

Ironbark Capital Limited

ABN 89 008 108 227

**Financial Statements
For the year ended 30 June 2012**

Ironbark Capital Limited
ABN 89 008 108 227
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For the year ended 30 June 2012

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Ironbark Capital Limited
ABN 89 008 108 227
Directory

Investment Manager

Kaplan Funds Management Pty Limited
Level 22
44 Market Street
Sydney NSW 2000
Telephone: (02) 8917 0300

Directors

Michael J Cole (Chairman)
Ross J Finley
Ian J Hunter

Company Secretary

Peter Roberts

Registered Office

Level 7, 20 Hunter Street
Sydney NSW 2000
Telephone: (02) 8236 7701

Accounting & Administration

White Outsourcing Pty Ltd
Level 7, 20 Hunter Street
Sydney NSW 2000
Telephone: (02) 8236 7701
Fax: (02) 9221 1194

Auditors

MNSA Pty Ltd
Level 2, 333 George Street
Sydney NSW 2000

Share Registrar

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Shareholder enquiries telephone: (02) 9290 9600

Company secretarial & all other enquiries

Telephone: (02) 8236 7701
Email: ironbarkcapital@whiteoutsourcing.com.au

Ironbark Capital Limited
ABN 89 008 108 227
Directors' Review

The Directors consider the investment management performance of IBC to be satisfactory in the latest financial year. The IBC portfolio lifted 2.5% over the period. This level significantly outperformed the ASX 300 benchmark by 9.5% as the broad market index recorded a negative performance of -7.0%. Clearly this was a year where preservation of shareholder capital was paramount and the Manager did an outstanding job in that regard. However the very difficult equity market environment meant that we fell short of our internal target of 1% per month.

Last year's performance maintains the solid investment returns achieved over the last five year's which was a difficult period making capital preservation the overarching objective.

The table in the Investment Managers Report, reproduced below, highlights that IBC has generated significant out-performance above the ASX 300 Index over the most recent 1, 3 and 5 year periods. In addition, the share portfolio volatility is approximately half that of the Index volatility over all of these periods.

Over the longer term approaching a decade since inception, the IBC portfolio has also exceeded the ASX 300 index performance by a small margin. IBC also recorded around half the volatility of the index. This performance is consistent with the solid growth, high yield and low risk of the IBC portfolio.

The markedly lower volatility of the IBC investments means the risk embedded in the portfolio is much less than the market. Accordingly the investment returns are generally expected to be below long only fund managers. In this context it can be noted the strength and consistency of IBC's investment performance being in the top quartile for periods up to three years when compared to other domestic managers in the Mercer Investment Performance survey.

Relative Performance to 30 June 2012

| | Inception <small>(31/12/02) % pa</small> | 5 Yr <small>% pa</small> | 3 Yr <small>% pa</small> | 2 Yr <small>% pa</small> | 1 Yr <small>%</small> | 3 mths <small>%</small> |
|-----------------------------|--|------------------------------------|------------------------------------|------------------------------------|---------------------------------|-----------------------------------|
| Ironbark Capital Ltd | 8.48 | 2.25 | 9.94 | 8.75 | 2.51 | -0.39 |
| ASX 300 Accum Index | 7.84 | -4.15 | 5.56 | 2.01 | -7.01 | -5.02 |
| Relative Performance | 0.65 | 6.40 | 4.38 | 6.74 | 9.52 | 4.63 |
| Volatility IBC | 7.3 | 8.9 | 6.2 | 6.1 | 6.9 | |
| Volatility ASX | 13.8 | 16.6 | 14.0 | 12.1 | 14.8 | |

Whilst the performance of the IBC investment portfolio has been satisfactory, the Directors remain challenged by two important issues. Firstly, the share price discount to NTA and secondly the payment of fully franked dividends.

Firstly, Directors understand that IBC shareholders are frustrated by the large discount of the ASX share price of IBC shares to the Net Tangible Asset (NTA) backing of the shares. The Directors considered that if there was certainty that the full NTA backing could be realised at a specific future date, the discount of the ASX share price to the

NTA would narrow. With adoption last year of the Constitutional amendment potentially providing certainty for Shareholders to access the full NTA value of the shares in mid-2015, it was anticipated the share price discount to NTA would reduce. It is pleasing to report that measuring the NTA discount at the close of the latest financial year and comparing it to the previous corresponding period, the NTA discount has reduced from 15.2% to 9.7% and we anticipate a further narrowing as mid 2015 approaches.

The second major challenge facing the Directors is the declaration of fully franked dividends to IBC shareholders. As previously advised the ATO amended the dividend paying requirement so that a listed investment company must not only be solvent but also must have sufficient retained earnings to support the declaration of a fully franked dividend. In the case of Ironbark, franking credits are collected from company investment dividends received, however due to existing accounting policies, unrealised changes to the value of the investment portfolio must also be taken to account through the profit and loss report. In the difficult equity markets of recent times this can result in a discrepancy between the level of franking credits accumulated and the retained earnings available to support a fully franked dividend declaration.

It is IBC corporate policy to fully distribute franking credits held to shareholders by attaching them to corporate earnings recorded over the course of each financial year. Thus fully franked dividends will be declared as the generation of corporate profits creates the opportunity to do so. Whilst these dividends are declared on an irregular basis they will be paid twice a year at the end of December and June to be most cost efficient.

The ATO has recently announced a number of modifications to the fully franked dividend regime. Whilst Directors are taking advice on the implications of these changes our preliminary view is that the recent ATO ruling, will provide greater flexibility to pay franked dividends as franking credits arise. The Board are also intending to early adopt AASB 9 Financial Instruments from 1 July 2012. This change will see assets classified as "available for sale" which better reflects the longer term investment style of the manager than the "held for trading" classification adopted under the current accounting standard. This reclassification will see all price movements on investments (both realised and unrealised movements) reflected directly in reserves rather than through the current year profit and loss, which will increase the likelihood of recorded profits being available from which to pay dividends. As a result, there will be no alteration to the current fully franked dividend paying approach outlined above.



M J Cole
Chairman

22 August 2012

Ironbark Capital Limited
ABN 89 008 108 227
Corporate Governance Policy Statement

This statement outlines the main corporate governance practices adopted by the Company, which comply with the ASX Corporate Governance Council Principles and Recommendations (2nd Edition, August 2007) unless otherwise stated.

Lay solid foundations for management and oversight

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfill this role the Board seeks to address:

- (a) the prudential control of the Company's operations;
- (b) the resourcing, review and monitoring of executive management;
- (c) the timeliness and accuracy of reporting to shareholders; and
- (d) the determination of the Company's broad objectives.

The Company's operations are conducted through Kaplan Funds Management Pty Ltd (Investment Manager) and White Outsourcing Pty Limited (Administration Manager). These entities incorporate the specialist wholesale investment and administration personnel who undertake the Company's executive operations.

The Company's executive management arrangements have been structured to provide investors with a cost efficient investment vehicle and access to a significant depth of professional resources. Individual directors are subject to continuous review by the Chairman.

The Board has established a number of Board Committees including a Nomination Committee, a Remuneration Committee and an Audit Committee. These committees have written mandates and operating procedures which are reviewed on a regular basis. The Board has also established a range of policies which govern its operation.

The Nomination Committee is responsible for the review of the Board's performance as a whole. A performance evaluation of the Board and all Board members is conducted annually. This review took place in May for the 2012 calendar year. Individual directors are subject to continuous review by the Chairman.

Recommendation 1.2 requires the disclosure of the process for evaluating the performance of senior executives. The Company does not comply with this recommendation as there are no senior executive officers of the Company.

Structure the Board to add value

The names of the directors of the Company in office at the date of this statement are set out in the directors' report on page 16.

The skills, experience and expertise relevant to the position of each director in office at the date of the annual report is included in the Director's Report on page 17. Directors of Ironbark Capital Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

Ironbark Capital Limited
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Corporate Governance Policy Statement (continued)

The composition of the Board is determined using the following principles:

- A minimum of three directors;
- An independent, non-executive director as Chairman; and
- A majority of independent non-executive directors.

The term in office held by each director in office at the date of this report is as follows:

| Name | Term in office |
|----------------|-----------------------|
| Michael J Cole | 10 years |
| Ross J Finley | 26 years |
| Ian J Hunter | 10 years |

Directors have a usual term of two years, and a maximum term of 3 years before standing for re-election.

An independent director is considered to be a director:

- (a) who is not a member of management;
- (b) who has not within the last three years been employed in an executive capacity by the Company or been a principal of a professional adviser or consultant to the Company;
- (c) is not a significant supplier to the Company;
- (d) has no material contractual relationship with the Company other than as a director; and
- (e) is free from any interest or business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company.

