financial assets at fair value through other comprehensive income		(25,753)	(11,440)
Proceeds from sale of financial assets at fair value through other comprehensive income		27,542	16,666
<b>Net cash inflow from investing activities</b>		1,789	5,226
<b>Cash flows from financing activities</b>			
Dividends paid		(2,791)	(4,530)
<b>Net cash outflow from financing activities</b>		(2,791)	(4,530)
<b>Net increase in cash and cash equivalents</b>		530	2,013
Cash and cash equivalents at the beginning of the year		3,096	1,083
<b>Cash and cash equivalents at the end of the year</b>	9	3,626	3,096

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

# Notes to the Financial Statements

## 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 2015. 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 17 August 2015.

#### (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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2014 that have a material impact on the amounts recognised and disclosed within the financial statements of the Company.

#### (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.

### (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 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 will be 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.

(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.

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.

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 11. Movements in the cash flow hedging reserve are shown in Note 18.

#### (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.

#### (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.
- (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.
- (o) **Earnings per share**
- (i) **Basic earnings per share**  
Basic earnings per share is calculated by dividing:
- the net profit for the year, 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.
- (t) **New accounting standards and interpretations**  
Certain Accounting Standards and Interpretations have been recently issued or amended but are not yet effective and have not been early adopted by the entity for the annual reporting year ended 30 June 2015.

The entity is currently evaluating the impact these accounting standards may have on its financial statements and has thus not early adopted any of the new standards listed below:

#### AASB 15 - Revenue from Contracts with Customers

AASB 15 was issued by the Australian Accounting Standards Board in December 2014. It specifies how an entity will recognise revenue and require entities to provide users of financial statements with more information and relevant disclosures. The standard requires the application of a single principles based five-step model approach to recognising revenue. The standard is available for early adoption.

### 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 meets at least 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.

The Company's investment sectors as at 30 June 2015 and 30 June 2014 are as below:

Sector	2015 (%)	2014 (%)
Information technology	1.98	3.15
Financials	32.90	31.04
Energy	5.88	6.19
Healthcare and biotechnology	12.14	6.59
Consumer staples	4.50	9.70
Industrials	2.46	0.00
Consumer discretionary	1.76	1.77
Utilities	7.80	8.14
Materials	17.90	22.03
Telecommunications services	4.76	5.14
Property	7.92	6.25
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

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	
	2015 \$'000	2014 \$'000
Change in variable by +10%/-10% (2014: +10%/-10%)	6,905	6,649
Change in variable by +15%/-15% (2014: +15%/-15%)	10,358	9,974

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.

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.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interesting bearing \$'000	Total \$'000
<b>30 June 2015</b>				
<b>Financial assets</b>				
Cash and cash equivalents (i)	3,626	-	-	3,626
Trade and other receivables	-	-	364	364
Financial assets held at fair value through other comprehensive income	-	-	98,645	98,645
	3,626	-	99,009	102,635
	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interesting bearing \$'000	Total \$'000
<b>Financial liabilities</b>				
Trade and other payables	-	-	(241)	(241)
Borrowings (ii)	(30,000)	-	-	(30,000)
Dividends payable	-	-	(1,231)	(1,231)
Derivative financial instruments (iii)	(550)	-	-	(550)
	(30,550)	-	(1,472)	(32,022)
Net exposure	(26,924)	-	97,537	70,613

30 June 2014	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
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

- i) The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2015 is 2.31% pa (2014: 2.91% pa).
- (ii) The borrowings incur an interest rate of 3.288%, inclusive of the margin of 1.20% (2014: 3.905%, inclusive of the margin of 1.20%).
- (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 2.218%.

#### Sensitivity

At 30 June 2015, 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, equity and net profit for the year would have been \$141,000 lower/\$141,000 higher (2014 changes of 75 basis points/75 basis points: \$143,000 lower/\$143,000 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.

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 11 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 15, the Company's debt facility expires on 10 April 2017.

