

# **WILSON INVESTMENT FUND LIMITED**

**A.B.N. 15 100 504 541**

## **ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2005**

## COMPANY PARTICULARS

### WILSON INVESTMENT FUND LIMITED A.B.N. 15 100 504 541

Wilson Investment Fund Limited is a Listed Investment Company. It is an investor in equities and similar securities on the stock market primarily in Australia.

**DIRECTORS:** G. Wilson (Chairman)  
M. Kidman  
J. Gosse  
J. Abernethy

**SECRETARY:** J. Gosse

**AUDITORS:** Moore Stephens Sydney

**COUNTRY OF INCORPORATION:** Australia

**REGISTERED OFFICE:** Level 11, 131 Macquarie Street  
Sydney NSW 2000

**CONTACT DETAILS:** Mail Address: Lvl 11, 139 Macquarie St  
Sydney NSW 2000  
Telephone: (02) 9247 6755  
Fax: (02) 9247 6855  
Email: info@wami.com.au  
Website: www.wilsonassetmanagement.com.au

For enquiries regarding net asset backing (as advised each month to the Australian Stock Exchange) refer to [www.asx.com.au](http://www.asx.com.au) or call (02) 9247 6755

**SHARE REGISTRAR:** Registries Limited  
Level 2, 28 Margaret St  
Sydney NSW 2000  
Telephone: (02) 9290 9600  
Fax: (02) 9279 0664

For all enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.

**STOCK EXCHANGE:** Australian Stock Exchange (ASX)  
The home exchange is Sydney.  
ASX code: WIL Ordinary shares  
WILOA Options Expiring 17 Jun 2006

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## **2005 KEY POINTS**

- Profit before tax was \$6.020m
- Profit after tax was \$4.814m
- Pre tax net tangible assets were 104.3c\* a share
- After tax net tangible assets were 102.8c\* a share
- Total dividend for 2004/05 - 4.0c a share fully franked

\* After the payment of a 2.0 cent fully franked interim dividend and before the payment of a 2.0 cent fully franked final dividend.

## **CHAIRMAN'S LETTER**

The building of the equity portfolio continued throughout the year at a similar pace to the previous year. Wilson Investment Fund Limited (WIL) is a long term investor seeking out companies that have sound fundamentals and strong growth prospects. It is crucial that the initial investments are made at the best possible price. The Company's result was pleasing given the difficult environment in which to establish a long term investment portfolio. Successful long-term investing requires patience which comes from knowledge and discipline.

At the end of June 2005, more than \$70.7 million of the funds raised had been invested in 43 equities and listed debt securities. The remaining monies were in bank bills. Of the monies invested \$49.9 million had been invested in 30 companies, and \$20.8 million had been invested in 13 listed debt securities. In addition, in the year to 30 June 2005, \$17.1 million had been spent buying back shares in WIL at a discount of between 7% to 14% to the Company's pre tax asset backing.

The board is focused on maximising returns to shareholders. The buying back of shares at below pre tax asset backing will increase the asset backing for the remaining shareholders. This mechanism is providing liquidity for impatient investors while rewarding all other patient shareholders. The pre-tax net tangible assets (NTA) backing, after the payment of 3.5 cents fully franked dividends and 1.5 cents of tax paid in the year, moved from 103.1 cents a share to 104.3 cents a share.

Total dividends declared for the year increased 60% to 4.0 cents a share fully franked, made up of a 2.0 cent interim and 2.0 cent final dividend. The Board is committed to increasing dividends over time, and paying out all franking credits when available.

In an endeavour to find suitable investment opportunities the manager is continually meeting with the management of investee companies. Since WIL listed on 19 August 2003 the manager has undertaken more than 1400 company visits. Over time, and once the fund is fully invested, our goal is to deliver a total return of 15-20% per annum. Part of the return we would like to be in the form of an attractive fully franked dividend to shareholders. We are looking for a combination of high growth stocks and established businesses that have strong cash flows and pay fully franked dividends.

To date we have looked to improve the yield of the Company by investing in several high yielding listed debt securities. These securities will enable the Company to reach a satisfactory yield at the quickest rate, while at the same time give the fund exposure to some outstanding companies.

The past year saw the Australian share market continue to rally strongly. The rally has been based upon a strong increase in company earnings and robust global economic growth leading to strong commodity prices. Looking ahead, stable interest rates should underpin valuations, but the risk to corporate profitability continues to be cost pressures particularly wages, raw materials and oil costs. We look forward to the current year with cautious optimism.

Geoff Wilson  
Chairman  
25 August 2005

# **COMPANY PROFILE**

Wilson Investment Fund Limited (WIL) is an investment Company providing investors with access to a diversified investment portfolio and the management expertise of MAM Pty Ltd (MAM).

## **COMPETITIVE ADVANTAGE**

What distinguishes the Investment manager MAM from others is:

- A unique research rating process
- a target of meeting with as many companies as possible
- a total focus on managing money

## **INVESTMENT OBJECTIVES**

The three investment objectives of the Company are:

- achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors;
- deliver investors a secure income stream in the form of fully franked dividends; and
- preserve the capital of the Company.

## **INVESTMENT PROCESS**

The Company has two investment approaches:

1. Research Driven - Buying shares in companies after extensive research. This may involve detailed discussion with management of the investee entity and its competitors.

This process requires each potential investment to be rated with respect to:

- (a) management;
- (b) projected earnings per share growth;
- (c) valuation - utilising a price for growth formula;
- (d) the industry and the investee's position in that industry; and
- (e) the generation of free cashflow.

The above rating system works as a filter identifying the most appropriate investments.

Before undertaking a research-driven investment, the Manager will identify a catalyst or event that it believes will lead to an increase in the market value of the investment.

2. Investment Driven - Buying securities in entities through initial public offerings, placements or the purchase of a block of stock below what the Manager believes is the entity's fair value. This requires close monitoring of market activity.

This process requires that each of the characteristics listed below are identified in the investee companies:

- (a) sustainable business model;
- (b) track record of dividends;
- (c) track record of profits and positive free cashflow;
- (d) acceptable financial strength; and
- (e) return on equity.

Once all of the above characteristics have been identified in a company, the timing of its purchase will require patience and a medium to long term investment horizon. Valuation will be a key element of any purchase.

