

# **WILSON LEADERS LIMITED**

A.B.N. 64 106 845 970

**ANNUAL REPORT  
FOR YEAR ENDED  
30 JUNE 2007**

## COMPANY PARTICULARS

### WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

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

<b>DIRECTORS:</b>	J. Braitling (Chairman) G. Wilson M. Kidman J. Abernethy J. Gosse
<b>SECRETARY:</b>	N.Cuffe
<b>AUDITORS:</b>	Grosvenor Schiliro
<b>COUNTRY OF INCORPORATION:</b>	Australia
<b>REGISTERED OFFICE:</b>	Level 11, 139 Macquarie Street Sydney NSW 2000
<b>CONTACT DETAILS:</b>	Mail Address: Lvl 11, 139 Macquarie St Sydney NSW 2000 Telephone: (02) 9247 6755 Fax: (02) 9247 6855 Email: <a href="mailto:info@wami.com.au">info@wami.com.au</a> Website: <a href="http://www.wilsonassetmanagement.com.au">www.wilsonassetmanagement.com.au</a>
<b>SHARE REGISTRAR:</b>	Registries Limited Level 2, 28 Margaret St Sydney NSW 2000 Telephone: (02) 9290 9600 Fax: (02) 9279 0664  For all enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.
<b>STOCK EXCHANGE:</b>	Australian Securities Exchange (ASX) The home exchange is Sydney. ASX code: WLS Ordinary shares WLSO Options \$1.08 expiry 31/10/07

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## **2007 HIGHLIGHTS**

- Gross portfolio increased 31.8%
- Profit before tax increased 34.7% to \$20.6m
- Profit after tax increased 37.9% to \$15.4m
- Pre tax net tangible assets increased from 118.3c\* to 145.0c a share
- After tax net tangible assets increased from 111.2c\* to 134.5c a share
- Total dividend for 2006/07 – 10.0 cents a share fully franked

\* adjusted for dividends paid

# WILSON LEADERS LIMITED

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## CHAIRMAN'S LETTER

Wilson Leaders Limited (WLS) has delivered a record profit before tax for the 12 months to 30 June 2007 of \$20.6 million, and a record after tax profit of \$15.4 million. The total dividends declared for the year increased to 10.0 cents a share fully franked. As at 30 June 2007, the pre-tax net tangible asset backing (NTA) of WLS was \$1.45 per share.

The gross value of the portfolio increased 31.8% for the financial year. Since listing on the 10th February 2004, the gross value of the fund has increased by 112%.

Total dividends declared for the year were 10.0 cents a share fully franked, made up of a 4.0 cent interim dividend, a 4.0 cent final dividend and a 2.0 cent special dividend.

As at the 30 June 2007, 72% of the company's assets were invested in S&P/ASX 100 listed companies, 26% in smaller emerging growth companies and 2% was held in cash. The portfolio assets were funded by shareholders funds (76%) and borrowed stock (24%). The funds raised from the short sale of borrowed stocks were reinvested into the portfolio.

We are pleased with the results reported for the year ending June 2007, with gross asset performance exceeding gains in the broader market indexes. The absolute return investment process employed by the manager has successfully fulfilled the funds objective of superior returns and capital preservation over the period.

As an absolute return fund, Wilson Leaders is well positioned to deliver superior performance as we enter a more challenging period for equity markets. The ability to short sell expensive securities and to adopt appropriate hedging strategies to protect the company's capital should help distinguish Wilson Leaders from other funds in a fully valued market.

Turning to the outlook, we would expect to see increased volatility in the year ahead as investors struggle with the headwinds of tighter credit conditions and a softer US economy. As long as the US economy does not weaken further and the losses in credit markets are limited, international equities should recover and deliver modest gains in the year ahead.

The Australian economy is very strong and well supported by structural investments in mining and infrastructure. While equities are more expensive than a year ago, robust profit growth should see Australian shares move higher along with international equity markets.



Justin Braiting  
Chairman

# WILSON LEADERS LIMITED

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## CHIEF INVESTMENT OFFICER'S REPORT

We are pleased with the performance of the fund over the past 12 months with gross assets increasing in value by 31.8% ahead of the broader market which increased by 30.3% as measured by the All Ordinaries Accumulation Index. The outlook for the Australian Economy is encouraging as domestic demand is accelerating, the drought looks to be breaking and our export performance is improving. While Australian equities are looking more expensive than a year ago, ongoing strength in global markets and a robust profit environment should see shares deliver modest gains in the year ahead.

### The Year in Review

The outlook for the Australian economy improved steadily as we progressed through the year. With accommodative monetary conditions continuing and inflation moderating, equities delivered the best annual return since the recovery started in March 2003. In the final quarter, global leading indicators picked up again as activity in the US, which had been slowing, started to stabilise. This was a strong signal for equities generally and resource companies in particular which having lagged for most of the year moved sharply higher as the year closed.

Reported profits for listed companies are expected to increase by 15% for the financial year ending June 2007 and given the All Ordinaries Index has increased by more than 25%, the market has clearly been re-rated and is at least 10% more expensive than it was a year ago. With a stronger economy, investors have pushed equities higher in anticipation of stronger profits. While this is justified in the case of resource companies, where the outlook for commodities continues to improve, the appreciation of industrial shares has been driven more by surplus liquidity than an improvement in underlying fundamentals. The strong demand for equities from fund flows and corporate activity has pushed many industrial shares beyond fair value.

Not surprisingly, the best performing companies in 2007, were those involved in corporate activity or restructuring. Unlike 2006, when we participated in a number of the larger acquisitions (*Rinker* and *Mayne Pharma*) this year we were not so fortunate having no exposure to *Coles* or *Qantas*. We did benefit however from the restructure of *Toll Holdings* which spun off its infrastructure assets into a new vehicle *Asciano*.

Shares in diversified financial companies also performed well given the strength of capital markets and solid inflows into investment products. Mining service companies and contractors saw large gains reflecting the unprecedented scale of investment in infrastructure and mining. The Company's investments in *OneSteel* and *Walter Diversified Services* added substantial value. With household spending picking up again, the retailers all performed well including our investment in *Woolworths*.

While shares in the large diversified mining companies underperformed early in the year, they had a stellar final quarter on the back of positive revisions to commodity prices and corporate activity in the sector, with the Company's sizable investments in *BHP Billiton* and *Rio Tinto* moving sharply higher. We had no exposure to the domestic general insurers, which performed poorly over the period. The Company's investment in *QBE Insurance*, which is more internationally focussed, did extremely well following the acquisitions of *Praetorian Financial Group* and *Winterthur* in the US.

The major trading banks performed in line with the broader market over the year, however our investments in *Westpac* and *ANZ* underperformed the broader sector detracting from performance. We are very happy with the management succession at *ANZ* and the banks positioning for growth in Asia. Both banks should deliver solid results in the coming year. We have recently added the *National Australia Bank* to the portfolio. The turnaround at *NAB* is starting to gain momentum and the banks shares are attractively priced.

A surprise for us has been the strength of telecom services with *Telstra* in particular doing well post the placement of the government's residual holding. We miss-read the benign competitive environment that emerged from *Telstra's* aggressive investment strategy and the easy gains new management have been able to wring out of *Telstra's* bureaucratic cost structure. The Company's exposure to this sector through *SingTel* with investments in leading wireless companies in India, Indonesia and Thailand benefited from increased mobile penetration in these countries.

A number of our smaller company holdings also did particularly well with solid gains from *Credit Corp* and *Melbourne IT* in particular.

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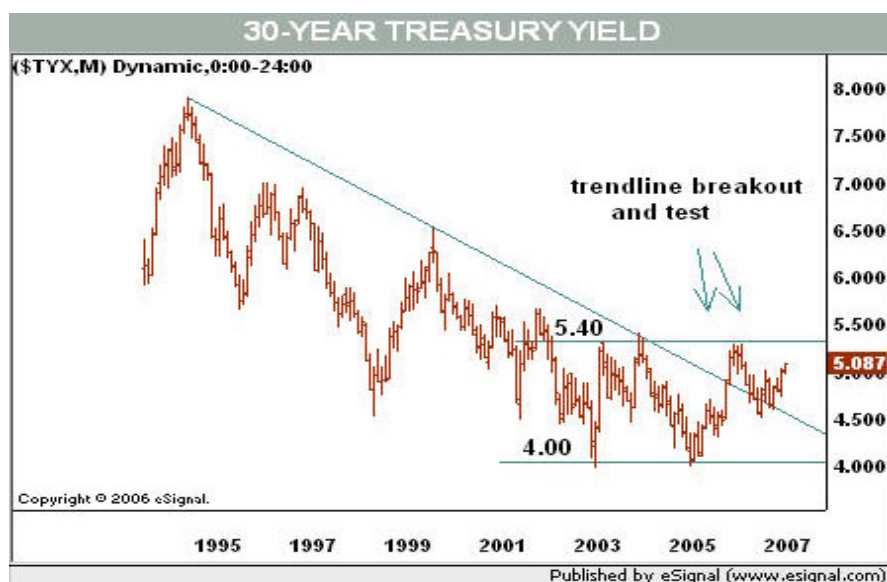
## CHIEF INVESTMENT OFFICER'S REPORT

On the short side of the ledger, the Company benefited from the sell off in infrastructure and property trusts in the closing months of the year following the correction in global bond markets. We felt for some time these sectors were overvalued and were not as “defensive” as many believed given the financial leverage in these securities. Most of these positions have subsequently been closed.

