

25 August 2017

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**Electronic Lodgement**

**Djerriwarrh Investments Limited  
Statutory Annual Report, Annual Shareholder Review,  
Notice of Meeting and Proxy Form**

Dear Sir / Madam

Please find attached the 2017 Statutory Annual Report, Annual Shareholder Review, Notice of Meeting and Proxy Form being sent to shareholders.

Yours faithfully



Matthew Rowe  
Company Secretary



Annual Report  
2017



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Djerriwarrh Investments Limited is a listed investment company (LIC) investing in a diversified portfolio of Australian and New Zealand equities. For stocks where there is an options market, the Company often uses exchange traded and over-the-counter options to enhance the income return to investors.

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## Year in Summary

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### Profit for the Year

\$33.7m

Down 17.3% from 2016

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### Net Operating Result

\$33.8m

Down 19.8% from 2016

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### Fully Franked Dividend

10¢ 20¢

Final

Total

Down 4 cents from 2016

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### Total Portfolio Return

16.6% Including franking\*

S&P/ASX 200 Accumulation Index  
+15.7% including franking\*

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### Total Shareholder Return

-3.8%

Share price plus dividend

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### Management Expense Ratio

0.46%

0.46% in 2016

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### Total Portfolio

\$752.3m

Including cash at 30 June

\$749.8 million in 2016

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\* Assumes a shareholder can take full advantage of the franking credits.

# DIRECTORS' REPORT

## 5 Year Summary

Net Profit After Tax (\$ Million)



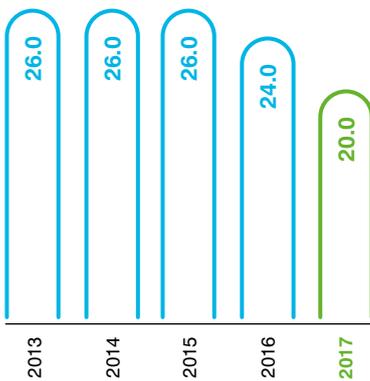
Net Operating Result After Tax (\$ Million)



Investments at Market Value (\$ Million)<sup>(a)</sup>



Dividends Per Share (Cents)<sup>(b)</sup>



Net Asset Backing Per Share (Cents)<sup>(c)</sup>



Number of Shareholders (30 June)



### Notes

(a) Excludes cash.

(b) All dividends were fully franked. For 2017 the dividend carried attributable LIC gain of 7.14 cents per share. For 2016 it was also 7.14 cents per share, for 2015 and 2014 it was 10.0 cents per share. For 2013 it was 14.3 cents per share.

(c) Net asset backing per share based on year-end data before the provision for the final dividend. The figures do not include a provision for capital gains tax that would apply if all securities held as non-current investments had been sold at balance date as Directors do not intend to dispose of the portfolio.

## About the Company

Djerriwarrh Investments Limited is a listed investment company (LIC) investing in a diversified portfolio of Australian and New Zealand equities.

For stocks where there is an options market, the Company often uses exchange traded and over-the-counter options to enhance the income return to investors.

In undertaking this option activity the Company is likely to change the profile of returns experienced from the market by producing more immediate fully franked income at the expense of some potential capital growth in the future.

### Investment Aims

Djerriwarrh aims to provide shareholders with attractive investment returns through access to fully franked dividends and growth in capital invested.

In this regard the primary investment goals are:

- to pay a higher level of fully franked dividend than is available from the market in general; and
- to provide attractive total return including capital growth over the medium to long term.

### Approach to Investing

The investment philosophy is built on taking a medium to long-term view on holding positions in the portfolio with an emphasis on identifying quality companies that are likely to sustainably grow their earnings and dividends over this time frame.

Quality in this context is an outcome of our assessment of the board and management as well as some key financial metrics such as the level of gearing in the balance sheet, product margins and free cash flow. The structure of the industry and a company's competitive position in this industry are also an important indicator of quality.

Linked to this assessment of quality is the ability of companies to grow earnings over time, which ultimately should produce good dividend growth.

The view of value of a company is not just based on short term measures of the price earnings ratio and other valuation metrics; rather, value is assessed against Djerriwarrh's long-term investment horizon.



### How Djerriwarrh Invests – What We Look For in Companies



The final component of the Company's ability to pay a higher yield is its approach to selling options over part of its investment and trading portfolio. This generates current income from the option premium Djerriwarrh receives for selling the options.