# INVESTMENTS AT MARKET VALUE

AS AT 30 JUNE 2005

	<u>Quantity</u>	<u>Market Value</u> \$		<u>Quantity</u>	<u>Market Value</u> \$
<b><u>Listed Debt Securities</u></b>			<b>Insurance</b>		
ANZ 6.42% Conv. Prefs	15,000	1,533,750	Calliden Group Ltd	6,000,000	2,700,000
Bank of Queensland Series 1 Reset Prefs	70,000	7,070,000	Oamps Ltd	1,185,899	3,024,042
Brickworks Prefs	8,000	870,000	Tower Ltd	1,819,000	3,547,050
Emeco 10% Notes	32,000	3,302,400			<b>9,271,092</b>
Futuris 7% Conv. Notes	39,572	94,181	<b>Food &amp; Staples Retailing</b>		
Graincorp 6.5% Prefs	7,500	778,500			
Great Southern Plantations Conv. Notes	8,000	1,760,000	Metcash Ltd	812,000	3,183,040
Patrick Corp. CRANeS	7,750	834,288			<b>3,183,040</b>
Leighton Conv. Notes	8,000	826,640	<b>Food Beverage &amp; Tobacco</b>		
Seven Network Non-Redeem Prefs	15,000	1,500,000	Cockatoo Ridge Ltd	2,751,185	880,379
Sydney Gas 12% Conv. Notes	2,663,333	1,598,000			<b>880,379</b>
Toll Reset Prefs	5,000	607,500	<b>Software &amp; Services</b>		
Willmot Forest Prefs	14,000	1,477,000	Rattoon Holdings Ltd (NSX)	191,441	68,919
		<b>22,252,259</b>			<b>68,919</b>
<b><u>Equities</u></b>			<b>Banks</b>		
<b>Commercial Services &amp; Supplies</b>			NAB Ltd	100,000	3,076,000
Credit Corp Group Ltd	653,412	1,960,236	Rock Building Society Ltd	56,332	236,031
		<b>1,960,236</b>			<b>3,312,031</b>
<b>Capital Goods</b>			<b>Diversified Financials</b>		
Nylex Ltd	3,200,000	832,000	Australian Stock Exchange Ltd	200,000	4,626,000
		<b>832,000</b>	Babcock & Brown Ltd	100,000	1,381,000
<b>Consumer Services</b>			IOOF Holdings Ltd	327,000	2,177,820
A.B.C. Learning Ltd	444,594	2,480,835	Loftus Capital Partners Ltd	1,412,143	819,043
Harvey World Travel Ltd	530,000	736,700	Mariner Financial Ltd	1,280,000	947,200
Sydney Aquarium Ltd	110,000	610,500	MMC Contrarian Ltd	3,743,305	3,499,990
		<b>3,828,035</b>	NSX Ltd	1,010,000	515,100
<b>Media</b>			SFE Corporation Ltd	200,000	2,130,000
Infochoice Ltd	2,166,560	335,817	Technology Investment Fund	140,727	65,438
Photon Group Ltd	1,033,000	3,099,000			<b>16,161,591</b>
Southern Cross Broadcasting Ltd	190,000	2,299,000	<b>Health Care Equipment &amp; Services</b>		
		<b>5,733,817</b>	Aevum Ltd	1,010,783	1,415,096
<b>Retailing</b>			Primary Health Ltd	300,191	2,731,738
ARB Corp Ltd	505,864	1,542,885			<b>4,146,834</b>
Signature Brands Ltd	3,969,021	166,699	<b>TOTAL PORTFOLIO VALUE</b>		
		<b>1,709,584</b>			<b>75,766,484</b>
<b>Property</b>			Less Estimated Selling Costs		
Challenger Wine Trust	2,666,667	2,426,667			303,066
		<b>2,426,667</b>	<b>CARRYING VALUE</b>		
					<b>75,463,418</b>

# WILSON INVESTMENT FUND LIMITED

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## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

All the best practice recommendations of the Australian Stock Exchange Corporate Governance Council have been applied throughout the financial year, unless otherwise stated. These practices are dealt with under the following headings: Board of Directors and its Committees, Composition of the Board, Remuneration of Directors and Executives, Ethical Standards, Role of Shareholders, the Boards' Policy on Dealing in Shares, Independent Professional Advice and Access to Company Information, and Conflict of Interests.

### BOARD OF DIRECTORS AND ITS COMMITTEES

Subject at all times to any written guidelines issued by the Board of Directors of Wilson Investment Fund Limited, the day-to-day management and investment of funds is carried out by MAM Pty Limited pursuant to a management agreement.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for the appointed Manager and monitoring the achievement of these goals. The Board reviews the reports of its Manager on the operational and financial performance of the Company.

The Company has formed an Audit Committee consisting of:

John Abernethy	Chairman
Matthew Kidman	Director
Julian Gosse	Director and Secretary

The Committee's responsibilities are to:

- (a) oversee the existence and maintenance of internal controls and accounting systems;
- (b) oversee the financial reporting process;
- (c) review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- (d) nominate external auditors; and
- (e) review the existing external audit arrangements.

### COMPOSITION OF THE BOARD

The Board comprises the Chairman and three other non-executive Directors who consider the composition of the Board and appointment of new Directors. The Board identifies suitable candidates to fill vacancies as they arise. The performance of each Director is reviewed by the Chairman periodically. At every annual general meeting one third of the Directors must retire from office and be eligible for re-election. Shareholder approval is required on the composition of the Board.

The Board is only 50% independent. Whilst the Company agrees with the benefits of a majority of independent Directors, it believes that it can better achieve the results of the Company with the current Boards' level of expertise and without burdening shareholders with the potentially significant costs associated with adding further independent Directors.

The Chairman is not independent. The Company believes that an independent Chairman does not necessarily improve the function of the Board. The Company believes that when the Chairman is a significant driver of the business, is a sizeable shareholder and adds value to the Company, that it may be unproductive to have an independent Chairman.

### REMUNERATION OF DIRECTORS AND EXECUTIVES

The maximum total remuneration of the Directors of the Company has been set at \$80,000 per annum to be divided in such proportions as they agree. The scope of the Company's operations, and the frequency of Board meetings are principal determinants of the fee level. Further detail is provided in the Directors' Report.

Entities associated with the Chairman, Geoff Wilson, and Director, Matthew Kidman of Wilson Investment Fund Limited hold 80% and 20% respectively of the issued shares of the investment management company, MAM Pty Limited. Further detail is provided in the Directors' Report.

# WILSON INVESTMENT FUND LIMITED

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## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

### **ETHICAL STANDARDS**

The Board aims to ensure that all Directors and its Manager act with the utmost integrity and objectivity and endeavour to enhance the reputation of the Company.

### **THE ROLE OF SHAREHOLDERS**

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders through the Annual Financial Report, monthly asset backing data and Half-Year Financial Report lodged with the Australian Stock Exchange.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

### **BOARDS' POLICY ON DEALING IN SHARES**

Subject to their not being in possession of undisclosed price sensitive information, Directors may deal in shares of the Company when appropriate. As Wilson Investment Fund Limited is an investment Company announcing its results monthly, the Board believes the shareholders are generally fully informed.

### **INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION**

Each Director has the right to access all relevant information and subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the Director is made available to all other members of the Board.