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	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual undiscounted cash flows \$'000
<b>At 30 June 2015</b>				
<b>Non-derivatives</b>				
Trade and other payables (excluding interest payable)	168	-	-	168
Interest payable	73	1,900	-	1,973
Borrowings	-	30,000	-	30,000
Dividend payable	1,231	-	-	1,231
<b>Total</b>	<b>1,472</b>	<b>31,900</b>	<b>-</b>	<b>33,372</b>
<b>Derivatives</b>				
Net settled (interest rate swaps)	-	550	-	550
<b>Total</b>	<b>-</b>	<b>550</b>	<b>-</b>	<b>550</b>
<b>At 30 June 2014</b>				
<b>Non-derivatives</b>				
Trade and other payables (excluding interest payable)	310	-	-	310
Interest payable	76	2,267	912	3,255
Borrowings	-	-	30,000	30,000
Dividend payable	1,227	-	-	1,227
<b>Total</b>	<b>1,613</b>	<b>2,267</b>	<b>30,912</b>	<b>34,792</b>
<b>Derivatives</b>				
Net settled (interest rate swaps)	-	-	265	265
<b>Total</b>	<b>-</b>	<b>-</b>	<b>265</b>	<b>265</b>

#### 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):

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) with no significant unobservable inputs and no relationship between significant unobservable inputs to fair value
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2) with no significant unobservable inputs and no relationship between significant unobservable inputs to fair value, and
- 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 2015 and 30 June 2014.

At 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Financial assets at FVTOCI				
Equity securities	98,645	-	-	98,645
<b>Total financial assets</b>	<b>98,645</b>	<b>-</b>	<b>-</b>	<b>98,645</b>
Derivative financial instruments	-	(550)	-	(550)
<b>Total financial liabilities</b>	<b>-</b>	<b>(550)</b>	<b>-</b>	<b>(550)</b>
<b>At 30 June 2014</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Financial assets at FVTOCI				
Equity securities	94,991	-	-	94,991
<b>Total financial assets</b>	<b>94,991</b>	<b>-</b>	<b>-</b>	<b>94,991</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	(265)	-	(265)
<b>Total financial liabilities</b>	<b>-</b>	<b>(265)</b>	<b>-</b>	<b>(265)</b>

There were no transfers between levels for recurring fair value measurements during the year (2014: nil).

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.

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

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 investment portfolio 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

	2015 \$'000	2014 \$'000
<b>From continuing operations</b>		
Dividends on long term financial assets held at the end of the year	3,740	3,533
Dividends on long term financial assets sold during the year	280	294
Distributions on long term financial assets held at year end	139	140
Distributions on long term financial assets sold during the year	-	225
Interest income	77	67
Other income	116	-
	<b>4,352</b>	<b>4,259</b>

## 8 Income tax benefit

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

	2015 \$'000	2014 \$'000
Current tax	11	-
Deferred tax benefit	(526)	(531)
	<b>(515)</b>	<b>(531)</b>
Deferred tax benefit is attributable to:		
Origination and reversal of temporary differences	(1,438)	688
Current year tax gains offset to prior period tax losses utilised in future periods	912	(1,219)
	<b>(526)</b>	<b>(531)</b>

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

	2015 \$'000	2014 \$'000
Profit from continuing operations before income tax benefit	1,535	1,313
Tax at the Australian tax rate of 30.0% (2014 - 30.0%)	461	394
Tax effect of :		
Franking credits on dividends received	(1,395)	(1,341)
Imputation gross up on dividends income	432	416
Withholding gross-up on dividends received	(13)	-
Income tax benefit	(515)	(531)
The applicable weighted average effective tax rates are as follows:	-34%	-40%

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

	2015 \$'000	2014 \$'000
Changes in fair value of derivative financial instruments	(87)	(79)
Net unrealised gains/(losses) on financial assets taken to equity	(104)	2,692
Net realised gains/(losses) on financial assets taken to equity	1,448	(705)
	1,257	1,908

## 9 Current assets - Cash and cash equivalents

	2015 \$'000	2014 \$'000
Operating bank account	151	200
Deposits at call	3,475	2,896
	3,626	3,096

## (i) 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:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	3,626	3,096

## (ii) 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 (2014: A+).

# 10 Current assets - Trade and other receivables

	2015 \$'000	2014 \$'000
Dividends and distributions receivable	319	455
Interest receivable	5	6
GST receivable	40	43
Unsettled sales	-	921
	364	1,425

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 (2014: nil).

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

# 11 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:

Non-current liabilities	2015 \$'000	2014 \$'000
Interest rate swap contracts - cash flow hedges	550	265
Total non-current derivative financial instrument liabilities	550	265

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).

The Company holds the following financial instruments:

## Interest rate swap contracts

Bank loans of Aberdeen Leaders Limited currently bear an average variable interest rate of 3.288%. 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 2.218%.

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.

The Company's interest rate swap contract is with Westpac Banking Corporation which is rated AA- by Standard & Poor's (2014: AA-).