### Outlook

Since reporting to you last, the economic outlook has improved with robust global growth continuing despite the sharp downturn in US housing which many feared would lead the US into recession. So far at least, domestic demand in the US is proving more resilient than many expected just 6 months ago and strong activity outside the US continues unabated.

Arguably the most important development to occur in recent months has been the reversal in long term interest rates which have been falling for a number of years.



The structural decline in interest rates over the last 10 years has been a key support for all asset markets, as lower yields inevitably mean higher prices. Long term interest rates look to have bottomed earlier in 2007 and appear to be on an upward trajectory moving forward. This is a headwind for all asset markets, not just bonds.

There are a number of reasons why bond yields have started to move higher. First and foremost, with a stronger growth outlook, comes the expectation of higher inflation and tighter monetary policy in the future. Also, many have argued yields on US treasuries have been artificially held below fair value as a result of the “savings glut” of recent years as trade surpluses have been reinvested in government bonds. Surplus countries have started to diversify away from the low returns offered by fixed interest securities in favour of growth assets such as equities. The advent of Sovereign Wealth Funds, not dissimilar to the Future Fund in Australia, are the clearest example of this. Finally, the deflationary benefits from globalisation and technology maybe abating as wages growth is starting to catch up with gains in productivity, putting upward pressure on inflation and interest rates. The clearest evidence of this can be seen in the cost of production coming out of developing countries such as China. We are starting to see prices increase where previously prices tended to decline each year.

The other recent development of note has been the downturn in US debt markets. As discussed in our quarterly newsletter, risk margins on debt had fallen to unsustainably low levels reflecting benign economic conditions and excess liquidity. The risk margin is the additional interest investors require over and above a risk-less security such as a government bond to encourage investors to lend to riskier borrowers. Risk

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margins on high-yielding corporate bonds by way of example have declined from 1100 basis points over the Treasury yield in 2002, to barely 240 basis points recently leaving virtually no margin of safety for this sector. The unprecedented scale of leveraged private equity, consistently out-bidding traditional investors has been the clearest sign of this miss-pricing of risk. With risk margins having contracted to such low levels debt markets were particularly susceptible to bad news.

The bad news has come from heavy losses incurred by investors in sub prime residential mortgage backed securities (RMBS), with Federal Reserve Chairman Bernanke suggesting losses on these securities could extend as high as \$US 80-100 billion. The rating agency Moody's have since come out and suggested investor losses as high as \$US 150 billion are expected. During the US housing boom, low interest rates and poor lending standards allowed many less credit worthy Americans to borrow mountains of sub prime debt. With higher interest rates and falling property values, these borrowers are now defaulting in their droves. Wall Street rolled out trillions of dollars of securitised investments backed by these mortgages in recent years, most of which now sit in the portfolios of investment institutions around the world.

We are concerned that the default rates on sub prime mortgages could still deteriorate sharply as \$800 billion of sub-prime loans are still to be "reset" at interest rates up to 50% higher over the next 2 years as "honeymoon rates" roll off.

The impact across all credit markets has been swift, with spreads on high yield corporate debt increasing appreciably. All of a sudden leveraged buyouts (LBO's) and private equity transactions that have been a key support for equity markets in recent times are having trouble finding funding. We have already seen the withdrawal of private equity from a number of live deals, *Coles Group* being one of the higher profile ones.

The simple message is the credit cycle is turning. With high profile private equity and hedge funds listing, credit standards tightening and the cost of debt increasing, we are getting a clear signal that the days of cheap money pushing asset prices higher are over and the buyout boom has probably peaked.

The abundance of cheap debt has been an important source of incremental demand for equities in recent times. While we would expect to see a modest tightening of liquidity as opposed to a "credit crunch", the extent of credit withdrawal from debt markets will be an important determinant of overall equity market strength in months to come.

Turning to the outlook for equities, we find the underlying fundamentals remain supportive with strong earnings momentum and attractive valuations suggesting the market should move higher in the medium term. There have been very few "profit warnings" going into the profit reporting period and with profit expectations continuing to rise in both the US and Europe, companies should report solid second half results. Profit growth will be bolstered further by a weaker US dollar given a significant portion of US company profits originate outside North America.

The US equity market will ebb and flow through the balance of the year as investors gain confidence in the sustainability of the recovery, which is by no means assured, given the structural adjustment still to occur in housing and debt markets.

The Australian share market is in a similar position with solid profit growth expected from companies reporting full year results in August. The economic outlook is quite different however. The key risks for investors in Australian equities are that the economy grows too quickly, forcing a policy response to contain inflation and that a higher Australian dollar puts pressure on corporate profits.

The Australian economy is experiencing a broad based recovery lead by a resurgence consumer spending, a consequence of strong employment, increased migration and accommodative financial conditions. Business investment continues at robust levels with a significant back log of projects still to be completed. State and Federal governments are contributing also with a series of infrastructure and spending initiatives. With the breaking of the drought looking more likely and export performance improving the recovery is broad based and unlikely to falter.

With the outlook for the Australian economy improving following a period of patchy activity, there has been little bad news recently on the profit front. The one area of potential disappointment will likely come from those

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companies exposed to the higher Australian dollar, such as domestic manufacturers and companies translating the profits earned abroad back into Australian dollars.

In summary, we see recent volatility as a repricing of risk rather than a change in the underlying fundamentals which continue to be quite supportive. While the correction in credit markets is significant it is unlikely to lead to a broad based withdrawal of liquidity as corporate balance sheets are in excellent shape and the Federal Reserve may reduce interest rates in the new year. As long as the US economy doesn't weaken further, given strong underlying fundamentals and attractive valuations, international equities should recover and move higher. While Australian shares are more expensive than their international peers, this in some part reflects the strong outlook for the Australian economy and the expectation that profits will continue to grow above trend. We would expect Australian shares to consolidate for a period as credit markets recover before moving higher along with International shares.

### Portfolio Strategy

While equities generally look fully valued, recent market volatility is presenting some attractive investment opportunities. Resource companies still offer attractive returns despite recent gains as the duration of this commodity cycle is pushed further out, a trend we would expect to continue for some years to come. The mining companies are embracing this view also as they invest more aggressively in new projects and acquisition opportunities, further increasing the demand for these securities. *Rio Tinto's* bid for *Alcan of Canada* is the strongest endorsement yet of the expected longevity of this mining cycle. This is a very conservative company with an impeccable track record for timing investments endorsing the value in this sector if you take a longer term view. Investments in *BHP*, *RioTinto*, *Consolidated Minerals* and *Straits Resources* represent 17% of the portfolio.

The Oil and Gas companies look interesting to us also. They underperformed in 2007 as oil prices retreated, but with product inventories declining again and minimum spare capacity in OPEC and Non-OPEC countries, the outlook for oil continues to be favourable. *Oil Search* has a significant opportunity to commercialise the companies enormous gas reserves in PNG.

At financial year end, shares in industrial companies looked expensive to us. Following the recent correction however where industrial companies took the brunt of the selling, some value is emerging. Of particular interest to us are the quality industrials with international earnings as shares in these companies have been sold off on currency concerns. We have recently been accumulating shares in *Brambles*, *Macquarie Bank*, *Aristocrat* and *Westfield Holdings*.

The major trading banks underperformed in 2007 along with financials shares globally, despite delivering solid profit growth. In fact, the banks were the only industrial sector to see meaningful profit upgrades through the year, yet the shares underperformed. We believe the Australian Banks are in a different credit cycle to their global peers and with a favourable credit environment set to continue, the banks should deliver respectable profit growth in the year ahead. Key positions in *Westpac*, *ANZ*, *St George* and *NAB* account for 22% of the portfolio.

While *Newscorp (NWS)* has struggled over the last year, many of the technical issues that weighed on the company's share price are now reversing. *NWS* is to be reinstated into local indexes; the *Liberty* ownership structure has been resolved; and the company has implemented a \$6 billion buy back. *NWS's* traditional media businesses are performing extremely well and there is value to be unlocked from monetising Fox Interactive's unique viewers. *NWS* is attractively priced, with its shares trading in line with the broader industrial market while offering superior earnings growth in the medium term.

As you may expect, with industrial companies looking fully valued, we are finding a number of opportunities to short sell shares in expensive companies. The Company is short both *Qantas* and *Virgin Blue*, it is our expectation that both domestic and international yields will come under considerable pressure as new carriers come into the domestic market and aircraft deliveries commence on international routes. We are mindful of the value to be unlocked from the proposed financial restructuring of *Qantas's* fleet and will look to build a short position over time.

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## CHIEF INVESTMENT OFFICER'S REPORT

*Santos (STO)* has benefited recently from speculation that gas prices on the Eastern Seaboard are likely to rise. We believe abundant new reserves of coal seam methane gas, yet to be developed in South Western Queensland, will keep gas markets more than adequately supplied and that *STO* shares are materially overvalued. *STO* also has a significant contingent liability in the Banjar Panji mud flow disaster in Indonesia which may not be fully captured in the current share price.