### **CONFLICT OF INTEREST**

In accordance with the *Corporations Act 2001*, the Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.



# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

The Directors present their report together with the financial report of Wilson Investment Fund Limited (the Company) for the year ended 30 June 2005.

### PRINCIPAL ACTIVITY

The principal activity of the Company is making medium to long term investments in listed and unlisted companies. No change in this activity took place during the period or is likely in the future.

### REVIEW OF OPERATIONS AND OPERATING RESULTS

Investment operations over the year resulted in an operating profit before tax of \$6,019,601 (2004: \$6,203,342) and operating profit after tax of \$4,813,632 (2004: \$4,507,588).

Investments are revalued continuously to market value. For the year ended 30 June 2005, investments were revalued upwards by \$1,670,964 (2004: \$3,098,290), after an adjustment for deferred tax on unrealised gains, a net increment of \$1,169,675 (2004: \$2,168,803) was transferred to an Asset Revaluation Reserve.

Asset backing before tax for each ordinary share at 30 June 2005 (calculated on market value less realisation costs and all applicable taxes and before the provision for dividend) was \$1.043 per share. Asset backing after tax on realised gains but before tax on unrealised gains was \$1.037 per share. Asset backing after tax for each ordinary share at 30 June 2005 (calculated on market value less realisation costs and all applicable taxes and before the provision for the final dividend) amounted to \$1.028 per share.

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on page 1 of the Annual Report.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year ended 30 June 2005.

### DIVIDENDS

Dividends paid or declared are as follows:

\$

Fully franked final dividend of 1.5c per share was paid on the 29 November 2004	2,216,662
Fully franked interim dividend of 2.0c per share was paid on the 26 May 2005	2,888,830

Since year end the Directors have declared a fully franked final dividend of 2.0c to be paid on 17 October 2005.

### OPTIONS

Shareholders who subscribed for shares under the prospectus of 16 June 2003 and subsequent placement of 22 August 2003 were also issued with one option for each share they acquired. The options were listed and were exercisable at \$1.00 to acquire an ordinary share at any time from the date of issue to 17 December 2004. During the period to 17 December 2004, 751,900 options were exercised for a total consideration of \$751,900. From the date of issue until expiry, a total of 1,171,300 options were exercised for a total consideration of \$1,171,300. At 17 December 2004, 160,078,700 options expired.

On 7 January 2005 the board of Wilson Investment Fund Limited announced the issue of 74,100,124 options issued on the basis of 1 option for every 2 ordinary shares held in the capital of the Company. The options are exercisable at \$1.08 to acquire an ordinary share at any time from the date of issue to the expiry date of 17 June 2006. During the period to 30 June 2005, 12,024 options were exercised for a total consideration of \$12,986. At 30 June 2005, 74,088,100 options remain outstanding.

### SHARE BUY BACK

On 26 March 2004 the board of Wilson Investment Fund Limited announced an on market share buyback, equivalent to 16,146,000 shares or approximately 10% of issued capital. The buyback was completed on 9 April 2005 with a total of 16,146,000 shares bought back for a total consideration of \$15,502,397.

On 29 March 2005 the board of Wilson Investment Fund Limited announced a second on market share buyback, equivalent to 14,655,794 shares or approximately 10% of issued capital at that date. The buyback will be in place for a 12-month period, beginning from 12 April 2005. As at close of the market on 30 June

# WILSON INVESTMENT FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

2005, 5,951,939 shares had been bought back, for a total consideration of \$5,500,851. This is approximately an 11% discount to the 30 June 2005 pre-tax NTA.

The board is focused on maximising returns to shareholders and this will from time to time involve active capital management. The board views the introduction of on market share buy backs as being in line with this aim as it will add value to the remaining shares on issue and increase NTA per share.

### DIRECTORS

The names of the Directors in office at any time during or since the end of the period, and, their qualifications and experience are as follows:-

#### **Geoffrey Wilson – Chairman**

Geoffrey Wilson is the Chairman of WAM Capital Limited, Wilson Leaders Limited, the investment management companies, Wilson Asset Management (International) Pty Ltd and Boutique Asset Management Pty Ltd, and the Australian Stockbrokers Foundation Limited. He is a Director of the Sporting Chance Cancer Foundation, North Shore Heart Foundation, Clime Capital Limited, Mariner Wealth Management Limited (previously known as JAM Development Capital Limited), Cadence Capital Limited and the investment management company, MAM Pty Ltd. He has had 25 years experience in the Australian and International securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Fellow of the Securities Institute of Australia. Age 47

#### **Matthew Kidman – Non-Executive Director**

Matthew Kidman is a Director of MAM Pty Ltd and Boutique Asset Management Pty Ltd, and a portfolio manager of Wilson Asset Management (International) Pty Ltd. He has been instrumental in establishing the Company's valuation methodology of rating companies. Matthew Kidman worked as a finance reporter for the Sydney Morning Herald between 1994 and 1998. In 1997 he was appointed Investment Editor of that newspaper and was charged with the responsibility of company coverage for the newspaper. He is a Director of Wilson Leaders Limited and Mariner Wealth Management Limited (previously known as JAM Development Capital Limited). He has degrees in Economics and Law and a Graduate Diploma in Applied Finance. Matthew is a member of the Audit Committee. Age 36

#### **John Abernethy – Non-Executive Director**

John Abernethy is the Joint Managing Director of Loftus Capital Partners Limited. He is a Director of HomeLeisure Limited and Jasco Holdings Limited which represent major investments of Loftus, and is a Director of Wilson Leaders Limited and a former Director of Schaeffer Corporation Limited from October 1998 to October 2003. John is the Chairman of the Audit Committee.

John Abernethy has approximately twenty years experience in funds management and corporate advisory. He spent ten years at NRMA Investments as Head of Equities managing portfolios of approximately \$2 billion. His career at NRMA culminated with the NRMA being awarded the accolade of Fund Manager of the year in 1992 by Money Management Magazine. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Loftus in 1996. Loftus is now a listed investment company with \$40 million in net assets. Age 46

#### **Julian Gosse – Non-Executive Director and Secretary**

Julian Gosse has extensive experience in banking and broking both in Australia and overseas having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. He has been involved in the establishment, operation and ownership of several small businesses and is currently working as an executive director of Advanced Management Planning Limited. He is Chairman of ITL Limited and a Director and Company Secretary of Wilson Leaders Limited, and a Director of Mariner Wealth Management (formerly known as JAM Development Capital Limited) and Clime Capital Limited. Julian is a member of the Audit Committee. Age 55

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

# WILSON INVESTMENT FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

### REMUNERATION REPORT

#### (a) Remuneration of Directors

The board from time to time determines remuneration of Non-executive Directors within the maximum amount approved by the shareholders. Non-executive Directors are not entitled to any other remuneration.