## (i) 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.

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

	2015 \$'000	2014 \$'000
Listed securities		
Investment in shares and property trusts	98,645	94,991

The list showing investments treated as equity instruments and revalued through Other Comprehensive Income can be found on page 10 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 \$26.621 million (2014: \$16.774million). The cumulative gains on these disposals was \$4.82 million for the year before tax (2014: Loss \$2.35 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.

## 13 Non-current assets - Deferred tax assets

	2015 \$'000	2014 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Prior period taxable losses to be utilised in future periods	2,742	3,665
Changes in the fair value of cash flow hedges	165	79
Other temporary differences	8	19
	<u>2,915</u>	<u>3,763</u>

## 14 Current liabilities - Trade and other payables

	2015 \$'000	2014 \$'000
Management fees payable	69	192
Performance fees payable	45	-
Interest payable	73	76
Other payables	54	118
	<u>241</u>	<u>386</u>

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.

## 15 Non-current liabilities - Borrowings

	2015 \$'000	2014 \$'000
<b>Secured</b>		
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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The facility is secured by a fixed and floating charge over the Company's assets. The carrying amount of assets pledged as security is \$102,667,000 (2014: \$99,546,000). The facility is drawn to the extent of \$30 million on 30 June 2015 (2014: \$30 million). At the date of this report the facility incurs an interest rate of 3.288%, inclusive of the margin of 1.20% (2014: 3.905%, inclusive of the margin of 1.20%).

### 16 Non-current liabilities - Deferred tax liabilities

	2015 \$'000	2014 \$'000
Net unrealised gains on financial assets	3,116	3,221
Other temporary differences	9	9
	<b>3,125</b>	<b>3,230</b>

### 17 Issued capital

#### (a) Shared Capital

	30 June 2015 Shares	30 June 2014 Shares	2015 \$'000	2014 \$'000
Ordinary shares - fully paid	61,574,450	61,339,314	59,091	58,809

#### (b) Movements in ordinary share capital

Detail	Number of shares	\$'000
Opening balance 1 July 2013	60,691,871	58,009
Dividends reinvestment plan issues	647,443	800
Balance 30 June 2014	<b>61,339,314</b>	<b>58,809</b>
Opening balance 1 July 2014	61,339,314	58,809
Dividends reinvestment plan issues	235,779	283
Shares bought back	(643)	(1)
Balance 30 June 2015	<b>61,574,450</b>	<b>59,091</b>

#### (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 235,779 shares under the DRP and cancelled 643 shares (2014: 647,443 shares).

#### (e) Share buy-back

The Company renewed the share buy-back for 12 months from 27 February 2015 and bought back 643 shares in 2015 (2014: nil).

#### (f) Capital risk management

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 15, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in Notes 17, 18(a) and 18(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 2014.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

### 18 Reserves and retained earnings

#### (a) Reserves

	Notes	2015 \$'000	2014 \$'000
Reserves		6,752	7,152
Movements:			
Investment portfolio revaluation reserve			
Opening balance		7,338	1,058
Net unrealised (loss)/gains on financial assets		(306)	8,972
Income tax on net unrealised (loss)/gains on financial assets	8(c)	104	(2,692)
Net realised gains/(losses) on financial assets		4,828	(2,350)
Income tax on net realised gains/(losses) on financial assets	8(c)	(1,448)	705
Transfer of net realised (gains)/losses from investment portfolio revaluation reserve to retained earnings	18(b)	(3,380)	1,645
Balance 30 June		7,136	7,338
Opening balance		(186)	-
Changes in fair value of derivative financial instruments		(285)	(265)
Income tax on changes in fair value of derivative financial instruments	8(c)	87	79
Balance 30 June		(384)	(186)
<b>Total reserves</b>		<b>6,752</b>	<b>7,152</b>

#### (b) Retained earnings

	Notes	2015 \$'000	2014 \$'000
Movements in retained earnings were as follows:			
Balance 1 July		2,240	6,322
Net profit for the year		2,050	1,844
Dividends	19	(3,078)	(4,281)
Transfer of net realised gains/(losses) from investment portfolio revaluation reserve to retained earnings		3,380	(1,645)
Balance 30 June		4,592	2,240

#### (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).

### 19 Dividends

#### a) Ordinary Shares

	2015 \$'000	2014 \$'000
Final dividend	1,232	1,227
Interim dividends	1,846	3,054
	<b>3,078</b>	<b>4,281</b>

## b) Dividend franking account

	2015 \$'000	2014 \$'000
Opening balance of franking account	9,714	10,658
Franking credits on dividends received	1,395	1,341
Loss of franking credits under 45 day rule	(4)	-
Franking credits on ordinary dividends paid	(1,317)	(2,285)
Closing balance of franking account	9,788	9,714
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2014 - 30.0%)	(403)	(402)
Adjusted franking account balance	9,385	9,312