The Company is also short a number of Australian manufacturers that are challenged by the stronger Australian dollar. *Bluescope Steel* fits all our stock selection criteria for a short position. It is an expensive, difficult business going through a management transition. As an exporter of low value, semi-finished steel, we believe *Bluescope* is a low return business. The stronger Australian dollar has weakened their competitive position versus lower cost Asian producers and rising raw materials cost for iron ore, coal and electricity continue to squeeze margins. In spite of this, the shares have risen on takeover speculation which we believe is unfounded given the companies shares are expensive both on historic and peer group criteria.

We have short sold *Paperlinx* for similar reasons. As a domestic manufacturer of fine papers they get hit by the stronger currency as cheaper imports come in from low cost producers such as Indonesia. Furthermore, paper prices tend to be set by the large European paper manufactures who control all the excess capacity and they are struggling to get increases through given the strength of the Euro.

The Company is also short the following shares on valuation grounds: *Coca-Cola Amatil*, *West Australian Newspapers*, *Sky City Entertainment Group* and *Harvey Norman*.

Given the significant appreciation of equity markets generally in recent years, overall returns have been dominated by market performance, making stock selection and portfolio construction less important. However with equities looking more fully priced, we are moving into a lower return environment. Stock selection and the ability to short sell securities in an expensive market will be more relevant in determining overall performance.

In summary, we believe equities will deliver modest gains in the medium term. However, expect to see a return to more normal levels of volatility as the cycle matures. With bond rates moving against us and cheap money withdrawing from the market we are more dependent on earnings growth going forward. As profits for industrial companies are expected to increase by 8-10% in the coming financial years this is a reasonable overall target for the market in light of the recent correction.

We are very pleased with the current structure of the portfolio and expect to deliver solid results in the year ahead.

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## COMPANY PROFILE

Wilson Leaders Limited (WLS) is an investment Company providing investors with access to a diversified investment portfolio and the management expertise of KWB Capital Pty Limited (KWB).

### INVESTMENT OBJECTIVES

The 3 investment objectives of the Company are:

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

The Manager seeks to achieve this by actively managing a concentrated portfolio of listed companies. When opportunities to invest in suitable Securities cannot be found the Manager will retain a significant cash position. If the Manager is able to identify Securities that are materially overvalued "short selling" these Securities may be undertaken.

### INVESTMENT PHILOSOPHY

The Manager believes the best investment opportunities are found in well managed companies with strong business fundamentals that can be purchased below the Manager's "appraised value".

In assessing a potential investment, the Manager seeks the following attributes:

- a history of superior returns on the capital employed in the business through the economic cycle;
- management with a track record of creating and distributing value to shareholders; and
- businesses with a capacity to grow.

### INVESTMENT STRATEGY

The Manager will implement a disciplined investment process capable of identifying leading Australian public companies that are undervalued by the market.

While the market is generally proficient at valuing companies, it is by no means perfect. From time to time mis-pricing of shares does occur providing opportunities to acquire good companies below their appraised value.

The Manager's investment process looks to identify undervalued Securities by taking advantage of what the Manager believes are some important shortcomings of the share market:

- the share market is driven by short term results - investors have a short term focus while a business should be valued on its longer term potential;
- investors are unduly influenced by sentiment - investors tend to overreact to good and bad news, sometimes pushing share prices away from their appraised value;
- share prices reflect conventional thinking - the key to identifying mispricing is to question the conventional wisdom because it is often wrong; and
- investment markets struggle with change - the likelihood of mispricing is greatest during periods of significant change as investors are slow to interpret the full consequences of these events.

### INVESTMENT PROCESS

The Manager's investment process is a fundamentals-based, stock selection process built around sound investment ideas taken from the investment universe of companies in the ASX All Ordinaries Accumulation Index. Investment ideas come from monitoring economic and industry trends as well as extensive contact with Company management and industry sources.

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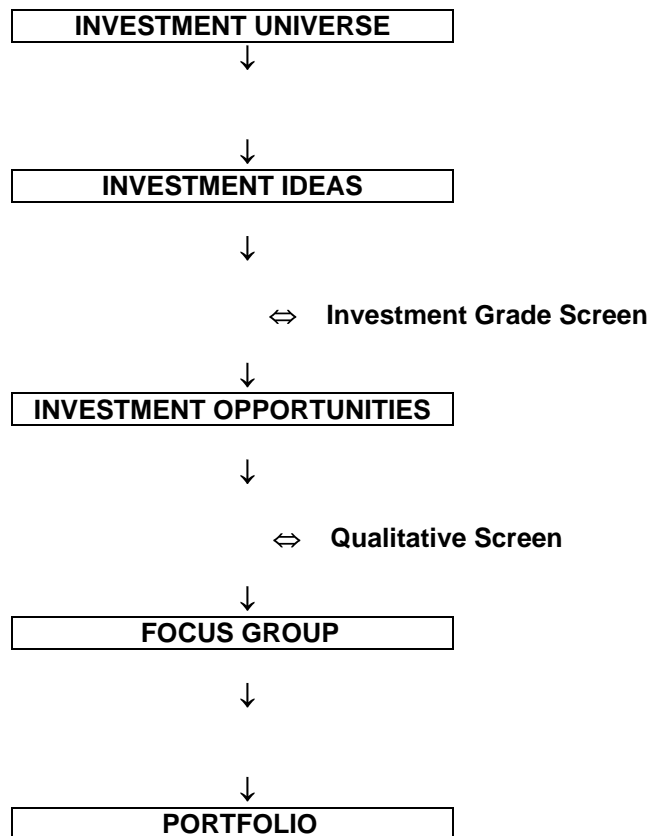
## COMPANY PROFILE

Once identified, investment opportunities are screened to ensure they are of an investment grade suitable for the Company. Investment grade companies must:

- be well funded with an acceptable level of gearing;
- be sufficiently liquid with an acceptable free float; and
- have reported an acceptable return on shareholders funds through the business cycle.

A full qualitative assessment of the proposed investment will then be completed to establish whether the business is of a suitable quality and attractively priced. The Chief Investment Officer (CIO), Justin Braitting, will then consider investment proposals that pass the qualitative screen for a final investment decision.

This investment process is illustrated by the following diagram:



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## INVESTMENTS AT MARKET VALUE AS AT 30 JUNE 2007

	<u>Quantity</u>	<u>Market Value \$</u>		<u>Quantity</u>	<u>Market Value \$</u>
<b>Energy</b>			<b>Health Care</b>		
Caltex Australia Ltd (CTX)	30,000	710,100	Pharmaxis Limited (PXS)	520,162	1,716,535
Oil Search Ltd (OSH)	830,000	3,486,000	Primary Health Care Limited (PRY)	100,000	1,270,000
Woodside Petrol (WPL)	56,600	2,589,450	Sigma Pharmaceuticals Ltd (SIP)	850,300	1,802,636
Straits Resources Limited (SRL)	225,000	1,032,750	Resmed Inc (RMD)	530,000	2,559,900
		<b>7,818,300</b>			<b>7,349,071</b>
<b>Materials</b>			<b>Financials</b>		
Alumina Limited (AWC)	150,000	1,168,500	ANZ Banking Corp (ANZ)	339,900	9,853,701
BHP Billiton (BHP)	293,770	10,290,763	AMP Limited (AMP)	150,000	1,518,000
Consolidated Minerals Ltd (CSM)	459,327	1,442,287	Cadence Capital Ltd (CDM)	862,069	1,034,481
Fletcher Building Ltd (FBU)	50,000	562,000	Credit Corp Ltd (CCP)	229,331	2,819,541
Onesteel Ltd (OST)	150,000	964,500	Henderson Group PLC (HGI)	800,000	2,968,000
Rio Tinto Ltd (RIO)	56,150	5,547,059	IWL Limited (IWL)	150,000	930,000
		<b>19,975,109</b>	National Australia Bank Limited (NAB)	138,000	5,660,760
<b>Industrials</b>			QBE Insurance Group Ltd (QBE)	130,000	4,056,000
Service Stream Limited (SSM)	1,179,080	2,216,670	St George Bank Ltd (SGB)	36,985	1,310,379
SAI Global Ltd (SAI)	486,405	1,853,203	Westfield Group (WDC)	80,000	1,575,000
Walter Diversified Services (WDS)	822,816	2,106,409	Westpac Banking Corp (WBC)	356,039	9,135,961
Watpac Limited (WTP)	202,405	1,226,574			<b>40,861,823</b>
		<b>7,402,856</b>	<b>Information Technology</b>		
<b>Consumer Staples</b>			Computershare Limited (CPU)	140,000	1,580,600
Metcash Limited (MTS)	530,000	2,385,000	Epay Asia Limited (EPY)	1,785,000	401,625
Select Harvests Ltd (SHV)	216,935	2,516,446	Melbourne IT Limited (MLB)	451,436	1,868,945
		<b>4,901,446</b>	Reckon Limited (RKN)	1,211,380	1,538,453
<b>Telecommunication Services</b>					<b>5,389,623</b>
Singapore Telecommunications (SGT)	1,050,000	2,803,500	<b>Utilities</b>		
		<b>2,803,500</b>	AGL Energy Limited (AGK)	100,000	1,517,000
<b>Consumer Discretionary</b>					<b>1,517,000</b>
ABC Learning (ABS)	385,919	2,670,559	<b>TOTAL PORTFOLIO VALUE</b>		
Amalgamated Holdings Ltd (AHD)	100,000	645,000			<b>115,210,373</b>
Aristocrat Leisure Ltd (ALL)	70,000	1,005,900	<b>SHORT POSITIONS</b>		
Fairfax Media Limited (FXJ)	250,000	1,175,000			<b>-27,548,417</b>
News Corp Class B (NWS)	249,000	6,760,350			
Seven Network Limited (SEV)	250,000	2,887,500			
Village Roadshow Ltd Prefs (VRLPA)	641,798	2,047,336			
		<b>17,191,645</b>			

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## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

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

### BOARD OF DIRECTORS AND ITS COMMITTEES

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

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

The Company has formed an Audit Committee consisting of:

John Abernethy	Chairman
Justin Braithling	Non-Executive Director
Julian Gosse	Non-Executive Director

The Committee's responsibilities are to:

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

### COMPOSITION OF THE BOARD

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term in office are detailed in the directors' report.