Fees and payments to Non-executive Directors reflect the demands that are made on and the responsibilities of the Directors and are reviewed annually by the Board.

Directors' base fees are presently set at a maximum of \$80,000 per annum. Non-executive directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees.

The following are the Directors' remuneration received for the year ended 30 June 2005:

Director	Position	Salary and Fees \$	Post-employment Superannuation \$	Total \$
G.J. Wilson	Chairman	9,174	826	10,000
M.J. Kidman	Non-Executive Director	9,174	826	10,000
J.B. Abernethy	Non-Executive Director	22,000	-	22,000
J.J. Gosse	Non-Executive Director	18,349	1,651	20,000
		<b>58,697</b>	<b>3,303</b>	<b>62,000</b>

#### (b) Director Related Entity Remuneration

All transactions with related entities were made on normal commercial terms and conditions.

Matthew Kidman and Geoff Wilson are Directors of MAM Pty Limited, the entity appointed to manage the investment portfolio of Wilson Investment Fund Limited. Entities associated with Geoff Wilson and Matthew Kidman hold 80% and 20% respectively of the issued shares of MAM Pty Limited. In its capacity as manager, MAM Pty Limited was paid a management fee of 1% of gross assets per annum, of \$1,623,379 (2004: \$1,458,704). As at 30 June 2005, the balance payable to the manager was \$135,106 (2004: \$1,360,430).

In addition, MAM Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the Value of the Portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the Value of the Portfolio.

No performance fee is payable in respect of any performance period where the Portfolio has decreased in value over that period.

As at 30 June 2005, no performance fee was paid or payable to MAM Pty Limited (2004:\$nil).

These amounts are in addition to the above Directors remuneration.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

#### (c) Remuneration of Executives

There are no executives that are paid by the Company. MAM Pty Limited, the investment manager of the Company also provides the day to day management of the Company and is remunerated as outlined above.

# WILSON INVESTMENT FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

### (d) Equity Instruments Disclosure of Directors and Related Parties

As at 30 June 2005, the Company's Directors and their related parties held the following interests in the Company:

#### *Ordinary Shares held*

Director	Position	Balance at 30 June 2004	Acquisitions / Options exercised	Disposals	Balance at 30 June 2005
G.J. Wilson	Chairman	2,806,173	780,000	-	3,586,173
M.J. Kidman	Non-Executive Director	28,290	16,400	-	44,690
J.B. Abernethy	Non-Executive Director	60,000	-	-	60,000
J.J. Gosse	Non-Executive Director	-	-	-	-
		<b>2,894,463</b>	<b>796,400</b>	<b>-</b>	<b>3,690,863</b>

#### *Options held*

Director	Position	Balance at 30 June 2004	Acquisitions/ Bonus Issue	Disposals/ Exercised/ Lapsed	Balance at 30 June 2005
G.J. Wilson	Chairman	2,010,000	1,403,087	2,010,000	1,403,087
M.J. Kidman	Non-Executive Director	28,000	21,866	28,000	21,866
J.B. Abernethy	Non-Executive Director	-	30,000	30,000	-
J.J. Gosse	Non-Executive Director	-	-	-	-
		<b>2,038,000</b>	<b>1,454,953</b>	<b>2,068,000</b>	<b>1,424,955</b>

Directors and director related parties disposed of and acquired ordinary shares and options over ordinary shares in the Company on the same terms and conditions available to other shareholders.

The Directors have not during or since the end financial year been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

### DIRECTORS' MEETINGS

Director	No. eligible to attend	Attended
G.J. Wilson	3	3
M.J. Kidman	3	3
J.J. Gosse	3	3
J.B. Abernethy	3	3

### AUDIT COMMITTEE MEETINGS

The main responsibilities of the Audit Committee are set out in the Corporate Governance section on page 4 and 5 of this Annual Report.

Director	No. eligible to attend	Attended
J.B. Abernethy	2	2
M.J. Kidman	2	2
J.J. Gosse	2	2

### AFTER BALANCE DATE EVENTS

The Directors have declared a fully franked final dividend of 2.0 cents to be paid on 17 October 2005.

No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

# WILSON INVESTMENT FUND LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2005

### FUTURE DEVELOPMENTS

The Company will continue to pursue its policy of investment during the next financial year, investing its current fixed interest and cash holdings into the equity market as opportunities arise.

### INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the period.

### NON AUDIT SERVICES

During the year Moore Stephens Sydney, the Company's auditor, have performed certain other services in addition to their statutory duties. Details of the amount paid to the auditors are disclosed in Note 5 to the financial statements.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *F1 Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

### 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 11.

Signed in accordance with a resolution of the Board of Directors.



M.J. KIDMAN, Director

Dated at Sydney this 25<sup>th</sup> day of August 2005

## Auditor's Independence Declaration

As lead auditor for the audit of Wilson Investment Fund Limited for the year ended 30 June 2005, I declare that, to the best my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wilson Investment Fund Limited during the period.



**S M WHIDDETT**  
Partner  
Moore Stephens Sydney

25 August 2005  
Sydney

**PARTNERS:**

Andrew Blackwell	Cameron McCullagh
Angus Gluskie	Robert Southwell
Stephen Hampbrys	Scott Whiddett

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Standards  
Legislation



**COVER OF  
EXCELLENCE**

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Notes	June 2005 \$	June 2004 \$
Investment revenue	2(a)	8,054,612	7,744,810
Other revenue from ordinary activities	2(b)	9,654	218,829
Management fee		(1,623,379)	(1,458,704)
Directors fees		(59,000)	(54,587)
Other expenses from ordinary activities		<u>(362,286)</u>	<u>(247,006)</u>
 Profit from ordinary activities before sales of capital investments		 <b>6,019,601</b>	 <b>6,203,342</b>
 Sales revenue from capital investments	1(a)	 567,360	 -
Cost of sales	1(a)	<u>(567,360)</u>	<u>-</u>
 <b>Profit from ordinary activities before related income tax expense</b>		 <b>6,019,601</b>	 <b>6,203,342</b>
 Income tax expense relating to ordinary activities	3(a)	 <u>1,205,969</u>	 <u>1,695,754</u>
 <b>Net profit from ordinary activities after related income tax expense attributable to members of the Company</b>	11	 <b>4,813,632</b>	 <b>4,507,588</b>
 <b>Changes in equity other than those resulting from transactions with owners as owners</b>			
Decrease in Capital Profits Reserve	10(a)	(216,432)	-
Increase in Asset Revaluation Reserve	10(b)	<u>1,169,675</u>	<u>2,168,803</u>
 <b>Total changes in equity other than those resulting from transactions with owners as owners</b>		 <u><b>5,766,875</b></u>	 <u><b>6,676,391</b></u>
 <b>Basic earnings per share (cents)</b>	13	 <u><b>3.2</b></u>	 <u><b>3.1</b></u>

The accompanying notes form part of these financial statements.