The amount that the Company receives from selling options depends on a number of factors:

- level of volatility in share price anticipated for the underlying stock;
- level of the option exercise price and particularly how far it is from the current share price;
- time to expiry, i.e. how far the option has to run;

- level of interest rates: the lower interest rates are, other things being equal, the lower the option premium received; and
- the percentage of the portfolio over which we are prepared to sell options.

It is our preference for the options to either lapse at expiry, or prior to exercise, to seek to buy the options back and sell new options further out and preferably at a higher exercise price. From time to time, where the share price increases strongly, we do take decisions to allow the shares to be exercised when we have formed the view that it is in the shareholders' best interest to allow that to occur. Gains or losses on disposals of investments upon the exercise of such options, after applicable tax, are taken to the realised capital gains reserve. Any gains when taxed are available for distribution to shareholders. It should be noted option positions are monitored daily and the portfolio is managed to try and maintain an appropriate balance between capital growth and income generation.

When undertaking this option activity in strongly rising markets, shareholders are potentially giving up some of the possible capital growth that may occur in company share prices as a result of receiving higher income more immediately. Alternatively, in falling markets, income from options can offset some of the loss from declining share prices.

Djerriwarrh also has access to lines of credit which allows the Company to gear its Balance Sheet when appropriate investment returns are available to enhance shareholder returns. When it is appropriate, exposure to rising interest rates is also capped.

# Review of Operations and Activities

## Profit

Profit for the year to 30 June 2017 was \$33.7 million, down 17.3 per cent from \$40.7 million in the corresponding period last year. Dividend income was down to \$30.6 million from \$36.8 million last year reflecting the lower contribution from resource and energy holdings, particularly in the first half of the year. Dividend income was also impacted by reduced holdings in bank shares as call options were exercised late in the financial year before their dividends.

Djerriwarrh's option income fell to \$10.9 million from \$16.1 million generated in the last financial year. As the Australian market rose, volatility fell to low levels contributing to reduced income from options. The pace of market increases also meant that a number of call options positions were at risk of being exercised. In this environment Djerriwarrh looked to buy-back a significant number of in-the-money call option positions to capture more of the potential upside of holdings rather than have the positions exercised. This also reduced option income for the year but enhanced the total portfolio return.

The net operating result for the year was \$33.8 million, down 19.8 per cent from \$42.2 million in the previous corresponding period. In the Directors' opinion, this is a better measure of Djerriwarrh's performance in deriving ongoing investment, trading and options income from the Company's portfolios as it excludes the valuation impact of net unrealised losses on open option positions at year-end.

## Dividend

Consistent with Djerriwarrh's announcement in July 2016, the final dividend was 10 cents per share fully franked, down from 14 cents per share last year. Total dividends for the year are 20 cents per share fully franked, down from 24 cents last year. The Dividend Reinvestment Plan is in operation with a 5 per cent discount.

Of the final dividend, 5 cents was sourced from taxable capital gains, on which the Company has paid or will pay tax. The amount of the pre tax attributable gain on this portion of the dividend, known as an 'LIC capital gain', is therefore 7.14 cents. This enables some shareholders to claim a tax deduction in their tax return.