The names of the independent directors of the Company are:

Julian Gosse  
John Abernethy

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

The Board is 40% independent. Whilst the Company agrees with the benefits of a majority of independent Directors, it believes that it can better achieve the results of the Company with the current Boards' level of expertise and without burdening shareholders with the additional costs associated with adding further independent Directors.

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

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

### REMUNERATION OF DIRECTORS AND EXECUTIVES

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

No separate Remuneration Committee has been established by the Company as the Company does not believe that this adds any value to its Corporate Governance.

The Chairman of Wilson Leaders Limited is the sole Director and an employee of KWB Capital Pty Limited and is further remunerated by that Company. Further detail is provided in the Directors' Report.

### ETHICAL STANDARDS

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

### THE ROLE OF SHAREHOLDERS

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

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

### BOARD'S POLICY ON DEALING IN SHARES

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

### INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

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

### CONFLICT OF INTEREST

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

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

The Directors present their report together with the financial report of Wilson Leaders Limited (the Company) for the financial year ended 30 June 2007.

### PRINCIPAL ACTIVITY

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

### OPERATING RESULTS

Investment operations over the year resulted in an operating profit before tax of \$20,637,945 (2006: \$15,324,046) and an operating profit after tax of \$15,362,301 (2006: \$11,138,448).

### REVIEW OF OPERATIONS

Investments are valued continuously to market value. For the year ended 30 June 2007, investments were valued upwards by \$5,240,843 (2006: \$6,076,101), after an adjustment for deferred tax on unrealised gains, a net increment of \$3,648,408 (2006: \$3,796,881) was transferred to an Asset Revaluation Reserve.

Asset backing for each ordinary share as at 30 June 2007 (calculated on market value less realisation costs and all applicable taxes and before provision for dividend) amounted to 134.5 cents per share (2006: 120.2 cents). Asset backing after tax on realised gains but before tax on unrealised gains was 141.6 cents per share (2006: 126.0 cents). The equivalent asset backing before tax was 145.0 cents per share (2006: 127.3 cents).

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on page 1 and the Chief Investment Officer's Report on page 2 of the Annual Report.

### FINANCIAL POSITION

The net asset value of the Company for the current financial year ended was \$82,977,558 (2006: \$63,147,006).

### OPTIONS

The Company issued a prospectus dated 25 August 2006 for a 1 for 2 bonus issue of 26,153,613 options to acquire fully paid ordinary shares exercisable at \$1.08 per option. The options began trading on the Australian Securities Exchange on 30 August 2006 and expire on 31 October 2007. From the date of issue to 30 June 2007 the Company issued 7,992,240 ordinary shares as a result of the exercise of options for a total consideration of \$8,631,620. The market values on the dates of exercise ranged from \$1.06 to \$1.23. At 30 June 2007, 18,161,373 options remain unexercised.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year ended 30 June 2007.

### DIVIDENDS PAID OR RECOMMENDED

Dividends paid or declared are as follows:	\$
Fully franked final dividend of 3.0c per share was paid on 27 October 2006	1,685,932
Fully franked special dividend of 2.0c per share was paid on 27 October 2006	1,123,954
Fully franked interim dividend of 4.0c per share was paid on 27 April 2007	2,430,806

Since year end, the Directors have declared a final dividend of 4.0 cents a share fully franked and a special dividend of 2.0 cents a share fully franked to be paid on 16 November 2007.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

### DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

J.B. Braitling  
G.J. Wilson  
M.J. Kidman  
J.B. Abernethy  
J.J. Gosse

### INFORMATION ON DIRECTORS

**Justin B. Braitling (Age 41)** *Chairman*

#### ***Experience and expertise***

Justin Braitling has over 17 years experience in investing in Australian and international companies. He was an Investment Analyst and Portfolio Manager at Bankers Trust for 12 years from January 1991 to June 2002. He was a key member of the investment team at Bankers Trust that was consistently ranked in the top quartile of managers by InTech. In August 2003 Justin Braitling was engaged by the investment management company, Wilson Asset Management (International) Pty Limited, to manage larger company investments.

Justin Braitling has been a Director of the Company since October 2003 of which he became Chairman in February 2007.

#### ***Other current directorships***

Justin Braitling is the sole Director of the investment management company, KWB Capital Pty Limited.

#### ***Former directorships in the last 3 years***

Justin Braitling has not held any other directorships of listed companies within the last three years.

#### ***Special responsibilities***

Chairman of the Board  
Member of the Audit Committee

#### ***Interests in shares of the Company***

Details of Justin Braitling's interests in shares of the Company are included later in this report.

#### ***Interests in contracts***

Details of Justin Braitling's interests in contracts of the Company are included later in this report.

**Geoffrey Wilson (Age 49)** *Non-Executive Director*

#### ***Experience and expertise***

Geoffrey Wilson has had 27 years experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

Geoffrey Wilson has been a Director of the Company since October 2003 and was Chairman from this time until February 2007.

#### ***Other current directorships***

Geoffrey Wilson is the Chairman of WAM Capital Limited (appointed March 1999), Wilson Investment Fund Limited (appointed June 2003) and the Australian Stockbrokers Foundation Limited. He is a Director of Clime Capital Limited (appointed November 2003) and Cadence Capital Limited (appointed February 2005). He is also a director of the investment management companies, Wilson Asset Management (International) Pty Ltd, Boutique Asset Management Pty Ltd, MAM Pty Ltd and a Director of the Sporting Chance Cancer Foundation.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

### **Former directorships in the last 3 years**

Geoff Wilson is a former Director of Mariner Bridge Investments Limited (formerly known as Mariner Wealth Management Limited) from September 1999 to October 2006.

### **Special responsibilities**

None

### **Interests in shares of the Company**

Details of Geoffrey Wilson's interests in shares of the Company are included later in this report.

### **Interests in contracts**

Details of Geoffrey Wilson's interests in contracts of the Company are included later in this report.

### **Matthew Kidman (Age 38)**

### **Non-Executive Director**

#### **Experience and expertise**

Matthew Kidman worked as a finance reporter for the Sydney Morning Herald between 1994 and 1998. In 1997 he was appointed Investment Editor of that newspaper and was charged with the responsibility of company coverage for the newspaper. He has degrees in Economics and Law and a Graduate Diploma in Applied Finance. He is a portfolio manager of Wilson Asset Management (International) Pty Ltd and has been instrumental in establishing the Company's valuation methodology of rating companies.

Matthew Kidman has been a Director of the Company since October 2003.

### **Other current directorships**

Matthew Kidman is a Director of WAM Capital Limited (appointed March 1999) and Wilson Investment Fund Limited (appointed May 2002). He is also a Director of the investment management companies MAM Pty Ltd and Boutique Asset Management Pty Ltd.

### **Former directorships in the last 3 years**

Matthew Kidman is a former Director of Mariner Bridge Investments Limited (formerly known as Mariner Wealth Management Limited) from June 1999 to November 2005.

### **Special responsibilities**

None

### **Interests in shares of the Company**

Details of Matthew Kidman's interests in shares of the Company are included later in this report.

### **Interests in contracts**

Details of Matthew Kidman's interests in contracts of the Company are included later in this report.

### **John Abernethy (Age 48)**

### **Non-Executive Director**

#### **Experience and expertise**

John Abernethy has over 24 years experience in funds management and corporate advisory. He spent ten years at NRMA Investments as Head of Equities managing portfolios of approximately \$2 billion. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime (formerly known as Loftus Capital Partners) in 1996.

John Abernethy has been a Director of the Company since November 2003.

### **Other current directorships**

John Abernethy is the Managing Director of Clime Investment Management Limited (formerly known as Loftus Capital Partners Limited) (appointed July 2005). He is a Director of Jasco Holdings Limited, and is a Director of Wilson Investment Fund Limited (appointed May 2002).

# WILSON LEADERS LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

### **Former directorships in the last 3 years**

John Abernethy is a former Director of Schaffer Corporation Limited from October 1998 to October 2003 and HomeLeisure Limited from February 2001 to May 2007.

### **Special responsibilities**

Chairman of the Audit Committee

### **Interests in shares of the Company**

Details of John Abernethy's interests in shares of the Company are included later in this report.

### **Interests in contracts**

John Abernethy has no interests in contracts of the Company.

### **Julian Gosse (Age 57)**

### **Non-Executive Director**

#### **Experience and expertise**

Julian Gosse has extensive experience in banking and broking both in Australia and overseas having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. He has been involved in the establishment, operation and ownership of several small businesses.

Julian Gosse has been a Director of the Company since October 2003.