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Notes	June 2005 \$	June 2004 \$
<b>CURRENT ASSETS</b>			
Cash assets	12(a)	72,821,790	127,398,056
Receivables	6	172,759	132,887
Tax assets	3(b)	173,060	40,146
<b>TOTAL CURRENT ASSETS</b>		<b>73,167,609</b>	<b>127,571,089</b>
<b>NON-CURRENT ASSETS</b>			
Investments	7	75,463,418	36,478,339
<b>TOTAL NON-CURRENT ASSETS</b>		<b>75,463,418</b>	<b>36,478,339</b>
<b>TOTAL ASSETS</b>		<b>148,631,027</b>	<b>164,049,428</b>
<b>CURRENT LIABILITIES</b>			
Payables	8	1,523,000	1,487,446
Current tax liabilities	3(c)	751,732	1,659,499
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,274,732</b>	<b>3,146,945</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	3(d)	1,462,367	967,542
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,462,367</b>	<b>967,542</b>
<b>TOTAL LIABILITIES</b>		<b>3,737,099</b>	<b>4,114,487</b>
<b>NET ASSETS</b>		<b>144,893,928</b>	<b>159,934,941</b>
<b>EQUITY</b>			
Contributed equity	9	139,172,778	154,875,174
Reserves	10	3,122,046	2,168,803
Retained profits	11	2,599,104	2,890,964
<b>TOTAL EQUITY</b>		<b>144,893,928</b>	<b>159,934,941</b>

The accompanying notes form part of these financial statements.



# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Notes	June 2005 \$	June 2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends received		1,409,469	486,381
Interest received		6,361,604	7,056,134
Other investment income received		252,319	280,908
Investment management fees		(2,967,487)	(129,291)
Payments for administration expenses		(317,923)	(270,496)
Tax paid		(2,121,205)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>12(b)</b>	<b>2,616,777</b>	<b>7,423,636</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		567,360	-
Payments for purchase of investments		(37,359,661)	(33,380,049)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(36,792,301)</b>	<b>(33,380,049)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from initial public offering		-	161,250,000
Share issue transaction costs		-	(2,883,225)
Dividends paid		(4,495,223)	(1,601,928)
Proceeds from options exercised		764,886	419,400
Payments for shares bought back		(16,670,405)	(3,829,779)
<b>NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES</b>		<b>(20,400,742)</b>	<b>153,354,468</b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>(54,576,266)</b>	<b>127,398,055</b>
CASH AT 1 JULY 2004		127,398,056	1
<b>CASH AT 30 JUNE 2005</b>	<b>12(a)</b>	<b>72,821,790</b>	<b>127,398,056</b>

The accompanying notes form part of these financial statements.

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The accounting policies have been consistently applied, and except where there is a change in accounting policy, are consistent with those of the previous year. The Directors revalue investments continuously. Apart from this policy, the accounts have been prepared on the basis of historical costs.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Investments

##### *i) Classification*

Investments consist of shares in publicly listed and unlisted companies and investments in fixed interest securities.

##### *ii) Valuation*

Shareholdings in listed companies are brought to account at market value including the potential tax charges that may arise from the future sale of the investments, less selling costs.

Market values are calculated as the closing price traded on the balance date. If there have been no trades on the balance date, then the shares are valued at the last sale price.

Shareholdings in unlisted companies are valued at their estimated market value including the potential tax charges that may arise from the future sale of investments.

It is considered that the information needs of shareholders in a company of this type are better met by stating investments at current market value, rather than historical cost.

##### *iii) Asset Revaluation Reserve and Capital Profits Reserve*

Investments, including shares and securities, are valued continuously and for this reason, cost of sales will equal sales revenue when investments are sold. Revaluations are credited directly to the Asset Revaluation Reserve after deducting a provision for deferred capital gains tax.

When shares, securities and other investments are disposed of, the balance in the Asset Revaluation Reserve relating to the disposed share, security or other investment is transferred to the Capital Profits Reserve.

##### *iv) Investment income*

Dividend and trust distribution income are recognised in the Statement of Financial Performance on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

#### (b) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Income Tax (continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

#### (c) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with banks or financial institutions and fixed interest securities maturing within three months.

#### (d) Receivables

Trade debtors to be settled within 60 days are carried at amounts due.

#### (e) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

#### (f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (g) Comparative Figures

Whilst comparative figures cover the 12 month period of the Company, from 1 July 2003 to 30 June 2004, the Company had not commenced operations until listing on the Australian Stock Exchange on 19 August 2003. Therefore the comparative amounts disclosed in the financial report and related notes are not comparable.

#### (h) Segment Reporting

The Company is engaged in investment activities conducted in Australia and derives revenue and investment income from listed, unlisted and fixed interest securities.

	June 2005 \$	June 2004 \$
<b>2. REVENUE</b>		
<b>(a) Investment revenue</b>		
Dividends	1,435,670	550,510
Interest	6,313,857	7,126,185
Trust distributions	305,085	68,115
	<u>8,054,612</u>	<u>7,744,810</u>
<b>(b) Other revenue</b>		
Underwriting fees	<u>9,654</u>	<u>218,829</u>

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
<b>3. TAXATION</b>		
<b>(a) Income Tax Expense</b>		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30%	1,805,880	1,861,003
Imputation credit gross up	178,043	59,259
Franking credit offset	(593,477)	(197,530)
Tax deductible expenses	(172,041)	(26,978)
Over provision in prior year	(12,436)	-
	<b>1,205,969</b>	<b>1,695,754</b>
<b>Total income tax expense results in a:</b>		
Movement in Current Income Tax Provision	1,225,874	1,659,499
Movement in Deferred Income Tax Provision	(6,464)	38,055
Movement in Future Income Tax Provision	(1,005)	(1,800)
Over provision in prior year	(12,436)	-
	<b>1,205,969</b>	<b>1,695,754</b>
<b>(b) Current Tax Assets</b>		
Estimated expense at expected future income tax rate of 30% on expense provisions currently not deductible	2,805	1,800
Expected future tax benefit on realised losses on investments	92,756	-
Goods and Services Tax receivable	77,499	38,346
	<b>173,060</b>	<b>40,146</b>
<b>(c) Provision for Current Income Tax Expense</b>		
Movements in the year were as follows:		
Opening balance	1,659,499	-
Current year income tax expense on operating profit	1,225,874	1,659,499
Income tax paid	(2,121,205)	-
Over provision in prior year	(12,436)	-
	<b>751,732</b>	<b>1,659,499</b>
<b>(d) Provision for Deferred Income Tax</b>		
Movements in the year were as follows:		
Opening balance	967,542	-
Estimated expense at expected future income tax rate of 30% on accrued income currently not assessable	(6,464)	38,055
Unrealised gains on investment portfolio	501,289	929,487
	<b>1,462,367</b>	<b>967,542</b>