In the context of director independence, "materiality" is considered from both the company and individual director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the directors in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors, being the entire Board, are considered to be independent:

| Name | Position |
|----------------|----------------------------------|
| Michael J Cole | Chairman, Non-Executive Director |
| Ross J Finley | Non-Executive Director |
| Ian J Hunter | Non-Executive Director |

The Board considers that although Michael Cole is a substantial shareholder, this does not affect his independence as he satisfies all other suggested criteria for assessing independence set out in Recommendation 2.1.

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Corporate Governance Policy Statement (continued)

Recommendation 2.3 requires that “the roles of the Chair and Chief Executive Officer of the Company should not be exercised by the same individual”. The Company does not comply with this recommendation as there is no Chief Executive Officer of the Company.

Each director has the right of access to all relevant Company information and to the Company’s executives 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.

The Board will hold four scheduled meetings each year plus any other strategic meetings as and when necessitated by the Company’s operations. The agenda for meetings is prepared through the input of the Chairman and the Company Secretary. Standing items include matters of compliance and reporting, financials, shareholder communications and investment strategy and outcomes. Submissions are circulated in advance.

The Nomination Committee considers the appropriate size and composition of the Board, criteria for membership, identification of potential candidates and the terms and conditions of appointment to and retirement from the Board.

The Committee is responsible for:

- Conducting an annual review of the Board membership with regard to the present and future requirements of the Company and making recommendations as to composition and appointments;
- Review of Board succession plans, including succession of the Chairman, to maintain an appropriate balance of skills, experience and expertise, taking into account the need for diversity in gender, age, ethnicity and cultural background;
- Conducting an annual review of the time required from non-executive directors, and whether the directors are meeting this;
- Requesting non-executive directors to inform the Chair and the Chair of the nomination committee before accepting any new appointments as directors;
- Conducting an annual review of the independence of directors; and
- Recommendations to the Board on necessary and desirable competencies of directors.

The Committee’s target is to ensure that (as a minimum) directors collectively have investment accounting, general business experience and shareholder representation. The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment. The Committee is responsible for the performance review of the Board and its Committees. Individual directors are subject to continuous review by the Chairman. The Chairman reports on the general outcome of the meetings to the Board annually. Directors whose performance is unsatisfactory are asked to retire.

In addition, the performance of service providers (JP Morgan, White Outsourcing Pty Limited and Kaplan Funds Management Pty Ltd) is the subject of continuous oversight by the Chairman and the Board as a whole.

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Corporate Governance Policy Statement (continued)

The Nomination Committee comprised the following members during the year:

- Michael Cole (Chairman) - Independent Non-Executive
- Ian Hunter - Independent Non-Executive
- Ross Finley - Independent Non-Executive

The Nomination Committee meets annually unless otherwise required. For details on the number of meetings of the Nomination Committee held during the year and the attendees at those meetings, refer to page 18 of the Director's Report.

Promote ethical and responsible decision-making

The Board expects all non-executive directors to act professionally in their conduct and with the utmost integrity and objectivity. All non-executive directors must comply with the Company's Code of Conduct and Ethics. The directors in acting professionally in their conduct means that they will act with high standards of honesty, integrity and fairness, avoiding conflicts of interest, acting lawfully and ensuring confidential information is dealt with in accordance with the Company's Privacy Policy.

The Company encourages directors to have a significant personal financial interest in Ironbark Capital Limited ("IBC"), by acquiring and holding shares on a long-term basis.

Short term trading in IBC's shares by directors is not permitted.

The Board has adopted the following policies concerning dealing in IBC's shares by directors.

- Insider trading laws prohibit Directors and their associates from dealing in the Company's shares whilst in possession of price sensitive information that is not generally available.
- As a matter of practice, market disclosure will be made whenever the gross portfolio value moves by more than 2.5% since the previous NTA announcement. Directors' trading will be allowed, provided such an announcement has been made and a reasonable amount of time allowed for the dissemination of the information into the market.

The composition of the Board is monitored (both in respect of size, diversity and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company. When a vacancy arises, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person taking into account the need for diversity in gender, age, ethnicity and cultural background. Given the Company has no employees, consideration of diversity does not extend beyond the Board and further disclosures in relation to policies are not considered relevant.

Safeguard integrity in financial reporting

It is a requirement of the Board that White Outsourcing Pty Ltd sign-off on the content of the financial statements, and that these statements represent a true and fair view of the Company's operations and financial position of the Company.

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Corporate Governance Policy Statement (continued)

White Outsourcing Pty Ltd provides a declaration to the Board twice annually, to certify that the Company's financial statements and notes present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the Corporations Act 2001. In respect of the current financial year all necessary declarations have been submitted to the Board. In addition, White Outsourcing Pty Ltd (accounting and Company Secretarial) confirms in writing to the Board that the declaration provided above is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company has an Audit Committee with a documented Charter, approved by the Board. All members must be non-executive directors and the majority be independent directors. The Chairman is not the Chairman of the Board. The Committee is responsible for considering the effectiveness of the systems and standards of internal control, financial reporting and any other matter at the request of the Board. The Audit Committee will meet at least two times per year.

The Audit Committee may have in attendance at their meeting such members of management as may be deemed necessary to provide information and explanations. The external auditors attend meetings by invitation to report to the Committee.

The members of the Audit Committee during the year were:

- Ian Hunter (Chairman)
- Ross Finley
- Michael Cole

The responsibilities of the Audit Committee are to ensure that:

1. Relevant, reliable and timely information is available to the Board to monitor the performance of the Company;
2. External reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
3. Management processes support external reporting in a format which facilitates ease of understanding by shareholders and institutions;
4. The external audit arrangements are adequate to ensure the maintenance of an effective and efficient external audit. This involves:
 - (a) reviewing the terms of engagement, scope and auditor's independence;
 - (b) recommendations as to the appointment, removal and remuneration of an auditor; and
 - (c) reviewing the provision of non-audit services provided by the external auditor ensuring they do not adversely impact on audit independence;
5. Review the Company's risk profile and assess the operation of the Company's internal control system.

The external auditor is required to attend the Annual General Meeting and is available to answer shareholder questions.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to page 18 of the Director's Report.

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Corporate Governance Policy Statement (continued)

The Board as a whole monitors the performance of the annual & half-yearly audit performed by the external auditor. If the Board considers that the external auditor of the Company should be changed a special resolution will be put to shareholder vote at the following Annual General Meeting. External audit engagement partners are required by legislation to rotate their appointment every five years.

Make timely and balanced disclosure

The Board informs shareholders of all major developments affecting the Company's state of affairs as follows:

- All information lodged with the ASX is available on the Company's website at www.ironbarkcapital.com via a direct link to the ASX website;
- An Annual Report will be mailed to shareholders at the close of the financial year, where requested; and
- Net asset backing per share is released to the ASX by the 14th day following each month-end and is sent via email to shareholders who register their interest.

The Company Secretary is responsible for ensuring Ironbark Capital Limited complies with its continuous disclosure obligations. All relevant staff of White Outsourcing Pty Limited and Kaplan Funds Management Pty Limited are made aware of these obligations and are required to report any price sensitive information to the Company Secretary immediately they become aware of it. The Company Secretary in consultation with the Chairman will decide whether the information should be disclosed to the ASX.

Where possible, all continuous disclosure releases to the ASX are approved by the Board, except the monthly net asset backing per share which is approved by White Outsourcing Pty Limited in consultation with Kaplan Funds Management Pty Limited. Where time does not permit approval by the Board, the Chairman of the directors must approve the release.

Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous Disclosure requirement.

Respect the rights of shareholders

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and are able to receive the annual and interim financial statements if requested. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Ironbark Capital Limited, to lodge questions to be responded by the Board, and are able to appoint proxies.

Recognise and manage risk

The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has delegated responsibility for reviewing the risk profile and reporting on the operation of the internal control system to the Audit Committee.

The Audit Committee (a) requires executive management to report annually on the operation of internal controls, (b) reviews the external audit of internal controls and liaises with the external auditor and (c) conducts any other investigations and obtains any other information it requires in order to report to the Board on the effectiveness of the internal control system. In respect of the current financial year all necessary declarations have been submitted to the Board.

The Board identifies the following business risks as having the potential to significantly or materially impact the company's performance (a) administrative risks including operational, compliance and financial reporting (b) market related risks.

Administrative Risks

The Company has outsourced its administrative functions to service providers, JP Morgan (custody), White Outsourcing Pty Limited (accounting and Company Secretarial) and Kaplan Funds Management Pty Limited (investment management). Risk issues associated with these activities are handled in accordance with the service providers policies and procedures. White Outsourcing Pty Limited is responsible for recognising and managing administrative risks including (a) operational, (b) compliance and (c) financial reporting. Certificates of insurance currency are obtained annually from all key service providers.