### **Other current directorships**

Julian Gosse is a Director of ITL Limited (appointed September 2003) of which he became Chairman in January 2005 and Blue Chip Financial Solutions Limited (appointed March 2006) of which he became Chairman in November 2006. He is also a Director of Wilson Investment Fund Limited (appointed June 2003) and Clime Capital Limited (appointed November 2003).

### **Former directorships in the last 3 years**

Julian Gosse is a former Director of Mariner Bridge Investments Limited (formerly known as Mariner Wealth Management Limited) from September 1999 to October 2006.

### **Special responsibilities**

Member of the Audit Committee

### **Interests in shares of the Company**

Details of Julian Gosse's interests in shares of the Company are included later in this report.

### **Interests in contracts**

Julian Gosse has no interests in contracts of the Company.

## **COMPANY SECRETARY**

The following person held the position of company secretary as at the end of the financial year:

Natasha Cuffe – Bachelor of Commerce, Chartered Accountant. Natasha Cuffe has worked in the funds management industry for the past 9 years and has worked for the Wilson Asset Management group as Finance Manager for the past 4 years. Natasha Cuffe was appointed company secretary on 9 February 2006.

## **REMUNERATION REPORT**

This report details the nature and amount of remuneration for each director of Wilson Leaders Limited.

### **(a) Remuneration of Directors**

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

# WILSON LEADERS LIMITED

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## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

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

Directors' remuneration received for the year ended 30 June 2007:

Director	Position	Directors' Fees \$	Post-employment Superannuation \$	Total \$
J.B. Braitling	Chairman	9,174	826	10,000
G.J. Wilson	Non-Executive Director	4,587	5,413	10,000
M.J. Kidman	Non-Executive Director	9,174	826	10,000
J.B. Abernethy	Non-Executive Director	25,000	-	25,000
J.J. Gosse	Non-Executive Director	25,000	-	25,000
		<b>72,935</b>	<b>7,065</b>	<b>80,000</b>

The following table compares the company performance and non-executive directors' remuneration since listing:

	2007	2006	2005	2004
Operating profit after tax (\$)	15,362,301	11,138,448	4,578,203	1,580,255
Dividends paid (cents per share)	10.0	8.0	7.0	1.5
Net tangible asset (\$ per share)	1.45	1.20	1.04	1.02
Total Directors' remuneration (\$)	80,000	74,000	72,000	28,879

The Company commenced operations 10<sup>th</sup> February 2004 and as such 2004 figures do not represent results for a full twelve months and therefore are not comparable.

### (b) Director Related Entity Remuneration

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

Justin Braitling is the sole Director and beneficial owner of KWB Capital Pty Limited, the entity appointed to manage the investment portfolio of Wilson Leaders Limited. In its capacity as manager, KWB Capital Pty Limited was paid a management fee of 1%p.a (plus GST) of gross assets amounting to \$863,652 (2006: \$701,768). As at 30 June 2007, the balance payable to the manager was \$81,983 (2006: \$61,698).

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

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

No performance fee is payable in respect of any performance period where the Portfolio has decreased in Value over that period. For the year ended 30 June 2007, there was no performance fee payable to KWB Capital Pty Limited (2006: \$489,208 inclusive of GST).

Under an Investment Services Agreement, KWB Capital Pty Limited pays 25% of all management and performance fees to Boutique Asset Management, a company owned by entities associated with Geoffrey Wilson and Matthew Kidman 80% and 20% respectively.

These amounts are in addition to the above Directors remuneration.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

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

### (c) Remuneration of Executives

There are no executives that are paid by the Company. KWB Capital Pty Limited, the investment manager of the Company, remunerates Justin Braitling as an employee of the Company and also provides day to day management of the Company and is remunerated as outlined above.

### (d) Equity Instrument Disclosures Relating to Directors

As at 30 June 2007, the Company's Directors and their related parties held the following interests in the Company:

#### Ordinary Shares Held

Director	Position	Balance at 30 June 2006	Acquisitions/ Options Exercised	Disposals	Balance at 30 June 2007
J.B. Braitling	Chairman	545,001	20,000	-	565,001
G.J. Wilson	Non-Executive Director	2,918,214	-	-	2,918,214
M.J. Kidman	Non-Executive Director	92,722	10,927	-	103,649
J.B. Abernethy	Non-Executive Director	60,000	-	-	60,000
J.J. Gosse	Non-Executive Director	-	-	-	-
		<b>3,615,937</b>	<b>30,927</b>	<b>-</b>	<b>3,646,864</b>

#### Options Held

Director	Position	Balance at 30 June 2006	Bonus Issue/ Acquisitions	Disposals/ Options Exercised	Balance at 30 June 2007
J.B. Braitling	Chairman	-	272,501	20,000	252,501
G.J. Wilson	Non-Executive Director	-	1,459,107	1,459,107	-
M.J. Kidman	Non-Executive Director	-	46,362	35,207	11,155
J.B. Abernethy	Non-Executive Director	-	30,000	30,000	-
J.J. Gosse	Non-Executive Director	-	-	-	-
		<b>-</b>	<b>1,807,970</b>	<b>1,544,314</b>	<b>263,656</b>

Directors and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders.

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

### DIRECTORS' MEETINGS

Director	No. eligible to attend	Attended
J.B. Braitling	6	6
G.J. Wilson	6	6
M.J. Kidman	6	6
J.B. Abernethy	6	6
J.J. Gosse	6	6

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

### AUDIT COMMITTEE MEETINGS

The main responsibilities of the Audit Committee are set out in the Corporate Governance section on page 10 and 11 of this Annual Report.

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

### AFTER BALANCE DATE EVENTS

The Directors have declared a final dividend of 4.0 cents a share fully franked and a special dividend of 2.0 cents a share fully franked to be paid on 16 November 2007.

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

### FUTURE DEVELOPMENTS

The Company will continue to pursue its policy of investment during the next financial year.

### ENVIRONMENTAL ISSUES

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or Territory.

### INDEMNIFICATION AND INSURANCE OF OFFICERS OR AUDITORS

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

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

### PROCEEDINGS ON BEHALF OF COMPANY

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

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

### NON AUDIT SERVICES

During the current year Grosvenor Schiliro, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company.

During the year ended 30 June 2006 the auditors Moore Stephens Sydney did not perform any other services in addition to their statutory duties for the Company. Moore Stephens Sydney Pty Ltd, a related party of the Company's auditor, performed taxation services for the Company.

Details of the amounts paid to the auditors and their related parties are disclosed in Note 6 to the financial statements.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## DIRECTORS' REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 20 of this Annual Report.

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

A handwritten signature in black ink, appearing to read 'J. Braitling', with a stylized flourish at the end.

MR J. BRAITLING

Chairman

Dated at Sydney this 15<sup>th</sup> day of August 2007



**Grosvenor Schiliro**  
Chartered Accountants & Business Advisers

**WILSON LEADERS LIMITED**  
**ABN 64 106 845 970**  
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of Wilson Leaders Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Wilson Leaders Limited for the year.

**Grosvenor Schiliro**

**Mark Schiliro**  
Partner

Dated in Sydney, this fifteenth day of August 2007

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	June 2007 \$	June 2006 \$
Proceeds from sale of investments		310,783,633	172,575,403
Cost of investments sold		(296,193,403)	(163,570,040)
Unrealised gain on investments		5,240,843	6,076,101
Other revenue from ordinary activities	3	3,577,269	2,507,239
Management and performance fees		(804,767)	(1,109,773)
Directors fees		(76,591)	(71,000)
Brokerage expense on share purchases		(1,137,153)	(710,108)
Stock lending interest expense		(377,200)	(188,718)
Other expenses from ordinary activities		<u>(374,686)</u>	<u>(185,058)</u>
<b>Profit before income tax</b>		<b>20,637,945</b>	<b>15,324,046</b>
Income tax expense	4(a)	<u>(5,275,644)</u>	<u>(4,185,598)</u>
<b>Profit attributable to members of the Company</b>	12	<b><u>15,362,301</u></b>	<b><u>11,138,448</u></b>
<b>Basic earnings per share</b>	15	<b>27.20 cents</b>	<b>20.39 cents</b>
<b>Diluted earnings per share</b>		<b><u>26.80 cents</u></b>	<b><u>20.39 cents</u></b>

The accompanying notes form part of these financial statements.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## BALANCE SHEET AS AT 30 JUNE 2007

	Notes	June 2007 \$	June 2006 \$
<b>ASSETS</b>			
Cash and cash equivalents	13	7,012,761	715,628
Trade and other receivables	7	1,602,308	2,508,764
Financial assets	8	115,210,373	93,220,102
Deferred tax assets	4(b)	162,027	113,682
<b>TOTAL ASSETS</b>		<b>123,987,469</b>	<b>96,558,176</b>
<b>LIABILITIES</b>			
Trade and other payables	9	34,604,130	29,686,344
Current tax liabilities	4(c)	2,083,921	677,592
Deferred tax liabilities	4(d)	4,321,860	3,047,234
<b>TOTAL LIABILITIES</b>		<b>41,009,911</b>	<b>33,411,170</b>
<b>NET ASSETS</b>		<b>82,977,558</b>	<b>63,147,006</b>
<b>EQUITY</b>			
Issued capital	10	61,730,530	52,021,587
Reserve	11	8,737,018	5,088,610
Retained earnings	12	12,510,010	6,036,809
<b>TOTAL EQUITY</b>		<b>82,977,558</b>	<b>63,147,006</b>