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
<b>4. DIVIDENDS</b>		
<b>(a) Ordinary dividends recognised in the current year</b>		
Dividends paid by the Company	<b>5,105,492</b>	<b>1,616,624</b>

	Cents Per Share	Total amount \$	Date of payment	Tax Rate for Franking credit	Percentage franked
<b>2005</b>					
Final 2004 – ordinary	1.5	2,216,662	29 Nov 2004	30%	100%
Interim 2005 - ordinary	2.0	2,888,830	26 May 2005	30%	100%
Total franked amount	3.5	5,105,492			

	Cents Per Share	Total amount \$	Date of payment	Tax Rate for Franking credit	Percentage franked
<b>2004</b>					
Interim 2004 - ordinary	1.0	1,616,624	27 Apr 2004	30%	100%
Total franked amount	1.0	1,616,624			

**(b) Dividends not recognised at year end**

In addition to the above dividends, since the end of the year, the Directors have recommended the payment of a final dividend of:

	Cents Per Share	Total amount \$	Date of payment	Tax Rate for Franking credit	Percentage franked
Final 2005 - ordinary	2.0	2,820,114	17 Oct 2005	30%	100%

The final dividend has not been brought to account in the financial statements for the year ended 30 June 2005 but will be recognised in subsequent financial reports.

**(c) Dividend Franking Account**

The franked portion of the final dividend recommended after 30 June 2005 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2006.

	June 2005 \$	June 2004 \$
Balance of franking account at year end adjusted for franking credits, arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in subsequent financial years.	<b>797,096</b>	<b>1,164,190</b>

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 4. DIVIDENDS (CONTINUED)

The franking credit balance does not include an allowance for the ordinary final dividend.

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the investments and the Company paying tax.

The balance of the franking account does not include the tax to be paid on unrealised investment gains currently recognised as a deferred income tax liability of \$1,430,776 (2004: \$967,542).

	June 2005 \$	June 2004 \$
<b>5. AUDITORS REMUNERATION</b>		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	20,430	13,650
Other services provided by a related practice of the auditor:		
Independent Accountants Report	-	7,852
Taxation services	12,505	-
	<u>32,935</u>	<u>21,502</u>

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do not compromise independence.

### 6. RECEIVABLES

Income receivable	165,570	126,851
Sundry debtors	7,189	6,036
	<u>172,759</u>	<u>132,887</u>

Income receivable and sundry debtors relate to accrued income and are non-interest bearing and unsecured.

### 7. INVESTMENTS

#### Non-current

Listed Investment Portfolio - at Market Value	<u>75,463,418</u>	<u>36,478,339</u>
---	-------------------	-------------------

Preference shares and convertible notes had a weighted average interest rate of 6.55% (2004: 5.98%). Not all preference shares and convertible notes had a specified maturity date. The weighted average of the fixed term investments that had a maturity date was 70 months (2004: 86 months). The market values of individual investments as at 30 June 2005 are disclosed on page 3 of the Annual Report.

### 8. PAYABLES

Trade creditors	1,333,066	-
Sundry creditors	189,934	1,487,446
	<u>1,523,000</u>	<u>1,487,446</u>

Trade creditors relate to outstanding settlements, and are on the terms operating in the securities industry. These require settlement within three (3) days of the date of the transaction. Sundry creditors are settled within the terms of payment offered. No interest is applicable on these accounts.

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
<b>9. CONTRIBUTED EQUITY</b>		
<b>(a) Issued and Paid-up Capital</b>		
141,005,712 ordinary shares fully paid (2004: 157,616,346)	<b>139,172,778</b>	<b>154,875,174</b>

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of the winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

### **(b) Movement in Ordinary Share Capital**

At the beginning of the reporting period	154,875,174	1
- 150,000,000 ordinary shares issued on 19 August 2003 under a prospectus	-	150,000,000
- 11,250,000 ordinary shares issued on 22 August 2003 under a supplementary prospectus	-	11,250,000
- 15,199 ordinary shares issued on 27 April 2004 under a dividend reinvestment plan	-	14,696
- 419,400 ordinary shares issues from the exercise of options issued with prospectus on 19 August 2003, with an exercise price of \$1.00 per share	-	419,400
- 4,068,254 ordinary shares bought back under an on-market buy back commencing 9 April 2004	-	(3,909,820)
- Transaction costs arising from the Initial Public Offer	15,878	(2,899,103)
- 12,077,746 ordinary shares bought back under an on-market buy back commencing 9 April 2004	(11,592,577)	-
- 751,900 ordinary shares issues from the exercise of options issued with prospectus on 19 August 2003, with an exercise price of \$1.00 per share	751,900	-
- 256,949 ordinary shares issued on 29 November 2004 under a dividend reinvestment plan	247,188	-
- 398,178 ordinary shares issued on 26 May 2005 under a dividend reinvestment plan	363,080	-
- 5,951,939 ordinary shares bought back under an on-market buy back commencing 12 April 2005	(5,500,851)	-
- 12,024 ordinary shares issues from the exercise of options issued on 3 May 2005, with an exercise price of \$1.08 per share	12,986	-
<b>At reporting date</b>	<b>139,172,778</b>	<b>154,875,174</b>

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 9. CONTRIBUTED EQUITY (CONTINUED)

#### (c) Options

The shareholders who subscribed for the shares under the prospectus and subsequent placement were also issued with one option for each share they acquired. The options were listed and were exercisable at \$1.00 to acquire an ordinary share at any time from the date of issue to 17 December 2004. During the period from 1 July 2004 to 17 December 2004, 751,900 options were exercised for a total consideration of \$751,900. At 17 December 2004, 160,078,700 options expired.

On 7 January 2005 the board of Wilson Investment Fund Limited announced the issue of 74,100,124 options issued on the basis of 1 option for every 2 ordinary shares held in the capital of the Company. The options are exercisable at \$1.08 to acquire an ordinary share at any time from the date of issue to the expiry date of 17 June 2006. During the period to 30 June 2005, 12,024 options were exercised for a total consideration of \$12,986. At 30 June 2005, 74,088,100 options remain outstanding.

	Notes	June 2005 \$	June 2004 \$
<b>10. RESERVES</b>			
Capital Profits Reserve	10(a)	(216,432)	-
Asset Revaluation Reserve	10(b)	<u>3,338,478</u>	<u>2,168,803</u>
		<u><b>3,122,046</b></u>	<u><b>2,168,803</b></u>

These reserves are used to record increments and decrements on the revaluation of the investments as described in accounting policy Note 1 (a) (iii).