Figure 1: Yield History

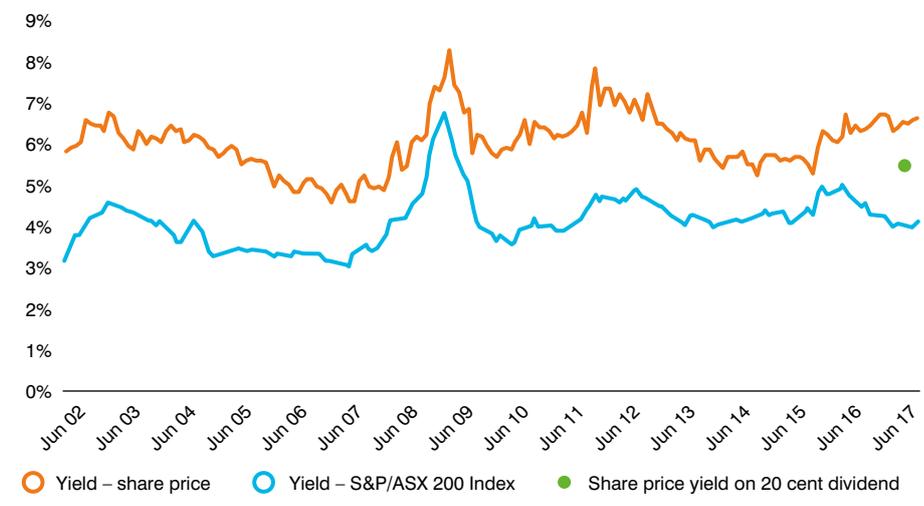
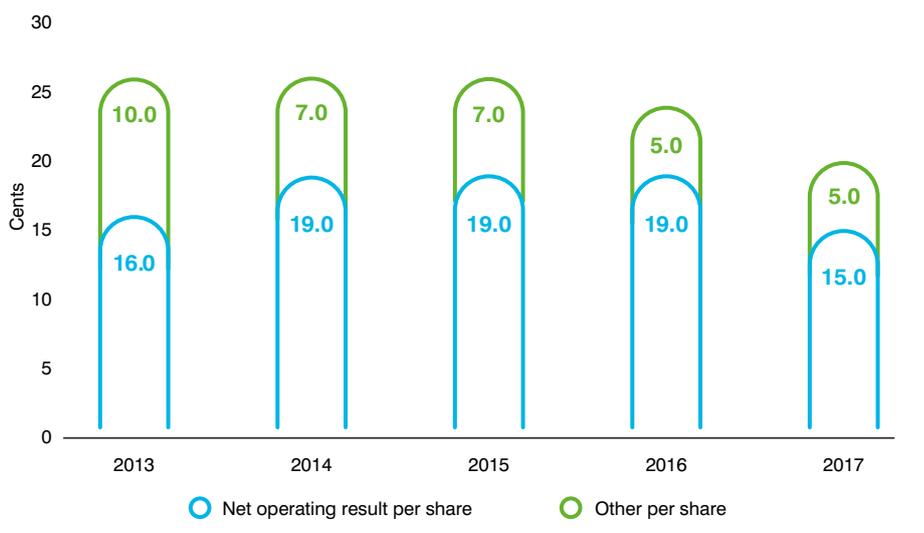


Figure 2: Sources of the Dividend Paid



Dividend yield on the share price of \$3.68 at the end of June was 5.4 per cent fully franked, 7.7 per cent grossing up for the benefit of franking credits.

Yield History (Figure 1) outlines the history of the yield on Djerriwarrh's share price to the yield on the S&P/ASX 200 Index (neither include the benefit of franking).

Sources of the Dividend Paid (Figure 2) illustrates that the Company's annual dividends are sourced from the operating result and from taxable realised gains

generated from the sale of holdings primarily associated with the Company's option activity.

These taxable realised gains also contribute to the generation of franking credits.

Figure 2 also highlights the trend over recent years where dividends received have fallen. In this context realised gains remain an important contributor to the dividend.

“

*The Australian equity market for the 12 months to 30 June 2017 was led by the strong rise in banks and resources.*

”



Market return  
from banks

18.4%



## Portfolio Returns

The Australian equity market for the 12 months to 30 June 2017 was led by the strong rise in banks and resources (up 18.4 per cent and 22.9 per cent respectively). In part this was a result of a rebound in interest in banks given their previous underperformance and the attractive yield on offer for income-focused investors. Resource stocks rose because of the better outlook for commodities as a result of improved global growth.

Djerriwarrh's portfolio return (Figure 4) including franking for the year to 30 June 2017 was 16.6 per cent whereas the S&P/ASX 200 Accumulation Index return including franking was 15.7 per cent (franking added 3.6 per cent to Djerriwarrh's return and 1.6 per cent to the Index's).

The franking benefit assumes an investor can take full advantage of the franking credits.

Given Djerriwarrh's option activities can limit some of the capital growth of the portfolio in strongly rising markets, this performance is encouraging. It is reflective of the bias toward larger companies (given this is where the most active options markets are) and the decision to buy-back selected in-the-money call options to maintain holdings where practical. The reduced exposure to the energy sector also assisted performance.