The accompanying notes form part of these financial statements.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Issued Capital	Reserve	Retained Earnings	Total
<b>Total equity as at 1 July 2005</b>		<b>56,484,307</b>	<b>1,291,729</b>	<b>1,355,962</b>	<b>59,131,998</b>
<b>Direct equity adjustments</b>					
<b>Investment portfolio</b>					
Net unrealised gains on investment securities			5,424,116		5,424,116
Tax on unrealised gains on investment securities			(1,627,235)		(1,627,235)
<b>Total direct equity adjustments</b>			<b>3,796,881</b>		<b>3,796,881</b>
Profit for the year attributable to members of the Company	<b>12</b>			7,341,567	7,341,567
Total recognised income and expense for year				7,341,567	7,341,567
<b>Transactions with shareholders</b>					
Shares bought back in the year	<b>10(b)</b>	(5,002,610)			(5,002,610)
Shares issued in the year	<b>10(b)</b>	539,890			539,890
Dividends paid or provided for	<b>5</b>			(2,660,720)	(2,660,720)
<b>Total equity as at 30 June 2006 attributable to members of the Company</b>		<b>52,021,587</b>	<b>5,088,610</b>	<b>6,036,809</b>	<b>63,147,006</b>
<b>Total equity as at 1 July 2006</b>		<b>52,021,587</b>	<b>5,088,610</b>	<b>6,036,809</b>	<b>63,147,006</b>
<b>Direct equity adjustments</b>					
<b>Investment portfolio</b>					
Net unrealised gains on investment securities			4,923,034		4,923,034
Tax on unrealised gains on investment securities			(1,274,626)		(1,274,626)
<b>Total direct equity adjustments</b>			<b>3,648,408</b>		<b>3,648,408</b>
Profit for the year attributable to members of the Company	<b>12</b>			11,713,893	11,713,893
Total recognised income and expense for year				11,713,893	11,713,893
<b>Transactions with shareholders</b>					
Options exercised at \$1.08 for one ordinary share		8,631,620			8,631,620
Shares issued under dividend reinvestment plan	<b>10(b)</b>	1,077,323			1,077,323
Dividends paid or provided for	<b>5</b>			(5,240,692)	(5,240,692)
<b>Total equity as at 30 June 2007 attributable to members of the Company</b>		<b>61,730,530</b>	<b>8,737,018</b>	<b>12,510,010</b>	<b>82,977,558</b>

The accompanying notes form part of these financial statements.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	June 2007 \$	June 2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends received		1,629,716	1,661,870
Interest received		165,626	310,569
Other investment income received		-	308,416
Investment management and performance fees		(1,152,011)	(695,282)
Brokerage expense on share purchases		(1,137,153)	(710,108)
Payments for administration expenses		(815,756)	(357,846)
Income tax paid	4(c)	(2,643,034)	(1,444,142)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>14</b>	<b>(3,952,612)</b>	<b>(926,523)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		304,161,158	174,702,611
Payments for purchase of investments		(298,379,664)	(182,156,518)
<b>NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES</b>		<b>5,781,494</b>	<b>(7,453,907)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from options exercised		8,631,620	-
Payments for shares bought back		-	(5,002,610)
Dividends paid		(4,163,369)	(2,120,830)
<b>NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES</b>		<b>4,468,251</b>	<b>(7,123,440)</b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>6,297,133</b>	<b>(15,503,870)</b>
CASH AT BEGINNING OF FINANCIAL YEAR		715,628	16,219,498
<b>CASH AT END OF FINANCIAL YEAR</b>	<b>13</b>	<b>7,012,761</b>	<b>715,628</b>

The accompanying notes form part of these financial statements.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 1. REPORTING ENTITY

Wilson Leaders Limited is a company domiciled in Australia. The address of Wilson Leaders Limited registered office is Level 11 139 Macquarie Street Sydney NSW 2000. The financial statements of Wilson Leaders Limited as at and for the year ended 30 June 2007 follow. The company is primarily involved in the operations of the financial sector of Australia, making investments and deriving revenue and investment income from listed and unit trusts.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Wilson Leaders Limited which is a listed public company, incorporated and domiciled in Australia. The financial report has been prepared on an accruals basis, with the exception of valuation of investments as described in Note 2(b) below.

The financial report of the company complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. The Statements are prepared from the records of the company on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has applied. The directors revalue the trading and investment 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 report. The accounting policies have been consistently applied, unless otherwise stated.

#### Australian equivalents to International Financial Reporting Standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report of the Company complied with International Financial Reporting Standards.

#### (b) Investments

##### Classification

Securities are classified as "held for trading" at acquisition.

##### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs on trade date, where the related contractual rights or obligations exist. 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 income statement in the period which they arise and are transferred to the asset revaluation reserve net of the potential tax charges that may arise from the future sale of the investments.

##### Unrealised Gains and Losses

Unrealised gains and losses are included in operating profit for the year and are transferred to an asset revaluation reserve, net of the potential tax charges that may arise from the future sale of the investments.

##### 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.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **(b) Investments (continued)**

##### **Impairment**

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether any impairment has arisen. Impairment losses are recognised in the income statement.

##### **(c) Taxation**

Income tax expense comprises of current and deferred tax. The charge for current Income tax expense is based on profit or loss for the year adjusted for any non-assessable or disallowed items except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for using the balance sheet liability method, in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax is credited in the income statement except where it relates to items that may credited directly to equity, in which case the deferred tax is adjusted directly against equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary difference can be utilised. The amount of benefits brought to account of which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

A tax provision is made for the unrealised gain or loss on securities valued at fair value through the Income Statement.

##### **(d) Revenue from ordinary activities**

Revenue from ordinary activities consists of dividends, interest, trust distributions, other income and gross proceeds from the sale of investments.

Interest and dividend revenue are recognised when earned.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Revenue Recognition

- Trading Income - profit and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Income Statement 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 revenue 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.

#### (f) Income to pay dividends

The Company may pay dividends from the profit, dividend and interest income it receives from its investments to the extent permitted by law and prudent business practices. Dividends will be franked to the extent that available imputation credits permit.

#### (g) Cash

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.

#### (h) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the period end from the time of last payment. 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.

#### (i) Payables

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) Goods and Services Tax (GST)

Revenues, 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except the GST component of investing and financing activities, which are included as operating cash flows.

#### (k) Earnings per share

Basic and diluted earnings per share including realised profits and losses on the investment portfolio are calculated by dividing profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the year.

#### (l) Share Capital

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.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **(m) Adoption of New and Revised Accounting Standards**

In the current year, Wilson Leaders Limited has adopted all of the new and revised Standards and Interpretation issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the company's accounting policies that have affected the amounts reported for the current or prior year.

The following standards, amendments to standards and interpretations were on issue but not yet effective:

- AASB 101 Presentation of Financial Statements (October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Company's financial instruments and share capital.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the Financial Statements of the company.

The application of AASB 101 (revised) and AASB 7 will not affect any of the amounts recognised in the financial statements, but will change the disclosure presently made in relation to the Company's financial instruments and the objectives, policies and procedures for managing capital, and segment reporting.

These Standards and Interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the Company's annual reporting period beginning on July 1 2007.

#### **(n) Functional and presentation currency**

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

#### **(o) Operating segments**

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

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	June 2007 \$	June 2006 \$
<b>3. OTHER REVENUE FROM ORDINARY ACTIVITIES</b>		
Australian sourced dividends	3,051,021	1,940,415
Foreign sourced dividends	318,862	193,072
Interest	168,218	258,408
Trust distributions	39,168	115,344
	<u>3,577,269</u>	<u>2,507,239</u>
<b>4. TAXATION</b>		
<b>(a) Income Tax Expense</b>		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)		
	6,191,384	4,597,215
Imputation credit gross up	342,341	176,407
Franking credit offset	(1,141,135)	(588,024)
Timing differences	(116,946)	-
	<u>5,275,644</u>	<u>4,185,598</u>
<b>Total income tax expense results in a:</b>		
Current tax liability	4,049,357	1,891,093
Deferred tax liability	1,274,631	2,239,660
Deferred tax asset	(48,344)	54,845
Under provision in prior year	-	-
	<u>5,275,644</u>	<u>4,185,598</u>
The applicable weighted average effective tax rates are as follows:		
	26%	27%
<b>(b) Deferred Tax Assets</b>		
Provisions	106,920	3,465
Capitalised share issue costs	55,107	110,217
	<u>162,027</u>	<u>113,682</u>
<b>Movement in deferred tax assets</b>		
Balance at the beginning of the year	113,682	168,527
Charged to the Income Statement	48,345	(54,845)
<b>At reporting date</b>	<u>162,027</u>	<u>113,682</u>