#### (a) Movement in Capital Profits Reserve

Opening balance		-	-
Transfer from Asset Revaluation Reserve	10(b)	<u>(216,432)</u>	<u>-</u>
Closing balance		<u><b>(216,432)</b></u>	<u><b>-</b></u>

#### (b) Movement in Asset Revaluation Reserve

Opening balance		2,168,803	-
Transfer to Capital Profits Reserve	10(a)	216,432	-
Revaluation of investments		<u>953,243</u>	<u>2,168,803</u>
Closing balance		<u><b>3,338,478</b></u>	<u><b>2,168,803</b></u>

### 11. RETAINED PROFITS

Retained profits at the beginning of the year		2,890,964	-
Total change in equity recognised in the Statement of Financial Performance		4,813,632	4,507,588
Dividends paid	4	<u>(5,105,492)</u>	<u>(1,616,624)</u>
		<u><b>2,599,104</b></u>	<u><b>2,890,964</b></u>



# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	June 2005 \$	June 2004 \$
<b>12. CASH FLOW INFORMATION</b>		
<b>(a) Reconciliation of cash</b>		
Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank and on hand	2,276,348	5,162,772
Fixed interest securities	70,545,442	122,235,284
	<u>72,821,790</u>	<u>127,398,056</u>
The weighted average interest rate for cash and fixed interest securities as at 30 June 2005 is 5.71% (2004: 5.69%). The fixed interest securities had an average maturity of 83 days (2004: 76 days).		
<b>(b) Reconciliation of operating profit from ordinary activities after income tax to the net cash flows from operating activities</b>		
Profit from ordinary activities after income tax	4,813,632	4,507,588
<b>Changes in assets and liabilities during the financial year:</b>		
Decrease/(increase) in receivables	(40,874)	(132,887)
Decrease/(increase) in tax assets	(40,158)	(40,146)
Increase/(decrease) in deferred tax liability	(6,464)	38,055
Increase/(decrease) in payables	(1,201,592)	1,391,527
Increase/(decrease) in current tax liability	(907,767)	1,659,499
<b>Net cash provided by Operating Activities</b>	<u>2,616,777</u>	<u>7,423,636</u>
<b>13. EARNINGS PER SHARE</b>		
Net profit after income tax used in the calculation of basic earnings per share	<u>4,813,632</u>	<u>4,507,588</u>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	<u>150,821,347</u>	<u>143,758,387</u>

Diluted earnings per share has not been calculated because there were no dilutive potential ordinary shares.

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 14. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

#### (a) Terms, Conditions and Accounting Policies

The Company's accounting policies are included in Note 1, while the terms and conditions including interest rate risk of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date are included under the appropriate note for that instrument.

#### (b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the Company which have been recognised on the Statement of Financial Position, is the carrying amount. The Company is not materially exposed to any individual credit risk.

#### (c) Net Fair Values

The carrying amounts of financial instruments on the Statement of Financial Position approximate their net fair values.

### 15. EVENTS SUBSEQUENT TO REPORTING DATE

The final dividend of 2.0 cents per share fully franked, as recommended by the directors will be paid subsequent to balance date and is not provided for in the Statement of Financial Position. Refer to Note 4 of this report.

Other than the matter discussed above there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the Company, to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

### 16. INVESTMENT TRANSACTIONS

The total number of contract notes that were issued for transactions in securities during the financial year was 108 (2004: 24). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$119,980 (2004: \$42,798).

### 17. DIRECTORS AND EXECUTIVES DISCLOSURE

In accordance with the Corporation Amendments Regulations 2005 (No.4) the Company has transferred the remuneration disclosure required by AASB 1046: Directors and Executives Disclosure by Disclosing Entities, from the notes to the Financial Statement to the Directors' Report under the heading of Remuneration Report.

### 18. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

Wilson Investment Fund Limited will be required to prepare financial statements using Australian equivalents to International Financial Reporting Standards (AIFRS) for the first time for the half-year ending 31 December 2005 and the year ending 30 June 2006. The Company will be required to restate some of the comparative figures reflecting the adoption of AIFRS to the previous corresponding periods.

Management is in the process of transitioning across to AIFRS and is responsible for identifying the major changes in the accounting standards and quantifying their effect on the existing accounting policies and the Company's financial statements and reporting this periodically to the Audit Committee.

Summarised below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact on the financial statements.

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 18. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these adjustments may change. Therefore, until the first full AIFRS financial statements are prepared, there is the possibility that the following disclosures may change.

#### (a) Reconciliation of net profit under AGAAP to that expected under AIFRS

June  
2005  
\$

Net profit after tax as reported under AGAAP		4,813,624
Net realised loss	(309,188)	
Income tax benefit on realisation of investments	<u>92,756</u>	
Net realised loss (net of tax)		(216,432)
Adjustment to Income tax expense for change in recognition of share issue costs (refer Note 18 (c))		(176,805)
<b>Net profit attributable to members of the Company under AIFRS</b>		<b><u><u>4,420,387</u></u></b>

#### Reconciliation of retained profits as presented under AGAAP to that expected under AIFRS

Opening retained profits as reported under AGAAP		2,890,964
Adjustment to retained earnings for change in recognition of share issue cost (refer Note 18 (c))		(172,041)
Net profit attributable to members of the Company under AIFRS		<u>4,597,192</u>
		<u>7,316,115</u>
Transfer of net realised loss (net of tax) to Capital Profits/Loss Reserve		216,432
		<u>7,532,547</u>
Dividends paid		<u>(5,105,492)</u>
<b>Closing retained profits under AIFRS</b>		<b><u><u>2,427,055</u></u></b>

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 18. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS) (CONTINUED)

#### **(b) AASB 132: Financial Instruments: Disclosure and Presentation AASB 139: Financial Instruments: Recognition and Measurement**

As permitted by the election available under AASB1, AASB 132 and AASB 139 will not be applied until the financial year beginning 1 July 2005 and the Company will not be restating comparative information for the 30 June 2005 financial year.

The current accounting policy is to transfer realised gains and losses net of associated tax from the Asset Revaluation Reserve to the Capital Profits Reserve.

Under AIFRS the Company will recognise realised gains or losses and associated tax in the income statement. These will then be transferred from Retained Profits to the Capital Profits Reserve.

Investments are currently measured at fair value being closing price traded on balance date less selling costs. Under AIFRS, investments will be classified as "available-for-sale" securities and will continue to be recognised as fair value. However, under AIFRS, fair value will be measured as the last bid price excluding selling costs.

The net impact of these changes is expected to be minimal.

#### **(c) AASB 112: Income Taxes**

Under AIFRS, the Company will be required to adopt a "balance sheet method" of tax effect accounting whereby deferred tax balances are recognised when there is a difference between the carrying value of an asset or liability for accounting purposes and its tax base rather than using the "liability method" of tax-effect accounting for timing and permanent differences between income and accounting profit.