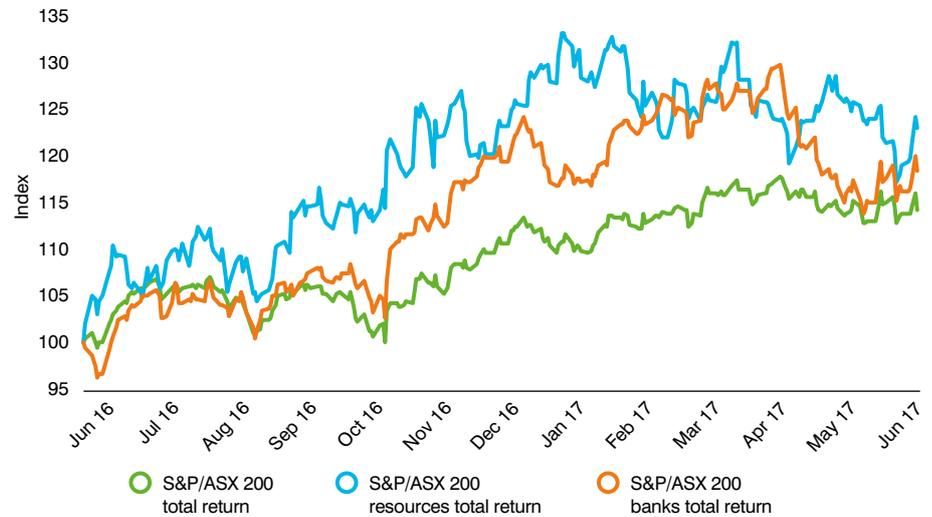
The major contributors to the portfolio performance for the year were the four major banks, BHP, Rio Tinto and CSL.

## Portfolio Adjustments

Given the rise in banking and resource stocks over the year, a number of the larger purchases in the portfolio were to replenish holdings in these sectors as option exercises reduced exposures. Djerriwarrh also sought to add to its holdings in CSL and Macquarie Bank, although again some were sold because of option exercises.

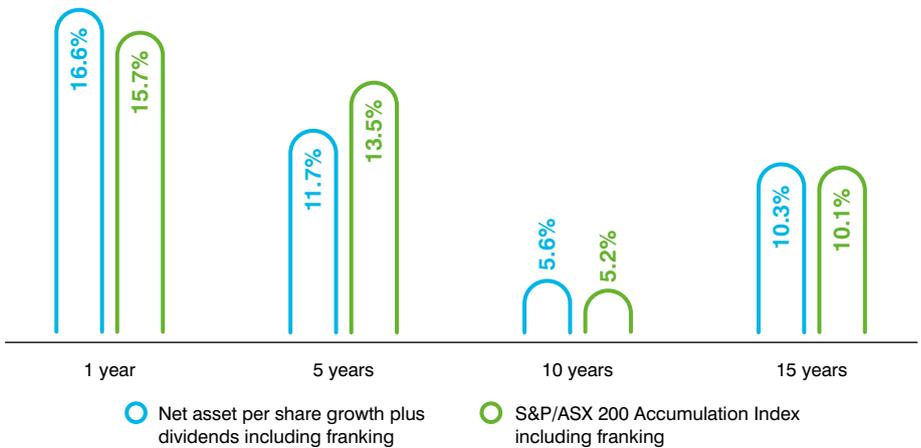
The focus on adding incrementally to a range of existing smaller company holdings continued as attractive opportunities arose. This also included participation in capital raisings by IRESS, TPG Telecom, Qube Holdings and Cover-More Group (subsequently taken over).

Figure 3: Performance of Bank and Resource Sectors Relative to the S&P/ASX 200



Source: FactSet

Figure 4: Portfolio Performance to 30 June 2017 – Per Annum Returns, Including the Benefit of Franking Credits



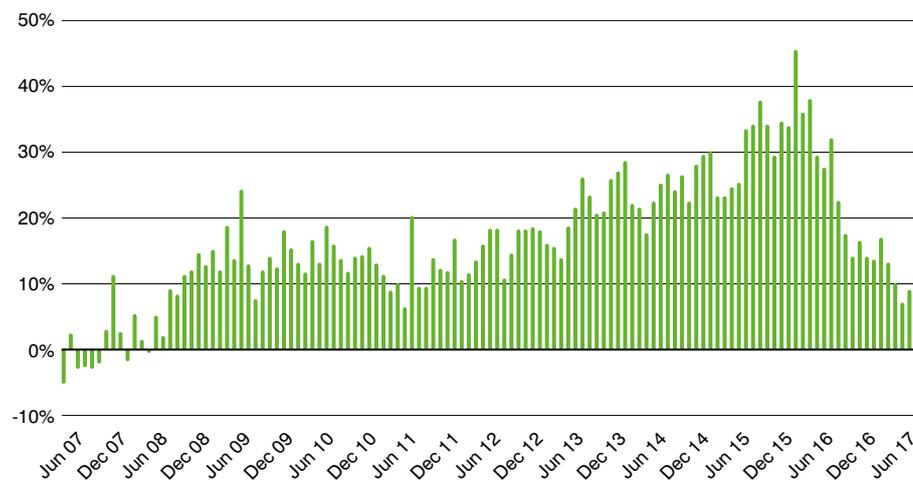
Note: Djerriwarrh's net asset per share growth plus dividend series is calculated after management fees, income tax and capital gains tax paid on realised sales of investments. It should be noted that Index returns for the S&P/ASX 200 do not include management expenses and tax.