Market Risks

The Board is primarily responsible for recognising and managing market related risks. By its nature as a Listed Investment Company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market. Kaplan Funds Management Pty Ltd (investment manager), is required to act in accordance with the Board approved investment management agreement and reports to the Board quarterly on the portfolio's performance, material actions of the investment manager during that quarter and an explanation of the investment manager's material proposed actions for the upcoming quarter. In addition, the investment manager is required to report half-yearly that Kaplan Funds Management Pty Ltd have invested the Company's assets in accordance with the approved investment mandate and complied with the Investment Management Agreement requirements during the reporting period. In respect of the current financial year all necessary declarations have been submitted to the Board. In assessing the Company's risk tolerance level the Board considers any instance which materially affects the Company's monthly Net Tangible Asset backing announcement released to the ASX.

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Corporate Governance Policy Statement (continued)

The Audit Committee and the Board perform a risk review on an annual basis to ensure that adequate controls are in place to mitigate risk associated with investment manager performance, market risk, fraud, transaction reporting errors, material reporting risks and compliance risk.

Remunerate fairly and responsibly

The Company has a Remuneration Committee which reviews and makes recommendations to the Board on remuneration of the directors themselves. The Remuneration Committee meets once a year. Full details on Directors' remuneration are provided in the Directors' Report.

The members of the Remuneration Committee during the year were:

- Michael Cole (Chairman)
- Ian Hunter
- Ross Finley

As previously noted, the executive function of the Company has been outsourced to White Outsourcing Pty Limited (accounting and administration) and Kaplan Funds Management Pty Limited (funds management), therefore, there are no executive directors of the Company. The responsibility for considering and recommending appropriate remuneration of the non-executive directors' packages for the Board lies with the Remuneration Committee. Non-executive directors are remunerated by way of cash payments.

Recommendation 8.3 states that the Company should "clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives". The Company does not comply with this recommendation as there are no executive directors or senior executives.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 18 of the Director's Report.

Board policies and charters covering the following are available on the Company's website at www.ironbarkcapital.com:

- Board charter
- Nomination Committee charter
- Audit Committee charter
- Remuneration Committee
- Disclosure policy
- Communication policy
- Risk management policy
- Trading policy
- Code of Conduct and Ethics

Ironbark Capital Limited
ABN 89 008 108 227
Portfolio shareholdings at 30 June 2012

| ASX code | Security | * Market Value \$'000 | % of portfolio |
|----------------------------------|--|--------------------------|----------------|
| Banks | | | |
| ANZ | ANZ Banking Group Limited | 1,846 | 2.4 |
| CBA | Commonwealth Bank of Australia Limited | 4,388 | 5.7 |
| NAB | National Australia Bank Limited | 3,003 | 3.9 |
| WBC | Westpac Banking Corporation Limited | 3,296 | 4.3 |
| | | 12,533 | 16.3 |
| Hybrids | | | |
| AGKHA | AGL Energy Limited - Subordinated Notes | 997 | 1.3 |
| ANZPA/PB/PC | ANZ Banking Group Ltd - Convertible Preference Shares | 4,565 | 5.9 |
| ANZHA | ANZ Banking Group Ltd - Subordinated Notes | 850 | 1.1 |
| AXJHA | AXA AsiaPacific - Subordinated Notes | 695 | 0.9 |
| BENPB/PC | Bendigo Bank - Preference Securities | 712 | 0.9 |
| CBAPA/PB/PCAPA | Commonwealth Bank Perls III & Perls IV & Perls V | 8,183 | 10.6 |
| IAGPC | Insurance Australia Group - Convertible Preference Securities | 1,757 | 2.3 |
| IANG | Insurance Australia Group - Perpetual Reset Exchangeable Notes | 1,442 | 1.9 |
| NABHA | National Australia Bank Limited Income Securities | 3,172 | 4.1 |
| NABHB | National Australia Bank Limited - Subordinated Notes | 1,004 | 1.3 |
| ORGHA | Origin Energy Limited Notes | 4,045 | 5.2 |
| RHCPA | Ramsay Health Care Ltd - Convertible Equity Securities | 1,981 | 2.6 |
| SVWPA | Seven Group Holdings Limited - Convertible Redeemable Preference Securities | 1,630 | 2.1 |
| SBKPB | Suncorp-Metway Limited - Convertible Preference Securities | 1,371 | 1.8 |
| WCTPA/WBCPA | Westpac- Preferred Securities | 4,756 | 6.2 |
| WOWHC | Woolworths Limited - Notes | 925 | 1.2 |
| | | 38,085 | 49.4 |
| Large Industrial (Top 50) | | | |
| IAG | Insurance Australia Group Ltd | 223 | 0.3 |
| TLS | Telstra Corporation Limited | 6,257 | 8.1 |
| | | 6,480 | 8.4 |

* Includes market value of options written against holdings

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Portfolio shareholdings at 30 June 2012 (continued)

| ASX code | Security | * Market Value \$'000 | % of portfolio |
|---------------------------------------|-------------------------------------|--------------------------|----------------|
| Materials & Energy | | | |
| AMC | Ancor Limited | 62 | 0.1 |
| BHP | BHP Billiton Ltd | 9,656 | 12.5 |
| BTU | Bathurst Resources Limited | 136 | 0.2 |
| NCM | Newcrest Mining Limited | 261 | 0.3 |
| ORG | Origin Energy Ltd | 134 | 0.2 |
| RIO | Rio Tinto Limited | 91 | 0.1 |
| STO | Santos Limited | 874 | 1.1 |
| WHC | Whitehaven Coal Limited | 83 | 0.1 |
| WPL | Woodside Petroleum Limited | 525 | 0.7 |
| | | 11,822 | 15.3 |
| Property Trusts | | | |
| CPA | Commonwealth Property Office Fund | 730 | 0.9 |
| DXS | Dexus Property Group | 337 | 0.4 |
| IOF | Investa Office Fund | 237 | 0.3 |
| MGR | Mirvac Group | 502 | 0.7 |
| | | 1,806 | 2.3 |
| Utilities & Infrastructure | | | |
| AIO | Asciano Limited | 145 | 0.2 |
| CIF | Challenger Infrastructure Fund | 551 | 0.7 |
| DUE | DUET Group Securities | 1,766 | 2.3 |
| HDF | Hastings Diversified Utilities Fund | 713 | 0.9 |
| SPN | SP AusNet | 147 | 0.2 |
| SKI | Spark Infrastructure Group | 779 | 1.0 |
| | | 4,101 | 5.3 |
| Small Industrial (ex Top 50) | | | |
| EGP | Echo Entertainment Group Limited | 62 | 0.1 |
| TPI | Transpacific Industries Group Ltd | 181 | 0.2 |
| | | 243 | 0.3 |
| Cash and Term Deposit | | 2,147 | 2.7 |
| Total | | 77,217 | 100.0 |

* Includes market value of options written against holdings

Ironbark Capital Limited
ABN 89 008 108 227
Directors' report
For the year ended 30 June 2012

In respect of the financial year ended 30 June 2012, the directors of the Company submit the following report together with the financial report of Ironbark Capital Limited ("the Company").

Directors in office at any time during or since the end of the financial year and up to the date of this report are:

| | Period of directorship |
|---------------------|---------------------------------|
| M J Cole (Chairman) | Appointed 31/10/2002 to current |
| R J Finley | Appointed 30/01/1987 to current |
| I J Hunter | Appointed 31/10/2002 to current |

The directors have been in office since the start of the financial year to the date of this report.

Principal Activities

The principal activity of the Company during the year was investment in securities listed on the Australian Stock Exchange.

Dividends Paid or Recommended

Details of dividends in respect of the current year are as follows:

| | 2012 | 2011 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Interim Ordinary Dividend of 1.0c per share paid on 29th June 2012 | 1,416 | |
| Interim Ordinary Dividend of 0.8c per share paid on 9th February 2012 | 1,132 | |
| Interim Ordinary Dividend of 1.5c per share paid on 15th March 2011 | | 2,124 |
| Interim Ordinary Dividend of 2.0c per share paid on 21st September 2010 | | 2,831 |

Since the end of the financial year, the directors declared a fully franked dividend of 0.5 cents per share payable on 28 December 2012.