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	June 2007 \$	June 2006 \$
<b>4. TAXATION (CONTINUED)</b>		
<b>(c) Current Tax Liabilities</b>		
<b>Movement in current tax liabilities</b>		
Balance at the beginning of the year	677,592	230,642
Current year income tax expense on operating profit	4,049,363	1,891,093
Income tax paid	(2,643,034)	(1,444,143)
<b>At reporting date</b>	<b><u>2,083,921</u></b>	<b><u>677,592</u></b>
<b>(d) Deferred Tax Liabilities</b>		
Fair value adjustments	4,312,569	2,921,066
Income provisions	9,291	126,168
	<b><u>4,321,860</u></b>	<b><u>3,047,234</u></b>
<b>Movement in deferred tax liabilities</b>		
Balance at the beginning of the year	3,047,234	807,573
Charged to the Income Statement	1,274,626	2,239,661
Under provision in prior year	-	-
<b>At reporting date</b>	<b><u>4,321,860</u></b>	<b><u>3,047,234</u></b>

### 5. DIVIDENDS

#### (a) Ordinary dividends recognised in the current year

Dividends paid by the Company	<b><u>5,240,692</u></b>	<b><u>2,660,720</u></b>
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Dividends paid by the Company for the year ended 30 June 2007	Cents per share	Total amount \$	Date of payment	Tax rate for franking credit	Percentage franked
Final 2006 – ordinary	5.0	2,809,886	27 Oct 2006	30%	100%
Interim 2007 – ordinary	4.0	2,430,806	27 Apr 2007	30%	100%
Total franked amount	<u>9.0</u>	<u>5,240,692</u>			

Dividends paid by the Company for the year ended 30 June 2006	Cents per share	Total amount \$	Date of payment	Tax rate for franking credit	Percentage franked
Final 2005 – ordinary	2.0	1,073,344	17 Oct 2005	30%	100%
Interim 2006 – ordinary	3.0	1,587,376	28 Apr 2006	30%	100%
Total franked amount	<u>5.0</u>	<u>2,660,720</u>			

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

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

	Cents per share	Total amount \$	Date of payment	Tax rate for franking credit	Percentage franked
Final 2007 - ordinary	4.0	2,450,407	16 Nov 2007	30%	100%
Special 2007 – ordinary	2.0	1,225,203	16 Nov 2007	30%	100%

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 5. DIVIDENDS (CONTINUED)

#### (b) Dividends not recognised at year end (continued)

The final and special dividends have not been brought to account in the financial statements for the year ended 30 June 2007 but will be recognised in subsequent financial reports.

#### (c) Dividend Franking Account

The franked portion of the final dividend recommended after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2007.

	June 2007	June 2006
	\$	\$
Franking account balance at the end of the financial year adjusted	2,488,308	950,151
For franking credits arising from:		
- Payment of income tax payable		
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	2,250,986	677,593
Adjusted franking account balance	<u>4,739,294</u>	<u>1,627,744</u>
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 period	<u>(1,575,261)</u>	<u>(1,204,237)</u>
	<u><b>3,164,033</b></u>	<u><b>423,507</b></u>

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

The balance of the franking account does not include the tax to be paid on unrealised investment gains and accrued income currently recognised as a deferred tax liability of \$4,321,860 (2006: \$3,047,234).

### 6. AUDITORS REMUNERATION

Remuneration of the auditor of the Company for:

Auditing or reviewing the financial report	25,589	20,695
Other services provided by a related practice of the auditor:		
Taxation services	-	6,662
	<u><b>25,589</b></u>	<u><b>27,357</b></u>

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

### 7. TRADE AND OTHER RECEIVABLES

Trade debtors	1,102,629	1,985,634
Income receivable	420,810	420,562
GST receivable	78,869	102,568
	<u><b>1,602,308</b></u>	<u><b>2,508,764</b></u>

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	June 2007 \$	June 2006 \$
<b>8. FINANCIAL ASSETS</b>		
Listed investments	<b>115,210,373</b>	<b>93,220,102</b>

The market values of all investments as at 30 June 2007 are disclosed on page 9 of the Annual Report.

### 9. TRADE AND OTHER PAYABLES

Trade creditors	6,762,678	3,159,215
Borrowed stock	27,548,417	17,073,056
Stock lending finance	-	8,802,817
Sundry creditors	293,035	651,256
	<b>34,604,130</b>	<b>29,686,344</b>

### 10. ISSUED CAPITAL

#### (a) Paid-up Capital

61,260,166 ordinary shares fully paid  
(2006: 52,306,856)

**61,730,530**

**52,021,587**

	No. of shares 2007		No. of shares 2006	
<b>(b) Movement in Ordinary Share Capital</b>				
Balance at the beginning of the year	52,021,587	52,306,856	56,484,307	56,986,416
- On-market buy back commencing 29 June 2005	-	-	(5,002,610)	(5,223,163)
- DRP shares issued for dividend payment	1,077,323	961,070	539,890	543,603
- Options exercised for \$1.08 per share	8,631,620	7,992,240	-	-
<b>At reporting date</b>	<b>61,730,530</b>	<b>61,260,166</b>	<b>52,021,587</b>	<b>52,306,856</b>

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

On 11 August 2006, the Company announced a 1 for 2 bonus issue of options to acquire ordinary shares in the capital of the Company. A total of 26,153,613 options were issued to shareholders at no cost on 8 September 2006. The options have an exercise price of \$1.08 and can be exercised up to the expiry date of 31 October 2007. During the year 7,992,240 options were exercised.

### 11. RESERVE

Asset Revaluation Reserve	<b>8,737,018</b>	<b>5,088,610</b>
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This reserve is used to record movements on the revaluation of the investments, net of potential tax as described in accounting policy Note 2(b).

#### Movement in Asset Revaluation Reserve

Balance at the beginning of the year	5,088,610	1,291,729
Transfer from retained earnings	3,648,408	3,796,881
<b>At reporting date</b>	<b>8,737,018</b>	<b>5,088,610</b>

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	<b>June 2007</b>	<b>June 2006</b>
	\$	\$
<b>12. RETAINED EARNINGS</b>		
Balance at the beginning of the year	6,036,809	1,355,962
Profit for the year attributable to members of the Company	15,362,301	11,138,448
Transfer to asset revaluation reserve	(3,648,408)	(3,796,881)
Dividends paid (refer Note 5)	(5,240,692)	(2,660,720)
<b>At reporting date</b>	<b><u>12,510,010</u></b>	<b><u>6,036,809</u></b>

### 13. CASH AND CASH EQUIVALENTS

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash at bank and on hand	<b><u>7,012,761</u></b>	<b><u>715,628</u></b>
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The weighted average interest rate for cash and fixed interest securities as at 30 June 2007 is 5.85% (2006: 4.92%).

### 14. CASH FLOW INFORMATION

#### Reconciliation of Operating Profit after Income Tax

Operating profit after income tax	15,362,301	11,138,448
<b>Less items classified as Investing/Financing Activities:</b>		
Realised gain on sale of investments	(16,371,911)	(9,005,363)
<b>Less non cash items:</b>		
Unrealised profit on investments	(5,240,843)	(6,076,101)
<b>Net cash provided by Operating Activities before changes in assets and liabilities:</b>		
Increase in receivables	(248)	(280,960)
(Increase)/decrease in deferred tax assets	(48,345)	54,845
(Decrease)/increase in payables	(334,521)	555,997
Increase in deferred tax liabilities	1,274,626	2,239,661
Increase in current tax liabilities	1,406,329	446,950
<b>Net cash used in Operating Activities</b>	<b><u>(3,952,612)</u></b>	<b><u>(926,523)</u></b>

### 15. EARNINGS PER SHARE

Profit after income tax used in the calculation of basic and diluted earnings per share

	<b><u>15,362,301</u></b>	<b><u>11,138,448</u></b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	<b><u>56,478,558</u></b>	<b><u>54,617,733</u></b>
Weighted average number of ordinary shares outstanding during the year used calculating dilutive earnings per share	<b><u>57,318,367</u></b>	<b><u>54,617,733</u></b>

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 16. FINANCIAL INSTRUMENT DISCLOSURE

The Company's principal financial instruments comprise equity securities, cash and short-term deposits. The main purpose of these financial instruments is to generate a return on the investment made by shareholders.

The Company also has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and market price risk. The Investment Manager reviews and agrees policies for managing each of these risks and they are summarised below. The Investment Manager also monitors the market price risk arising from all financial instruments.

#### (a) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of items in the Balance Sheet and liabilities as they are marked to market at year end. The total credit risk for items in the Balance Sheet is therefore limited to the amount carried in the Balance Sheet.

The Company is not exposed to any individually material credit risk.

#### (b) Liquidity Risk

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

The Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the levels of which are managed by the Board and the management company.

The Company's inward cash flows depend upon the level of sales of securities, dividends and interest received.

The Company monitors its cash-flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. The Company holds a portion of its portfolio in cash and fixed interest securities sufficient to ensure that it has cash available to meet all payments. Alternatively, the Company can increase its level of sales of the readily tradeable securities it holds. The Company also has access to cash through its stock lending facility.

The relatively low level of gearing that the Company has, ensures that gearing parameters are unlikely to be breached. In the unlikely event that a fall in the value of the stock market is such that a breach would appear possible, the Company would amend its cash flows through the sale of securities and the cessation of purchases to extinguish any short-term debt.

#### (c) Market Risk

Market risk represents the risk that the fair value or 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 in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

The Company can seek to reduce market risk by not being overly exposed to one company or one particular sector of the market. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 16. FINANCIAL INSTRUMENT DISCLOSURE (CONTINUED)

#### (d) Net Fair Values

The carrying amounts of financial instruments on the Balance Sheet approximate their net fair values.