Under the balance sheet method, income tax on the profit or loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax on the taxable income for the year, using tax rates applicable at reporting date and any adjustments to tax payable in respect of prior years.

Under AIFRS and the current accounting policy, a deferred tax liability amount is recognised for the capital gains tax payable on unrealised gains in the investment portfolio. This corresponding change is offset against the unrealised gains from the investment portfolio recognised in the Asset Revaluation Reserve.

The most significant impact will be the recognition of a deferred tax asset at 1 July 2004 of approximately \$695,785 in relation to share issue costs deductible in future financial years and \$518,980 as at 30 June 2005. These adjustments will decrease profit after income tax for the year ended 30 June 2005 by \$176,805 and retained profits as at 1 July 2004 by \$172,041 (refer to Note 18(a)).

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## DIRECTORS' DECLARATION

The Directors of Wilson Investment Fund Limited declare that:

1. The financial statements and notes, as set out on pages 12 to 25, are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - (b) giving a true and fair view of the financial position of the Company as at 30 June 2005 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date;
2. The Director of the Manager, MAM Pty Limited has declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporation Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



M.J. KIDMAN, Director

Dated at Sydney this 25<sup>th</sup> day of August 2005

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WILSON INVESTMENT FUND LIMITED

### Scope

#### The financial report and Directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' Declaration for Wilson Investment Fund Limited ("the Company") for the year ended 30 June 2005.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Disclosure of information about Director and Executive remuneration

In accordance with the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of Directors and Executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, under the heading "Remuneration Report" on pages 8 to 9 of the Directors' Report. The Directors of the Company are responsible for the information contained in the remuneration disclosures. The Remuneration Report also contains other information on pages 8 to 9 that is not required by Accounting Standard AASB 1046, which is not subject to our audit.

#### Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## Audit opinion

In our opinion,

1. the financial report of Wilson Investment Fund Limited is in accordance with:
  - a. the *Corporations Act 2001*, including:
    - i. giving a true and fair view of Wilson Investment Fund Limited's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
    - ii. complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - b. other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures required by Accounting Standard AASB 1046, which are contained on pages 8 to 9 of the Remuneration Report of the Director's Report, comply with that standard and the *Corporations Regulations 2001*.



**S.M.WHIDDETT**  
Partner



**MOORE STEPHENS SYDNEY**

Dated this 25 August 2005

# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

### SHAREHOLDINGS

#### Substantial shareholders (as at 31 July 2005)

There are currently no substantial shareholders of Wilson Investment Fund Limited. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

#### Distribution of shareholders (as at 31 July 2005)

Category	No. of holders	
	Ordinary Shares	Options
1 – 1,000	196	603
1,001 – 5,000	2,143	3,791
5,001 – 10,000	2,050	1,662
10,001 – 100,000	3,200	1,322
100,001 and over	104	52
	<hr/>	<hr/>
	7,693	7,430

The number of shareholdings held in less than marketable parcels is 96.

#### Twenty largest shareholders - Ordinary shares (as at 31 July 2005)

Name	Number of ordinary shares held	Percentage of issued capital held
Australian Executor Trustees Limited	4,705,664	3.35
Mr Geoffrey James Wilson	3,506,173	2.49
Halcyon Pty Ltd	2,500,000	1.78
RBC Global Services Australia Nominees Pty Ltd	1,148,406	0.82
Trust Company of Australia Ltd	1,050,000	0.75
Mrs Thelma Joan Martin-Weber	1,000,000	0.71
Mr Victor John Plummer	726,500	0.52
Avanteos Investments Ltd	673,159	0.48
University of Sydney Union	539,685	0.38
Australian International Insurance Ltd	500,000	0.36
Flexiplan Management Pty Ltd	400,000	0.28
Mr Dennis John Banks	351,883	0.25
Mr Brian Regan	350,000	0.25
Mrs Sally Mary Targett	314,801	0.22
Holst Nominees Pty Ltd	300,000	0.21
Mrs Jean Plummer	300,000	0.21
Rational Research Investments Pty Ltd	300,000	0.21
Dr Enrico Mocellin & Mrs Eve Mocellin	261,729	0.19
Stanley Boyd Investments Pty Ltd	260,000	0.18
The Uniting Church in Australia Property Trust (SA)	250,000	0.18
	<hr/>	<hr/>
	19,438,000	13.82



# WILSON INVESTMENT FUND LIMITED

A.B.N. 15 100 504 541

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

### Twenty largest shareholders - Options (as at 31 July 2005)

Name	Number of ordinary shares held	Percentage of issued capital held
Australian Executor Trustees Limited	3,506,332	4.73
Mr Geoffrey James Wilson	1,403,087	2.05
Mr Nicolas Christopher Marc	1,002,500	1.35
Great D Pty Ltd	1,000,000	1.35
Mr Alexander John Abrahams	700,000	0.95
Mr William Gregory Egan & Mrs Janet Egan	679,831	0.92
RBC Global Services Australia Nominees Pty Ltd	530,704	0.72
Trust Company of Australia Ltd	525,000	0.71
Mrs Thelma Joan Martin-Weber	500,000	0.68
Eiger Investments Pty Ltd	500,000	0.68
Mr Brain William Bartlett	500,000	0.68
Sootcha (NO175) Pty Ltd	370,000	0.50
Mr Victor John Plummer	355,455	0.48
Mr Shaun Michael O'Rourke & Mrs Jodie Ann O'Rourke	350,000	0.47
Mr Ross Harvey Joseph & Mrs Rosemary Gwenda Joseph	330,000	0.45
Value Systems Consulting Pty Ltd	300,000	0.41
Mr John Joseph Ryan	300,000	0.41
SMI Investments Pty Ltd	296,500	0.40
Avanteos Investments Ltd	288,650	0.39
University of Sydney Union	264,052	0.36
	<b>12,702,111</b>	<b>18.69</b>

### On-market buy back

On 26 March 2004 the board of Wilson Investment Fund Limited announced an on market share buyback, equivalent to 16,146,000 shares or approximately 10% of issued capital. The buyback was completed on 9 April 2005 with a total of 16,146,000 shares bought back for a total consideration of \$15,502,397.

On 29 March 2005 the board of Wilson Investment Fund Limited announced a second on market share buyback, equivalent to 14,655,794 shares or approximately 10% of issued capital at that date. The buyback will be in place for a 12-month period, beginning from 12 April 2005. As at close of the market on 30 June 2005, 5,951,939 shares had been bought back, for a total consideration of \$5,500,851.

### STOCK EXCHANGE LISTING

Quotation has been granted for all of the ordinary shares and options of the Company on all Member Exchanges of the ASX Limited.