Operating Results and Review of Operations for the Year

| | | |
|--------------------------------|--------------|--------------|
| Gain before income tax expense | 1,033 | 10,258 |
| Income tax benefit/(expense) | 758 | (2,382) |
| Gain after income tax expense | <u>1,791</u> | <u>7,876</u> |

The net tangible asset backing of the Company as at 30 June 2012 was 57.10 cents per share excluding the deferred tax asset on unrealised investment losses (2011: 56.4 cents per share). This increase in net tangible asset per share is after the payment of 1.8 cents per share in dividends.

Financial Position

The net assets of the Company have decreased by \$0.7 million from 30 June 2011 to \$79.6 million in 2012. This decrease has largely resulted from depreciation in trading portfolio due to general decreases in investment markets.

| | 2012 | 2011 |
|--|-------------|-------------|
| Earnings per share | | |
| Basic and diluted gain per share (cents per share) | <u>1.27</u> | <u>5.57</u> |

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Share buy-back

A special resolution was passed at the General Meeting held on 21st July 2011 where the Constitution of the company has been entrenched with a requirement for the Directors to put a resolution to shareholders after 30 June 2014 and before 30 April 2015 offering to buyback all shares held by the Company shareholders in mid 2015 at a price equal to the net tangible asset backing of the shares at the time, after deduction of transaction costs associated with the transaction.

After Balance Date Events

Other than the dividend declared after year end as mentioned in the previous page, no matter or circumstance has arisen since 30 June 2012 to the signing date of this report that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Company's state of affairs in future financial years.

Environmental Issues

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

Future developments, Prospects and Business Strategies

The Company will continue to pursue its investment objectives for the long term benefit of the members. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

Information on Directors

| Director | Experience | Special responsibilities | Particulars of directors' interest in shares of the company |
|---|---|---------------------------------|--|
| Michael J Cole B.Ec, M.Ec Sydney, F Fin | Investment manager Investment banker | Chairman | 8,000,000 |
| Ross J Finley B.Comm NSW | Investment banker Stockbroker | | 1,400,000 |
| Ian J Hunter B.A, LLB Sydney, MBA MGSM | Banking and finance | Audit Committee Chairman | 2,032,364 |

Other current directorships

Ross J Finley is a Director of Century Australia Investments Ltd.

Ian Hunter is a Director of Rubik Financial Limited.

Michael Cole is the Chairman of Platinum Asset Management Limited; Chairman, IMB Ltd; Director, NSW Treasury Corp; Chairman, Challenger Listed Investments Ltd.

The particulars of directors' interests in shares of the Company are as at the date of this report.

Meetings of Directors of the Company

The following table sets out the numbers of meetings of the Company's directors held during the year ended 30 June 2012, and the numbers of meetings attended by each director of the Company:

| | Board meetings | | Audit Committee meetings | |
|----------------|--------------------------------|--------------------------|---------------------------------|--------------------------|
| | Number of meetings held | Meetings attended | Number of meetings held | Meetings attended |
| Michael J Cole | 4 | 4 | 2 | 2 |
| Ross J Finley | 4 | 4 | 2 | 2 |
| Ian J Hunter | 4 | 4 | 2 | 2 |

| | Remuneration Committee meetings | | Nomination Committee meetings | |
|----------------|--|--------------------------|--------------------------------------|--------------------------|
| | Number of meetings held | Meetings attended | Number of meetings held | Meetings attended |
| Michael J Cole | 1 | 1 | 1 | 1 |
| Ross J Finley | 1 | 1 | 1 | 1 |
| Ian J Hunter | 1 | 1 | 1 | 1 |

Company Secretary

Mr Peter Roberts is a member of the Institute of Chartered Accountants and is the Company Secretary for a number of Listed Investment Companies.

Remuneration Report and Policy

The Board determines the remuneration structure of Non-Executive Directors (based on the recommendation of the Remuneration Committee), having regard to the scope of the Company's operations and other relevant factors including the frequency of Board meetings as well as directors' length of service, particular experience and qualifications. The Board makes a recommendation to shareholders as to the level of Non-Executive Directors remuneration which is then put to shareholders at the Annual General Meeting for approval.

As the Company does not provide share or option schemes to Directors and Executives, remuneration of Executives and Non-executives is not explicitly linked to the Company's performance. Notwithstanding this, Board members and Company executives are subject to ongoing performance monitoring and regular performance reviews.

Directors' benefits

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed in the Director's Report, by reason of a contract made by the Company or a related entity with the director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

Options

No options over issued shares or interests in the Company were granted during the financial year and there were no options outstanding at the end of this report.

Audit committee

The Audit Committee consists of Mr Ian Hunter, Mr Michael Cole and Mr Ross Finley. The Chairman is Mr Ian Hunter, who is not the Chairman of the Board.

Ironbark Capital Limited
ABN 89 008 108 227
Directors' report (continued)
For the year ended 30 June 2012

Company Executives' Remuneration

| | Base fee | Superannuation | Total |
|--|-----------------|-----------------------|---------------|
| | \$ | \$ | \$ |
| For the year ended 30 June 2012 | | | |
| Ross J Finley | 20,000 | - | 20,000 |
| Michael J Cole (Chairman) | 20,000 | - | 20,000 |
| Ian J Hunter | 20,000 | - | 20,000 |
| | <u>60,000</u> | <u>-</u> | <u>60,000</u> |
| For the year ended 30 June 2011 | | | |
| Ross J Finley | 20,000 | - | 20,000 |
| Michael J Cole (Chairman) | 20,000 | - | 20,000 |
| Ian J Hunter | 20,000 | - | 20,000 |
| | <u>60,000</u> | <u>-</u> | <u>60,000</u> |

Directors are paid a maximum remuneration of \$20,000 each per annum.

Mr Peter Roberts, Company Secretary, is a shareholder and employee of White Outsourcing Pty Ltd. During the year White Outsourcing Pty Ltd received fees exclusive of RITC of \$64,721 (2011: \$67,003) for the administration of the Company, out of which costs of accounting, administration and Company Secretarial are paid.

Insurance of directors

During the year ended 30 June 2012, the Company paid liability insurance premiums relating to directors' insurance. The Directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the directors' and officers' liability and legal expense's insurance contracts, as such disclosure is prohibited under the terms of the contract.

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 against or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

The Directors of the Company are satisfied that the general standard of independence for auditors imposed by the *Corporations Act 2001* has been met as there has been no provision of non-audit services by the external auditor.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investment Commission, relating to the "rounding off" of amounts in the directors' report and financial statements to the nearest \$1,000 or in certain cases to the nearest dollar. Amounts have been rounded off in the directors' report and financial statements in accordance with this class order.

Auditor's Independence Declaration

Independence declaration for the year ended 30 June 2012 has been received and can be found on page 20.

This report is made in accordance with a resolution of the Directors of the Company.



M J Cole
Director

Dated at Sydney this 22nd day of August 2012



IRONBARK CAPITAL LIMITED
ABN 89 008 108 227

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS
ACT 2001 TO THE DIRECTORS OF IRONBARK CAPITAL LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

MNSA PTY LTD

Phillip Miller
Director

Dated in Sydney, this 22nd day of August 2012

Ironbark Capital Limited
ABN 89 008 108 227
Statement of comprehensive income
For the year ended 30 June 2012

| | Notes | 2012 \$'000 | 2011 \$'000 |
|--|-------|----------------|----------------|
| Investment income from trading portfolio | | | |
| Revenue from trading portfolio | 3 | 4,649 | 4,231 |
| Net unrealised (losses)/gains in the net fair value of investments | | (4,624) | 3,784 |
| Realised gains on sale of investments | | 1,866 | 3,201 |
| Total investment income from trading portfolio | | <u>1,891</u> | <u>11,216</u> |
| Other income | | | |
| Other income | | 32 | 9 |
| Total other income | | <u>32</u> | <u>9</u> |
| Total income | | <u>1,923</u> | <u>11,225</u> |
| Expenses | | | |
| Investment manager's fees | | (526) | (521) |
| Audit fees | 4 | (34) | (34) |
| Share registry fees | | (50) | (70) |
| Directors fees | | (60) | (60) |
| ASX listing and other fees | | (38) | (35) |
| Accounting and company secretarial fees | | (65) | (67) |
| Custody fees | | (28) | (30) |
| Tax fees | | (13) | (16) |
| Legal fees | | (2) | (16) |
| Brokerage expense | | (21) | (50) |
| Futures and options expenses | | (21) | (34) |
| Other (including insurances) | | (32) | (34) |
| Total expenses | | <u>(890)</u> | <u>(967)</u> |
| Profit before income tax benefit/(expense) | | 1,033 | 10,258 |
| Income tax benefit/(expense) | 5(a) | 758 | (2,382) |
| Profit after income tax benefit/(expense) attributable to members of Ironbark Capital Limited | | <u>1,791</u> | <u>7,876</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income | | <u>1,791</u> | <u>7,876</u> |
| | | Cents | Cents |
| Basic and diluted earnings per share | 18 | 1.27 | 5.57 |