### 17. EVENTS SUBSEQUENT TO REPORTING DATE

The final dividend and special dividend as recommended by the Directors will be paid subsequent to balance date and is not provided for in the Balance Sheet. Refer to Note 5 of this report.

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

### 18. INVESTMENT TRANSACTIONS

The total number of contract notes that were issued for transactions in securities during the financial year was 1,196 (2006: 1,136). Each contract note would involve multiple transactions. The total brokerage paid on these contract notes was \$2,550,752 (2006: \$1,850,870).

### 19. KEY MANAGEMENT PERSONNEL COMPENSATION

The names and position held of the Company's key management personnel (including Directors) in office at any time during the financial year are:

J. B. Braitling	Chairman
G.J. Wilson	Non-Executive Director
M.J. Kidman	Non-Executive Director
J.B. Abernethy	Non-Executive Director
J.J. Gosse	Non-Executive Director

#### a) Remuneration

There are no executives that are paid by the Company. KWB Capital Pty Limited, the investment manager of the Company, remunerates Justin Braitling as an employee of the Company and also provides day to day management of the Company and is remunerated as outlined in the Directors' Report.

	Directors' Fees \$	Post-employment Superannuation \$	Total \$
Total Directors remuneration paid by the Company for the year ended 30 June 2007	<b>72,935</b>	<b>7,065</b>	<b>80,000</b>

#### b) Share and Option holdings

As at 30 June 2007 the Company's key management personnel held the following interests in the Company:

##### Ordinary Shares Held

Director	Position	Balance at 30 June 2006	Acquisitions/ Options Exercised	Disposals	Balance at 30 June 2007
J.B. Braitling	Chairman	545,001	20,000	-	565,001
G.J. Wilson	Non-Executive Director	2,918,214	-	-	2,918,214
M.J. Kidman	Non-Executive Director	92,722	10,927	-	103,649
J.B. Abernethy	Non-Executive Director	60,000	-	-	60,000
J.J. Gosse	Non-Executive Director	-	-	-	-
		<b>3,615,937</b>	<b>30,927</b>	-	<b>3,646,864</b>

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 19. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

#### b) Share and Option holdings (continued)

##### *Options Held*

Director	Position	Balance at 30 June 2006	Bonus Issue/ Acquisitions	Disposals/ Options Exercised	Balance at 30 June 2007
J.B. Braitting	Chairman	-	272,501	20,000	252,501
G.J. Wilson	Non-Executive Director	-	1,459,107	1,459,107	-
M.J. Kidman	Non-Executive Director	-	46,362	35,207	11,155
J.B. Abernethy	Non-Executive Director	-	30,000	30,000	-
J.J. Gosse	Non-Executive Director	-	-	-	-
		-	<b>1,807,970</b>	<b>1,544,314</b>	<b>263,656</b>

### 20. RELATED PARTY TRANSACTIONS

All transactions with related entities were made on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Justin Braitting is the sole Director and beneficial owner of KWB Capital Pty Limited, the entity appointed to manage the investment portfolio of Wilson Leaders Limited. In its capacity as manager, KWB Capital Pty Limited was paid a management fee of 1%p.a (plus GST) of gross assets amounting to \$863,652 (2006: \$701,768). As at 30 June 2007, the balance payable to the manager was \$81,983 (2006: \$61,698).

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

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

No performance fee is payable in respect of any performance period where the Portfolio has decreased in Value over that period. For the year ended 30 June 2007, there was no performance fee payable to KWB Capital Pty Limited (2006: \$489,208).

Under an Investment Services Agreement, KWB Capital Pty Limited pays 25% of all management and performance fees to Boutique Asset Management, a company owned by entities associated with Geoffrey Wilson and Matthew Kidman 80% and 20% respectively.

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

### 21. SEGMENT INFORMATION

The Company operates only in Australia and in one industry being the securities industry.

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## DIRECTORS' DECLARATION

The Directors of Wilson Leaders Limited declare that:

1. The financial report and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 15 to 17, are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) giving a true and fair view of the financial position of the Company as at 30 June 2007 and of its performance for the period ended on that date;
2. The Director of the Manager, KWB Capital Pty Limited has declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *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.

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



J.B. BRAITLING  
Chairman

Dated at Sydney this 15<sup>th</sup> August 2007



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILSON LEADERS LIMITED

### *Report on the Financial Report*

We have audited the accompanying financial report of Wilson Leaders Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Wilson Leaders Limited.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by *Accounting Standard AASB 124: Related Party Disclosures*, under the heading 'Remuneration Report' in pages 15 to 17 of the directors' report and not in the financial report.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards (AIFRS) ensures that the financial report, comprising the financial statements and notes, complies with AIFRS.

The directors of the company also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the *Corporations Regulations 2001*.

### *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. These Auditing 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 and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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 and fair presentation 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 and the remuneration disclosures in the directors' report.

Our procedures include 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.

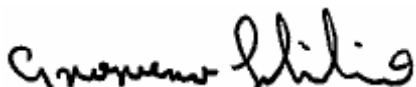
#### *Independence*

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 Wilson Leaders Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2007 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*;
- b. the financial report also complies with International financial Reporting Standards as disclosed in Note 2, and
- c. the remuneration disclosures that are contained in pages 15 to 17 of the directors' report comply with Accounting Standard AASB 124.



**Grosvenor Schiliro**



**Mark N Schiliro**

Partner

Sydney

Dated this fifteenth day of August 2007

# WILSON LEADERS LIMITED

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## ASX ADDITIONAL INFORMATION

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

### SHAREHOLDINGS

#### Distribution of shareholders (as at 31 July 2007)

Category	No. of shareholders	
	Ordinary Shares	Options
1 – 1,000	67	147
1,001 – 5,000	552	473
5,001 – 10,000	484	168
10,001 – 100,000	1,012	160
100,001 and over	65	28
	<hr/>	<hr/>
	2,180	976

The number of shareholdings held in less than marketable parcels is 19.

#### Twenty largest shareholders - Ordinary shares (as at 31 July 2007)

Name	Number of ordinary shares held	Percentage of issued capital held
Ms Fay Cleo Martin-Weber	2,000,000	3.26
Mr Victor John Plummer	1,398,020	2.28
UBS Wealth Management Australia Nominees Pty Ltd	1,243,014	2.03
GW Holdings Pty Ltd (Edwina A/c)	1,094,000	1.78
Huoncan Super Pty Ltd (Houcan Super Fund A/c)	1,020,000	1.66
Kinsbrook Pty Ltd	1,020,000	1.66
Ms Thelma Joan Martin-Weber	1,000,000	1.63
Mr Allan Bevan	946,727	1.54
Mr S Gubbins & Mrs B Gubbins (Dunluce Super Fund A/c)	890,304	1.45
Mrs Jean Plummer	750,000	1.22
Dynasty Peak Pty Ltd (The Avoca Super Fund A/c)	711,200	1.16
Trones Investments Pty Ltd (Nylox Distributors S/F A/c)	598,858	0.98
Neville Ward Super Pty Ltd (The Neville Ward Super Fund A/c)	583,245	0.95
Allison Valley Pty Ltd	500,000	0.82
Halcyon Pty Limited	464,923	0.76
Huon Canning Co Pty Ltd	437,839	0.71
Trones Investments Pty Ltd	391,995	0.64
Dr Patricia Percival	385,000	0.63
Rational Research Investments Pty Limited	375,000	0.61
Mr N S Tulloch & Mrs B S Y Tulloch (The Tulloch Super Fund)	346,993	0.57
	<hr/>	<hr/>
	<b>16,157,118</b>	<b>26.36</b>

# WILSON LEADERS LIMITED

A.B.N. 64 106 845 970

## ASX ADDITIONAL INFORMATION

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

### Twenty largest shareholders - Options (as at 31 July 2007)

Name	Number of ordinary shares held	Percentage of issued capital held
Mr Allan Bevan	1,653,589	9.12
Mrs Helen Marjorie Seabrook	1,275,055	7.03
Ms Fay Cleo Martin-Weber	1,000,000	5.12
Frankevap Super Pty Ltd	878,300	4.84
Huoncan Super Pty Ltd (Houcan Super Fund A/c)	661,462	3.65
Kinsbrook Pty Ltd	510,000	2.81
Ms Thelma Joan Martin-Weber	500,000	2.75
Tricom Nominees Pty Limited	425,621	2.34
Ozark Nominees Pty Limited	365,000	2.01
Australian Style Investments Pty Ltd	300,000	1.65
Australian Style Investments Pty Ltd (Aust Style Invest Unit A/c)	247,269	1.36
Sanolu Pty Limited	240,000	1.32
LIC Investments Pty Ltd (LIC Investments A/c)	230,000	1.27
Barkala Pty Ltd	225,000	1.24
Huon Canning Co Pty Ltd	218,920	1.21
Mr G C Anderson & Mrs K R Anderson	200,000	1.10
PJG Smith Super Pty Ltd ( PJ Gordon Smith S/F A/c)	170,050	0.94
Mr J B Braitling	150,001	0.83
Mr P M Antaw & Mrs V M Antaw (Petavic Super Fund A/c)	140,000	0.78
AustYMCA Nominees Pty Ltd (YMCA Super Fund A/c)	133,170	0.73
	<b>9,523,437</b>	<b>52.52</b>

### On-market buy back

There is no current on-market buy back.

### STOCK EXCHANGE LISTING

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