(c) Dividend rate  
Dividends paid fully franked at 30% tax rate

	Dividend Rate	Total Amount \$'000	Date of Payment	% Franked
2015				
Ordinary shares - final	2.00cps	\$1,231	31/07/15	100%
Ordinary shares - interim	1.00cps	\$616	07/05/15	100%
Ordinary shares - interim	1.00cps	\$616	05/02/2015	100%
Ordinary shares - interim	1.00cps	\$615	31/10/2014	100%
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%

20 Key management personnel disclosures  
Key management personnel compensation

	2015 \$'000	2014 \$'000
Short-term employee benefits	204,250	183,731
Post-employment benefits	3,800	5,319
	208,050	189,050

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 22.

**21 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:

**Deloitte Touche Tohmatsu**

	30 June 2015 \$	30 June 2014 \$
Audit and other assurance services		
Audit and review of financial statements	64,853	64,853
Total remuneration for audit and other assurance services	64,853	64,853
Taxation services		
Tax compliance services	7,975	7,700
Total remuneration for taxation services	7,975	7,700
Total remuneration of Auditors	72,828	72,553

**22 Contingent assets and contingent liabilities**

The Company had no contingent assets and contingent liabilities at 30 June 2015 (2014: nil).

**23 Related party transactions**
**(a) Key management personnel**

Disclosures relating to key management personnel are set out in Note 20.

**(b) Transactions with other related parties**

	2015 \$	2014 \$
Management fees	860,377	1,070,920
Performance fees	42,292	-

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. The fee includes 0.60% per annum of the average of the weekly valuations of investments and 0.15% per annum for its services as administrator. Prior to October 2014 the management fees was 0.90%.

A performance fee of 20% is payable on the increase in the value of investments (less the management and administration fees) over the return of the S&P/ASX 200 Accumulation Index ("Index"). Where the Index has decreased over the year, the performance fee is based on the increase in the value of investments.

**24 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.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	2015 \$'000	2014 \$'000
Net profit for the year	2,050	1,844
Change in operating assets and liabilities:		
Increase/(decrease) in trade and other receivables	140	(105)
Decrease in other current assets	2	1
Decrease/(increase) in deferred tax assets	848	(1,222)
(Decrease)/increase in trade and other payables	(145)	110
(Increase)/decrease in deferred tax liabilities*	(1,363)	689
Net cash inflow from operating activities	1,532	1,317

\*This includes tax benefit/ (expense) of items disclosed within other comprehensive income.

### 26 Non-cash investing and financing activities

	2015 \$'000	2014 \$'000
Dividends reinvested	283	800

### 27 Earnings per share

#### (a) Basic earnings per share

	2015 Cents	2014 Cents
From continuing operations attributable to the ordinary equity holders of the Company	3.33	3.02
Total basic earnings per share attributable to the ordinary equity holders of the Company	3.33	3.02

#### (b) Diluted earnings per share

	2015 Cents	2014 Cents
From continuing operations attributable to the ordinary equity holders of the Company	3.33	3.02
Total diluted earnings per share attributable to the ordinary equity holders of the Company	3.33	3.02

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

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	61,533,336	61,109,632
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	61,533,336	61,109,632

# Directors' Declaration

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 19 to 45 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 2015 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 pursuant to Section 295(5) of the Corporations Act 2001.

Augustine Mark Daniels  
Director



Sydney  
17 August 2015

# Independent Auditor's Report to the Members



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

### Report on the Financial Report

We have audited the accompanying financial report of Aberdeen Leaders Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other 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.

#### *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 company'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.

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

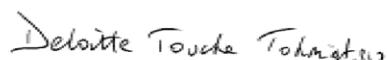
- (a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date;
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (c) The financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

### **Report on the Remuneration Report**

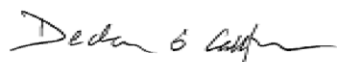
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 2015, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 17 August 2015

# Additional Information

The additional information set out below was applicable as at 31 August 2015.