The above Statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

Ironbark Capital Limited
ABN 89 008 108 227
Statement of financial position
As at 30 June 2012

| | Notes | 2012 \$'000 | 2011 \$'000 |
|--|-------|----------------|----------------|
| Current assets | | | |
| Cash assets | 12(b) | 2,147 | 6,249 |
| Trade and other receivables | 6 | 697 | 496 |
| Trading portfolio (held for trading) | 7 | 75,070 | 72,978 |
| Current tax assets | 5(f) | 7 | 13 |
| Other | 8 | 21 | 22 |
| Total current assets | | <u>77,942</u> | <u>79,758</u> |
| Non- current assets | | | |
| Deferred tax assets | 5(e) | 1,816 | 959 |
| Total non-current assets | | <u>1,816</u> | <u>959</u> |
| Total assets | | <u>79,758</u> | <u>80,717</u> |
| Current liabilities | | | |
| Trade and other payables | 9 | 102 | 374 |
| Current tax liabilities | 5(c) | 57 | - |
| Total current liabilities | | <u>159</u> | <u>374</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 5(d) | 14 | 1 |
| Total non-current liabilities | | <u>14</u> | <u>1</u> |
| Total liabilities | | <u>173</u> | <u>375</u> |
| Net assets | | <u>79,585</u> | <u>80,342</u> |
| Equity | | | |
| Contributed equity | 10 | 80,156 | 80,156 |
| Retained earnings/(accumulated losses) | 11 | (571) | 186 |
| Total equity | | <u>79,585</u> | <u>80,342</u> |

The above Statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

Ironbark Capital Limited
ABN 89 008 108 227
Statement of changes in equity
For the year ended 30 June 2012

| | Share Capital \$'000 | Retained Earnings \$'000 | Total \$'000 |
|---|-------------------------------------|---|-------------------------|
| Balance at 1 July 2010 | 80,239 | (2,735) | 77,504 |
| Profit for the year | - | 7,876 | 7,876 |
| Other comprehensive income for the year | - | - | - |
| | <hr/> | | |
| Total comprehensive income for the year | - | 7,876 | 7,876 |
| | <hr/> | | |
| Dividends paid | - | (4,955) | (4,955) |
| Buy back of shares | (83) | - | (83) |
| | <hr/> | | |
| Balance at 30 June 2011 | 80,156 | 186 | 80,342 |
| | <hr/> | | |
| Profit for the year | - | 1,791 | 1,791 |
| Other comprehensive income for the year | - | - | - |
| | <hr/> | | |
| Total comprehensive income for the year | - | 1,791 | 1,791 |
| | <hr/> | | |
| Dividends paid | - | (2,548) | (2,548) |
| | <hr/> | | |
| Balance at 30 June 2012 | 80,156 | (571) | 79,585 |
| | <hr/> | | |

The above Statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Ironbark Capital Limited
ABN 89 008 108 227
Statement of cash flows
For the year ended 30 June 2012

| | Notes | 2012 \$'000 | 2011 \$'000 |
|--|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Proceeds from sale of trading portfolio | | 38,036 | 46,907 |
| Purchase of trading portfolio | | (43,235) | (55,153) |
| Dividends & trust distributions received | | 4,466 | 3,997 |
| Interest received | | 77 | 197 |
| Other income received | | 31 | 9 |
| Investment manager's fees paid | | (527) | (518) |
| Income tax paid | | (24) | - |
| Other expenses paid | | (378) | (365) |
| Net cash used in operating activities | 12(a) | <u>(1,554)</u> | <u>(4,926)</u> |
| Cash flows from financing activities | | | |
| Dividends paid | | (2,548) | (4,955) |
| Share buy back | | - | (106) |
| Net cash used in financing activities | | <u>(2,548)</u> | <u>(5,061)</u> |
| Net decrease in cash held | | | |
| | | (4,102) | (9,987) |
| Cash at the beginning of the financial year | | 6,249 | 16,236 |
| Cash at the end of the financial year | 12(b) | <u>2,147</u> | <u>6,249</u> |
| Non-cash financial activities | | | |
| Dividends paid by DRP | | - | - |
| | | <u>-</u> | <u>-</u> |

The above Statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

Ironbark Capital Limited
ABN 89 008 108 227
Notes to the financial statements
For the year ended 30 June 2012

1 Reporting Entity

Ironbark Capital Limited is a company domiciled in Australia. The Company's registered office is Level 7, 20 Hunter Street, Sydney NSW, 2000. The financial statements of Ironbark Capital Limited are for the year ended 30 June 2012. 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

(a) Basis of Accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements cover Ironbark Capital Limited which is a listed public company, incorporated and domiciled in Australia. The financial statements have been prepared on an accruals basis, with the exception of valuation of investments as described in Note 2(b) below.

The Statements are prepared from the records of the Company on an accrual basis and are based on historical costs modified by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has applied. The directors revalue the trading portfolio on a daily basis.

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

(b) Trading Portfolio

(i) Classification

The trading portfolio comprises securities held for short term trading purposes, including exchange traded option contracts that are entered into, as described in Note 2(c) below. The purchase and the sale of securities are accounted for at the date of trade. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

Securities in the trading portfolio are classified as "assets measured at fair value through profit or loss".

(ii) Recognition

Financial instruments incorporating financial assets and financial liabilities are initially measured at fair value on trade date, which excludes transaction costs on trade date, where the related contractual rights or obligations exist. Transaction costs are expensed to the profit and loss immediately. Trade date accounting is adopted for financial assets that are delivered within time frames established by market place conventions. Subsequent to initial recognition these instruments are measured as set out below.

Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period which they arise.

(iii) Valuation of trading portfolio

Securities are classified as held for trading financial assets as acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial Instruments.

(iv) Valuation of options written portfolio

Options are initially brought to account at the amount received upfront for entering the contract (the premium) and subsequently revalued to current market value. Increments and decrements are taken through the statement of comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

(v) Income from holdings of securities

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis unless the distributions are capital returns on ordinary shares in which case the amount of the distribution is treated as an adjustment to the carrying value of the shares.

The realised gain or loss on options written is not recognised until the option expires, is exercised or is repurchased from the holder. All unrealised gains or losses which represents movements in the market value of the options are recognised through the statement of comprehensive income.

Interest revenue on listed securities is recognised on the ex date, taking into account the effective yield on the financial asset. Interest revenue on cash deposits is recognised as it accrues.

(vi) Determination of Fair Value

AIFRS defines fair value for the purpose of valuing holdings of securities that are listed or traded on an exchange to be based on quoted "bid" prices for securities prevailing at the close of business on the balance date. AASB 139 and AG72 states that the current bid price is usually the appropriate price to be used in measuring the fair value of actively traded financial assets. Financial assets should be valued at their fair value without any deduction for transaction costs that may be incurred on sale or other disposal. Certain costs in acquiring investments, such as brokerage and stamp duty are expensed in the statement of comprehensive income.

(c) Current Assets - Trading Portfolio

The Company enters into option contracts in the trading portfolio for the purpose of enhancing returns, offsetting risk or providing opportunities to acquire or sell securities at advantage prices.

As at balance date there were call options outstanding which potentially required the Company, if they were exercised, to deliver securities to the value of \$1.1 million (30 June 2011: \$1.4 million) held by the Company in its trading portfolio.

(d) Income to Pay Dividends

In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

It is the Directors' policy to only pay fully franked dividends and to distribute the majority of franking credits received each year. Franking credits are generated by receiving fully franked dividends from shares held in the Company's investment portfolio, and from the payment of corporate tax on its other investment income, namely share option premiums, unfranked income and net realised gains.

A provision for dividends payable is recognised in the reporting period in which dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

2 Summary of Significant Accounting Policies (Continued)

(e) Taxation

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective assets and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Trading Portfolio

A tax provision is made for the unrealised gain or loss on securities valued at fair value through the statement of comprehensive income.

Where the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes offset against any losses carried forward.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with bank, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

For the purposes of the statement of cash flows, cash includes deposits held at call with financial institutions net of bank overdrafts.

(g) Trade and Other Receivables

Trade and other receivables may include amounts for dividends, interest and securities sold. Dividends and distributions are brought to account when the Company's right to receive a dividend is established. Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset. Amounts received for securities sold are recorded when a sale has occurred. Amounts are generally received within 30 days of being recorded as a receivable.

2 Summary of Significant Accounting Policies (Continued)

(h) Revenue Recognition

- Trading 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.
- Dividend Income - dividends and distributions are brought to account when the right to receive a dividend has been established.
- Interest Income - interest income is recognised as it accrues, taking into account the effective yield on the financial asset.
- Other Income - other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

(i) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid at the reporting date. Payables are unsecured and are usually paid within 30 days of recognition.

(j) Derivative Financial Instruments

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to derivatives are included in investment income as part of realised or unrealised gains and losses on investments.

(k) Earnings/(Loss) per Share

Basic and diluted earnings/(loss) per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial year, adjusted for any bonus element.

(l) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing activities which are recoverable from/or payable to the ATO are classified in the cash flows from operating activities.

(m) Contributed Equity

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

(n) Adoption of New and Revised Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. The Directors' assessment of the impact of these standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010 *Amendment to Australian Accounting Standards arising from AASB 9* (December 2010) (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. The Directors are intending to early adopt AASB 9 Financial Instruments from 1 July 2012. This change will see assets classified as "available for sale" which better reflects the longer term investment style of the manager than the "held for trading" classification adopted under the current accounting standard. This reclassification will see all price movements on investments (both realised and unrealised movements) reflected directly in reserves rather than through the current year profit and loss. Had this treatment under AASB 9 been adopted in the year to 30 June 2012, unrealised losses of \$4,624,000 and realised gains of \$1,866,000 would have been recorded as separate items in Other Comprehensive Income, and taken to reserves, rather than as line items in the Statement of Comprehensive Income. This change would not have affected net assets.

2 Summary of Significant Accounting Policies (Continued)

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011).

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company applied the amended standard from 1 July 2011. The amendments did not have any effect on the Company's financial statements.

(iii) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011).

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Company's disclosures. The Company applied the amendment from 1 July 2011.

(iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Company is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

(v) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Company will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

(vi) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB13* (effective 1 January 2013).

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

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

(o) Functional and Presentation Currency

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

(p) Operating Segments

The Company operated in Australia only and the principal activity is investment.

(q) Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and liabilities of the Company approximates their carrying value. The fair value for assets that are actively traded on market is defined by AASB 139 as 'last bid price'.

Ironbark Capital Limited
ABN 89 008 108 227
Notes to the financial statements (Continued)
For the year ended 30 June 2012

2 Summary of Significant Accounting Policies (Continued)

(r) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. There are some concerns that the entity may fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. If the entity fails to satisfy the test, carried forward losses of nil (2011: \$563,379) that are currently recognised as deferred tax asset would have to be written off to income tax expense.

| | 2012 | 2011 |
|--|----------------|---------------|
| | \$'000 | \$'000 |
| 3 Revenue from Trading Portfolio | | |
| Dividends and trust distributions | 4,529 | 4,049 |
| Interest | 120 | 182 |
| | <u>4,649</u> | <u>4,231</u> |
| 4 Auditor's Remuneration | | |
| Amounts received and receivable, by the auditor of the company for: | | |
| MNSA Pty Ltd Auditing or reviewing the accounts | 26 | 30 |
| PWC Audit report of custodian statement | 8 | 4 |
| | <u>34</u> | <u>34</u> |
| 5 Income Tax (Benefit)/Expense | | |
| (a) Income tax expense recognised in the Statement of comprehensive income | | |
| Current income tax expense | 644 | 1,291 |
| Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences | (1,402) | 1,091 |
| | <u>(758)</u> | <u>2,382</u> |
| (b) Income tax (benefit)/expense | | |
| The prima facie income tax expense on pre-tax accounting profit reconciles to income tax (benefit)/expense as follows: | | |
| Prima facie income tax expense calculated at 30% on the operating profit | 310 | 3,077 |
| Imputation gross up on dividends received | 450 | 295 |
| Franking credits on dividends received | (1,500) | (983) |
| Temporary differences | (41) | (49) |
| Over provision in prior year | (40) | (27) |
| Realised taxable investment gain/(loss) | 623 | (960) |
| Realised accounting investment gain/(loss) | (560) | 1,029 |
| | <u>(758)</u> | <u>2,382</u> |
| Income tax (benefit)/expense | <u>(758)</u> | <u>2,382</u> |
| The applicable weighted average effective tax rates are as follows: | <u>-73.39%</u> | <u>23.22%</u> |

Ironbark Capital Limited
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Notes to the financial statements (Continued)
For the year ended 30 June 2012

| | 2012 | 2011 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| 5 Income Tax (Benefit)/Expense (Continued) | | |
| (c) Current tax liabilities | | |
| Income tax payable | 57 | - |
| (d) Deferred tax liabilities | | |
| Provision for deferred income tax comprises the estimated expense at current income tax rates of 30% on the following item: | | |
| Interest | 14 | 1 |
| (e) Deferred tax assets | | |
| Provision for deferred tax assets comprises the estimated benefit at current income tax rates of 30% on the following items: | | |
| Provision for income tax on unrealised losses on investments | 1,816 | 395 |
| Carry forward tax losses | - | 564 |
| | <u>1,816</u> | <u>959</u> |
| (f) Current tax assets | | |
| Current tax assets comprises the estimated expense at current income tax rates on the following items: | | |
| Expenses not deductible in the current year | 7 | 13 |
| (g) Reconciliation | | |
| The overall movement in the deferred tax account is as follows: | | |
| Opening balance | 971 | 3,352 |
| (Charges)/credit to statement of comprehensive income | 838 | (2,381) |
| Changes to equity | - | - |
| Closing balance | <u>1,809</u> | <u>971</u> |
| 6 Trade and Other Receivables | | |
| Current | | |
| Accrued interest and dividends | 603 | 496 |
| Unsettled trades | 94 | - |
| | <u>697</u> | <u>496</u> |
| 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. | | |
| The credit risk exposure of the Company in relation to receivables is the carrying amount. | | |
| 7 Trading Portfolio | | |
| Listed equities at fair value | 64,749 | 66,940 |
| Units in listed property trusts at fair value | 1,805 | 1,712 |
| Floating rate notes at fair value - listed | 8,516 | 4,326 |
| | <u>75,070</u> | <u>72,978</u> |
| The fair value of the trading portfolio equals the market value of the trading portfolio. | | |
| Credit risk exposures of the Company arise in relation to floating rate notes to the extent of their carrying values, in the event of a shortfall on winding up the issuing companies. | | |
| Term deposits are held with St George Bank which is rated AA-/A-1+ by Standard and Poors. | | |
| 8 Other Assets | | |
| Current | | |
| GST receivable | 17 | 18 |
| Prepayments | 4 | 4 |
| | <u>21</u> | <u>22</u> |

Ironbark Capital Limited
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Notes to the financial statements (Continued)
For the year ended 30 June 2012

| | 2012 | 2011 |
|-----------------------------------|------------|------------|
| | \$'000 | \$'000 |
| 9 Trade and Other Payables | | |
| Current | | |
| Trade creditors | 102 | 119 |
| Unsettled trades | - | 255 |
| | <u>102</u> | <u>374</u> |

Payables are non-interest bearing and unsecured.

Unsettled trades are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

| | 2012 | | 2011 | |
|------------------------------|---------|--------|---------|--------|
| | No.'000 | \$'000 | No.'000 | \$'000 |
| 10 Contributed Equity | | | | |
| (a) Ordinary shares | 141,560 | 80,156 | 141,560 | 80,156 |

(b) Movements in ordinary contributed equity of the Company were as follows:

| | 2012 | | 2011 | |
|--|----------------|---------------|----------------|---------------|
| | No.'000 | \$'000 | No.'000 | \$'000 |
| Opening balance | 141,560 | 80,156 | 141,751 | 80,239 |
| Bought back under on-market share buy back | - | - | (191) | (83) |
| Closing balance | <u>141,560</u> | <u>80,156</u> | <u>141,560</u> | <u>80,156</u> |

On market share buy back

For financial year ended 30 June 2012, the Company bought back nil (2011: 190,978) shares under an on market share buy back.

Dividend reinvestment plan

Under the Company's dividend reinvestment plan, additional shares are allotted at a price calculated at 97.5% of the weighted average share price. The DRP is currently suspended and as such, there were no shares issued under the dividend reinvestment plan during the year.

Terms and conditions

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 winding up the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

(c) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence.

To achieve this the Board of Directors monitor the monthly NTA results, investment performance, the Company's management expense ratio (MER) and share price movements.

There were no additional shares issued during the financial year.

The Company announced to the market in November 2009 the introduction of an on-market share buy-back of approximately 10% of the Company shares, to be conducted over a 12 month period, details of shares bought back are included in note 10 (b).