## Largest shareholders

Shareholders	Ordinary shares Held	% of issued shares
Hsbc Custody Nominees (Australia) Limited	12,634,022	20.518
Gasweld Pty Limited	3,026,060	4.914
Mr David Madden	1,550,000	2.517
Tampere Pty Ltd	624,522	1.014
Assington Hall Pty Ltd	495,106	0.804
Gager Sft Pty Ltd <Gager Superfund A/C>	474,415	0.770
Ling Nominees Pty Limited	411,125	0.668
Relgan & Co Pty Ltd	400,000	0.650
Mon Nominees Pty Ltd <Glass Superannuation A/C>	378,500	0.615
Orelect Pty Ltd	364,758	0.592
Mr Ian Gillespie-Jones <Pension Fund A/C>	350,444	0.569
Wendron Investments Pty Ltd <The Wendron A/C>	350,000	0.568
Mr David Edward Miller & Mrs Christina Sol Miller <D & C Miller Super Fund A/C>	349,990	0.568
Manatee Pty Ltd <Longwave Super Fund A/C>	291,000	0.473
Sentinel Holdings Pty Ltd <K H Gager Family A/C>	284,619	0.462
Industrial Tool Centre Pty Ltd <Staff Retirement Fund A/C>	255,599	0.415
Rijean Pty Limited <Superannuation Fund A/C>	251,782	0.409
Griffith Management Pty Limited <W A Gay Super Fund A/C>	250,393	0.407
J P Morgan Nominees Australia Limited	247,091	0.401
Mr David Lindsay Elsum <David L Elsum Super A/C>	231,912	0.377
Ross John Glasson Pty Ltd <Damilter Super Fund A/C>	220,855	0.359
Mr David Lindsay Elsum <David L Elsum Super A/C>	212,401	0.345
Restiff Pty Ltd <Barnett Family A/C>	210,121	0.341
Meballa Pty Ltd <Ogg Family A/C>	208,000	0.338
Mr Richard Mews & Ms Wee Khoon Mews <Mews Superannuation A/C>	204,409	0.332
Mr Donald Hunter Crane	200,000	0.325
Totals	24,477,124	39.751

## Substantial Shareholders

The following shareholders have notified that they are substantial shareholders of Aberdeen Leaders Limited:

Shareholders	Ordinary shares Held	% of issued shares
BM Sherman	12,316,623	20.003
Gasweld Pty Limited	3,026,060	4.914

**Distribution of ordinary shares**

Analysis of ordinary shareholders by size of shareholders as at 31 August 2015:

Holdings Ranges	Number of shareholders	Ordinary Shares held	% of issued shares
1-1,000	450	261,551	0.425
1,001-5,000	787	2,416,912	3.925
5,001-10,000	483	3,731,106	6.060
10,001-100,000	877	24,314,229	39.488
100,001 and over	73	30,850,335	50.103
	2,670	61,574,133	100.000

**Investment Transactions**

The total number of investment transactions during the financial year ended 30 June 2015 was 110. The total brokerage paid on these investment transactions was \$46,580.

**Voting Rights**

All shareholders registered on the Company's share register as members of the Company carry one vote per share.

**Stock Exchange Listing**

Quotation has been granted for all Ordinary Shares of the Company on the Australian Securities Exchange Limited.

**Shareholder Information**

Our registry service provider BoardRoom Pty Limited delivers access and management of your Aberdeen Leaders holding online at [www.investorserve.com.au](http://www.investorserve.com.au). The InvestorServe web site will allow you to view: balances, transaction history, recent dividend payments, report elections. You can submit and update your: address details, banking instructions, tax file number, communication preferences. Further you can download various forms to assist in the management of your holding, lodge proxies online, retrieve documents relevant to your holding and manage other linked holdings. For security reasons, you will need to obtain a PIN to log on to InvestorServe. To apply for a PIN, simply log on to [www.investorserve.com.au](http://www.investorserve.com.au) and follow the instructions.

# Corporate Information

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## Directors

BM Sherman, AM, BComm, SA Fin (Chairman)  
NJ Miles, BComm (Hons), CA  
DL Elsum, AM, BEE (Hons), BComm, MSc, FCPA  
B Sechos, BComm LLB  
AM Daniels, B Ec

## Company Secretary

G Orski BCom, LLB

## Registered Office

Level 6, 201 Kent Street  
Sydney  
NSW 2000

## Auditor

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street Sydney  
NSW 2000

## Bankers

Westpac Institutional Bank  
Level 3  
275 Kent Street  
Sydney  
NSW 2000

## Custodian

BNP Paribas Securities Services  
Level 6, 60 Castlereagh Street  
Sydney  
NSW 2000

## Share Registrar

BoardRoom Pty Limited  
Level 12  
225 George St  
Sydney  
NSW 2000  
Telephone +61 2 9290 9600  
[www.investorserve.com.au](http://www.investorserve.com.au)

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**Aberdeen Leaders Limited Annual Report for 12 months ended 30 June 2015**

**Aberdeen Asset Management Limited**

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