The Company is not subject to any externally imposed capital requirements.

| | 2012 | 2011 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| 11 Retained Earnings | | |
| Balance at the beginning of the financial year | 186 | (2,735) |
| Net profit for the current year | <u>1,791</u> | <u>7,876</u> |
| | 1,977 | 5,141 |
| Dividends paid and payable | <u>(2,548)</u> | <u>(4,955)</u> |
| Balance at the end of the financial year | <u>(571)</u> | <u>186</u> |

Ironbark Capital Limited
ABN 89 008 108 227
Notes to the financial statements (Continued)
For the year ended 30 June 2012

| 12 Statement of cash flows | 2012 | 2011 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| (a) Reconciliation of net profit from ordinary activities after income tax to net cash provided by/used in operating activities | | |
| Gain from ordinary activities after income tax expense/benefit | 1,791 | 7,876 |
| Unrealised losses/(gains) in the net fair value of investments | 4,624 | (3,784) |
| Realised gains on sale of investments | (1,866) | (3,201) |
| Change in operating assets and liabilities: | | |
| Increase in accrued interest and dividends | (107) | (37) |
| Decrease/(increase) in other current assets | 1 | (3) |
| Increase in trading portfolio | (5,199) | (8,195) |
| Increase/(decrease) in trade creditors | (17) | 37 |
| Increase/(decrease) in tax liabilities | (781) | 2,381 |
| Net cash used in operating activities | <u>(1,554)</u> | <u>(4,926)</u> |
| (b) Components of cash | | |
| Cash at bank | <u>2,147</u> | <u>6,249</u> |

The credit risk of the Company in relation to cash is the carrying amount and any unpaid interest. Cash investments are made with JP Morgan which is rated A+/A-1 by Standards & Pooors.

| 13 Dividends | Date of payment | 2012 | 2011 |
|----------------------------------|------------------------|---------------|---------------|
| | | \$'000 | \$'000 |
| Interim Dividend - Fully franked | 29/06/2012 | 1,416 | |
| Interim Dividend - Fully franked | 9/02/2012 | 1,132 | |
| Interim Dividend - Fully franked | 15/03/2011 | | 2,124 |
| Interim Dividend - Fully franked | 21/09/2010 | | 2,831 |

Since the end of the financial year, the directors declared a fully franked dividend of 0.5 cents per share payable on 28 December 2012.

Franking Account

| | | |
|--|------------|------------|
| Opening balance of franking account | 477 | 1,617 |
| Franking credits on dividends received | 1,498 | 983 |
| Tax paid / received during the year | 24 | - |
| Franking credits on ordinary dividends paid | (1,092) | (2,123) |
| Closing balance of franking account | <u>907</u> | <u>477</u> |
| Adjustments for tax payable/refundable in respect of the current year's profits and the receipt of accrued dividends | 228 | 152 |
| Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the year | (303) | - |
| | <u>832</u> | <u>629</u> |

No unfranked dividends have been declared or paid during the year.

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Notes to the financial statements (Continued)
For the year ended 30 June 2012

14 Related party information

(a) Key management personnel

The names of the persons who were the key management personnel of the Company during the financial year were:

Michael J Cole (Chairman, Director)
 Ross J Finley (Director)
 Ian J Hunter (Director)

(b) Key management personnel remuneration

Details of the remuneration of Ironbark Capital key management personnel and their related entities is set out as below:

| | Short-term Employee Benefit Cash Salary & Fees \$ | Post-Employment Benefit Superannuation \$ | Other Benefit Other \$ | Total \$ |
|-------------|--|--|---------------------------------------|---------------------|
| 2012 | 60,000 | - | - | 60,000 |
| 2011 | 60,000 | - | - | 60,000 |

Detailed remuneration disclosures are provided in the remuneration report in the Directors' Report.

The Remuneration Committee of the Board of Directors of Ironbark Capital Ltd is responsible for determining and reviewing compensation arrangements for the directors. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of each director on a periodic basis by reference to workload and market conditions. The overall objective is to ensure maximum stakeholder benefit from the retention of a high quality board whilst constraining costs.

(c) Shareholdings of key management personnel (and their related entities)

| | Balance at 1 July 2011 | Shares acquired/ (disposed) | Balance at 30 June 2012 |
|---------------------------|-----------------------------------|--|------------------------------------|
| 2012 | | | |
| Ordinary Shares | | | |
| Michael J Cole (Chairman) | 8,000,000 | - | 8,000,000 |
| Ross J Finley | 1,400,000 | - | 1,400,000 |
| Ian J Hunter | 1,662,448 | 369,916 | 2,032,364 |
| | <u>11,062,448</u> | <u>369,916</u> | <u>11,432,364</u> |
| 2011 | | | |
| Ordinary Shares | | | |
| Michael J Cole (Chairman) | 7,983,737 | 16,263 | 8,000,000 |
| Ross J Finley | 1,400,000 | - | 1,400,000 |
| Ian J Hunter | 1,662,448 | - | 1,662,448 |
| | <u>11,046,185</u> | <u>16,263</u> | <u>11,062,448</u> |

Directors' transactions on ordinary shares are on the same terms and conditions applicable to ordinary members. There were no shares granted during the reporting period as compensation.

15 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 income, interest income and from the sale of its trading portfolio.

Ironbark Capital Limited
ABN 89 008 108 227
Notes to the financial statements (Continued)
For the year ended 30 June 2012

16 Financial risk management

The Company's financial instruments consist mainly of deposits with banks, trading portfolio, accounts receivable and payables. The Company's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

(i) 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.

Credit risk is managed as provided in Note 6 with respect to receivables, Note 7 with respect to floating rate note investments and Note 12 with respect to cash assets. None of these assets are over-due or considered to be impaired.

(ii) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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

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

The table below analyses the Company's non-derivative 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.

| | Less than 1 month \$'000 | More than 1 month \$'000 | Total |
|-----------------------------|---|---|--------------|
| At 30 June 2012 | | | |
| Trade and other payables | 102 | - | 102 |
| Current tax liabilities | - | 57 | 57 |
| Total financial liabilities | <u>102</u> | <u>57</u> | <u>159</u> |
| At 30 June 2011 | | | |
| Trade and other payables | 374 | - | 374 |
| Current tax liabilities | - | - | - |
| Total financial liabilities | <u>374</u> | <u>-</u> | <u>374</u> |

The Fund does not have net settled derivative financial instruments in a loss position.

(iii) 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.

Sensitivity analysis - interest rate risk

An increase of 75 basis points in interest rates as at the reporting date (assuming a flat tax rate of 30 per cent) would have increased the Company's equity and revenue from trading portfolio by \$11,272 (2011: \$32,807). A decrease of 75 basis points would have an equal but opposite effect.

16 Financial risk management (Continued)

(iv) Market risk

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

By its nature as a Listed Investment Company that invests, the Company can never be free of market risk as it invests its capital in securities which are not risk free - the market price of these securities can fluctuate.

A general fall in market prices of 5 per cent and 10 per cent, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's equity of \$2.6 million (2011: \$2.6 million) and \$5.3 million (2011: \$5.1 million) respectively, assuming a flat tax rate of 30 per cent.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The Manager of the investment portfolio has been granted specific risk tolerance boundaries as set out in the Investment Management Agreement.

The Company's investment sector as at 30 June is as below:

| | 2012 | 2011 |
|-------------------------------|---------------|---------------|
| | % | % |
| Consumer discretionary | 0.08 | 0.07 |
| Energy | 2.15 | 2.72 |
| Financials | 51.57 | 55.14 |
| Healthcare | 2.64 | 2.72 |
| Industrials | 2.61 | 4.28 |
| Materials | 13.60 | 19.22 |
| Property trust | 2.41 | 2.35 |
| Telecommunications services | 8.33 | 3.41 |
| Utilities | 5.27 | 4.16 |
| Corporate floating rate notes | 11.34 | 5.93 |
| | <u>100.00</u> | <u>100.00</u> |

Securities representing over 5 per cent of the investment portfolio at 30 June 2012 were:

| | % |
|---|------|
| BHP Billiton Ltd | 12.5 |
| Commonwealth Bank Perls III, Perls IV & Perls V | 10.6 |
| Telstra Corporation Limited | 8.1 |
| Westpac- Preferred Securities | 6.2 |
| ANZ Banking Group Ltd - Convertible Preference St | 5.9 |
| Commonwealth Bank of Australia Limited | 5.7 |

No other security represents over 5 per cent of the Company's trading portfolio.

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

16 Financial risk management (Continued)

(v) Derivative financial instruments

A derivative is a financial 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.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of proper portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multi-faceted and includes:

- (i) hedging to protect an asset of the company against a fluctuation in market values or to reduce volatility;
- (ii) as a substitute for physical securities; and
- (iii) adjustment of asset exposures within the parameters set out in the investment strategy.

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:

Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held are exchange-traded.

At year end, the notional principal amounts of derivatives held by the Company were as follows:

| | Notional principal amounts 2012 \$'000 | Notional principal amounts 2011 \$'000 |
|------------------------------------|---|---|
| Australian exchange traded options | 1,137 | 1,360 |

Fair value hierarchy

AASB 7 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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ABN 89 008 108 227
Notes to the financial statements (Continued)
For the year ended 30 June 2012

16 Financial risk management (Continued)

Fair value hierarchy (continued)

The table below sets out the Company's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--------------------------------------|-------------------|-------------------|-------------------|-----------------|
| At 30 June 2012 | | | | |
| Trading portfolio (held for trading) | 75,070 | - | - | 75,070 |
| Total | 75,070 | - | - | 75,070 |
| At 30 June 2011 | | | | |
| Trading portfolio (held for trading) | 72,978 | - | - | 72,978 |
| Total | 72,978 | - | - | 72,978 |

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, certain unlisted unit trusts and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The Company has no investments that are classified within level 2.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. The Company has no investments that are classified within level 3.

17 Events after the Statement of financial position date

Other than the dividend declared after year end as mentioned in Note 13, no significant events have occurred since the reporting date which would impact on the financial position of the Company as disclosed in the Statement of Financial Position as at 30 June 2012 and the results and cash flows of the Company for the year ended on that date. The financial report was authorised for issue on 22 August 2012 by the Board of Directors.

18 Earnings per share

| | 2012 | 2011 |
|--|-------------|-------------|
| Basic and diluted earnings/(loss) per share (cents per share) | 1.27 | 5.57 |
| Weighted average number of ordinary shares outstanding used in the calculation of basic earnings per share | 141,559,525 | 141,566,636 |

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.

19 Contingent liabilities

The Investment Management Agreement entered into by the Company with Kaplan Funds Management states that either party will be entitled to give the other no less than 12 months written notice of termination of the agreement.

No other contingent liabilities existed at 30 June 2012.

20 Other information

Ironbark Capital Limited, incorporated and domiciled in Australia, is publicly listed and limited by shares.

The registered office and principal place of business of the Company is:
 Level 7, 20 Hunter Street
 Sydney NSW 2000
 Telephone (02) 8236 7701

Ironbark Capital Limited
ABN 89 008 108 227
Directors' declaration

The Directors of Ironbark Capital Limited declare that:

- 1 The financial statements and notes, as set out on page 21 to page 38, are in accordance with the *Corporations Act 2001*, and:
 - (a) comply with Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position of the Company as at 30 June 2012 and of the performance for the year ended on that date;
- 2 On behalf of White Outsourcing Pty Limited, Peter Roberts, as a person who performs the Chief Executive functions for the purposes of the Act declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations 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 At the date of this declaration, 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.

This declaration is made in accordance with a resolution of the Board of Directors.



M J Cole
Director

Dated at Sydney this 22nd day of August 2012



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRONBARK CAPITAL LIMITED ABN 89 008 108 227

Report on the Financial Report

We have audited the accompanying financial report of Ironbark Capital Limited (the company), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

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 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 (IFRS).

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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report 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 entity'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.

Our procedures included reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. the financial report of Ironbark Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 and 19 of the directors report for the year ended 30 June 2012. 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.

Auditor's Opinion

In our opinion the remuneration report of Ironbark Capital Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

MNSA PTY LTD

Phillip Miller
Director
Sydney

Dated this 22nd day of August 2012

Ironbark Capital Limited
ABN 89 008 108 227
Members Information as at 11 September 2012

1. Shareholding

Substantial holders

| Shareholders | Number of shares held |
|---|------------------------------|
| Kaplan Partners Pty Limited | 31,367,051 |
| RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C> | 9,029,280 |

Distribution of securities

(a) Analysis of number of holders by size of holding:

| | Number of shareholders | Number of shares held |
|------------------|-------------------------------|------------------------------|
| 1 - 1,000 | 280 | 105,997 |
| 1,001 - 5,000 | 486 | 1,406,893 |
| 5,001 - 10,000 | 354 | 2,698,874 |
| 10,001 - 100,000 | 1,201 | 36,974,210 |
| 100,001 and over | 157 | 100,373,551 |
| | <u>2,478</u> | <u>141,559,525</u> |

(b) There were 253 holders of less than a marketable parcel of shares.

(c) The percentage of total holding of the 20 largest holders of ordinary shares currently comes to 50.40%

Twenty largest holders

The names of the 20 largest holders as at 11 September 2012 are listed below:

| Name | Number of shares held | % |
|---|------------------------------|--------------|
| KAPLAN PARTNERS PTY LIMITED | 31,367,051 | 22.158 |
| RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C> | 9,029,280 | 6.378 |
| QUESTOR FINANCIAL SERVICES LIMITED <TPS RF A/C> | 5,508,354 | 3.891 |
| ABTOURK (SYD NO 415) PTY LTD <MICHAEL JOHN COLE PSF A/C> | 4,944,706 | 3.493 |
| EDSGEAR PTY LIMITED | 3,734,104 | 2.638 |
| ABTOURK (SYD NO 415) PTY LTD <MICHAEL JOHN COLE PSF A/C> | 3,055,294 | 2.158 |
| SUPENTIAN PTY LIMITED <HUNTER PENSION FUND A/C> | 2,032,364 | 1.436 |
| DOWLING TAYLER PTY LTD <COLE SUPERFUND A/C> | 1,278,953 | 0.903 |
| LIANGROVE MEDIA PTY LIMITED | 1,250,000 | 0.883 |
| BOND STREET CUSTODIANS LIMITED <MCGOL - DR0020 A/C> | 1,159,602 | 0.819 |
| BOND STREET CUSTODIANS LIMITED <MCGOL - I85157 A/C> | 1,036,475 | 0.732 |
| H H ANG PTY LTD <H H ANG PTY LTD S/F A/C> | 909,030 | 0.642 |
| BOND STREET CUSTODIANS LIMITED <MCGOL - TF0304 A/C> | 864,803 | 0.611 |
| BOND STREET CUSTODIANS LIMITED <MCGOL - I27406 A/C> | 847,806 | 0.599 |
| MR DAVID STRINGER HILTON | 800,000 | 0.565 |
| BOND STREET CUSTODIANS LIMITED <MCGOL - TT0575 A/C> | 772,212 | 0.546 |
| LIANGROVE GROUP PTY LTD | 750,000 | 0.530 |
| COOLAL PTY LTD <FINLEY SUPER FUND A/C> | 700,000 | 0.494 |
| TOLMIN PTY LIMITED | 700,000 | 0.494 |
| QUESTOR FINANCIAL SERVICES LIMITED <TPS PIP A/C> | 604,005 | 0.427 |
| | <u>71,344,039</u> | <u>50.40</u> |

(d) Voting rights

At a general meeting, on the show of hands, every ordinary member present in person shall have one vote for every share held. Proxies present at the meeting are not entitled to vote on a show of hands, but on a poll have one vote for every share held.

Ironbark Capital Limited
ABN 89 008 108 227
Members Information as at 11 September 2012 (Continued)

2. The name of the Company Secretary is Mr Peter Roberts.
3. The registered office and principal place of business of the Company is:
Level 7
20 Hunter Street
Sydney NSW 2000

Telephone: (02) 8236 7701
4. **Registry**
Share registry functions are maintained by Boardroom Pty Limited and their details are as follows:

GPO Box 3993
Boardroom Pty Limited
Sydney NSW 2001

Shareholder enquiries telephone: (02) 9290 9600
5. **Stock Exchange Listing**
Quotation has been granted for all ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.
6. The Company has followed all applicable best practice recommendations set by ASX Corporate Governance Council during the financial year.
7. The Company has used cash and assets in a form readily convertible to cash that it had at the time of admission consistent with its business objectives.
8. The Company conducted 648 security transactions during the financial year. Brokerage paid during the year net of RITC claimable was \$21,486.
9. The Investment Management Agreement with Kaplan Funds Management Pty Limited provides for the payment of an investment management fee of 0.65% per annum. In the event that the investment return on the IBC portfolio exceeds the ASX300 index benchmark by a margin of 1% or more an additional performance fee of 15% of the performance (adjusted for the value of franking credits received or accrued during the financial year and after the deduction of the Management Fee and any applicable GST) of the Portfolio above the aggregate of the Benchmark plus 1% will be payable. The agreement contains a highwater mark in relation to the performance fee to protect the interests of investors.