New companies added to the portfolio during the period were Isentia Group, Link Administration Holdings (including participation in its share placement to purchase Capita Asset Services in the United Kingdom), Cochlear, NetComm Wireless, and Wellcom Group.

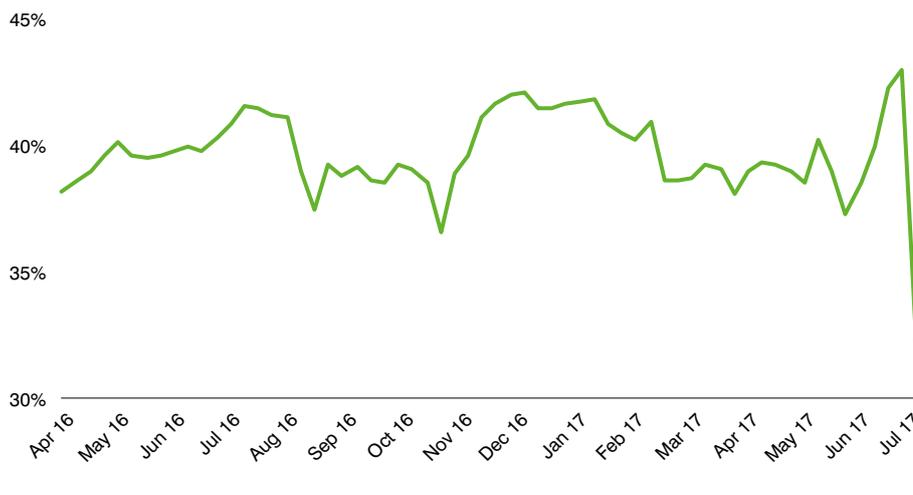
Purchases for the year totalled \$133.9 million and sales equalled \$186.9 million.

Djerriwarrh utilises debt to take advantage of returns from the investment opportunities on offer. At present the Company has \$84.5 million of debt. Djerriwarrh's cash or near cash position at 30 June 2017 was \$53.0 million.

**Figure 5: Share Price Premium/Discount to Net Asset Backing**



**Figure 6: Option Coverage of the Portfolio**



**Share Price**

The Djerriwarrh share price has responded to the rebasing of the dividend to 20 cents per share as announced with the final result last year. However, as investors continue to focus on dividend yield in the current low interest environment, shares continued to trade a premium to the net asset backing. At 30 June 2017 the premium was 14 per cent, down from 32 per cent at 30 June 2016. The reduced premium was one of the factors in reintroducing the Dividend Reinvestment Plan (DRP) for the interim dividend this year.

Prior to this it was felt it would be unreasonable to have a DRP where shareholders paid very high premiums to participate.

**Moving Forward**

Djerriwarrh's typical option coverage is in the range of 30 per cent to 50 per cent of the portfolio (average coverage for the year was 40 per cent). A number of call option positions were exercised just prior to the end of the financial year, leaving option coverage of the portfolio at 32 per cent

which is at the lower end of this range. In this context we will be increasing this coverage given our view is that the market is fully priced.

With a mixed outlook for the Australian economy the upcoming reporting season will be crucial in providing support to current market valuations. With dividend payout ratios relatively high, profit results will also be important for the outlook for dividend income. We may see some increase in profitability from resource companies, although the outlook for many other companies in a low-growth, highly competitive environment, in our view, still remains subdued. In respect to the banking sector it was very disappointing as investors to see the Federal and South Australian State Government seeking to introduce additional tax on the country's five biggest banks. These taxes bypass the company tax system, and as such they provide no franking credits for shareholders and represent double taxation on these companies' profits.

The level of volatility is another important factor that Djerriwarrh considers in its option writing activities. This has been very low over the year (Figure 7) as the Australian market followed the United States market higher (Figure 8).

Our expectation is that volatility could well increase over coming months as the Federal Reserve and European Central Bank look to increase interest rates from very low levels on the back of improved economic conditions. Geopolitical issues could also have a role in lifting volatility as tensions in the Middle East and Korean Peninsula play out.

**Capital Changes**

The Company's Dividend Reinvestment Plan was reinstated for the interim dividend paid in February 2017. As a result of the reinvestment of dividends 762,185 shares were issued in February 2017 at a price of \$3.53. At the close of the year the Company had 219.4 million shares in issue.

Figure 7: Australian Market Volatility

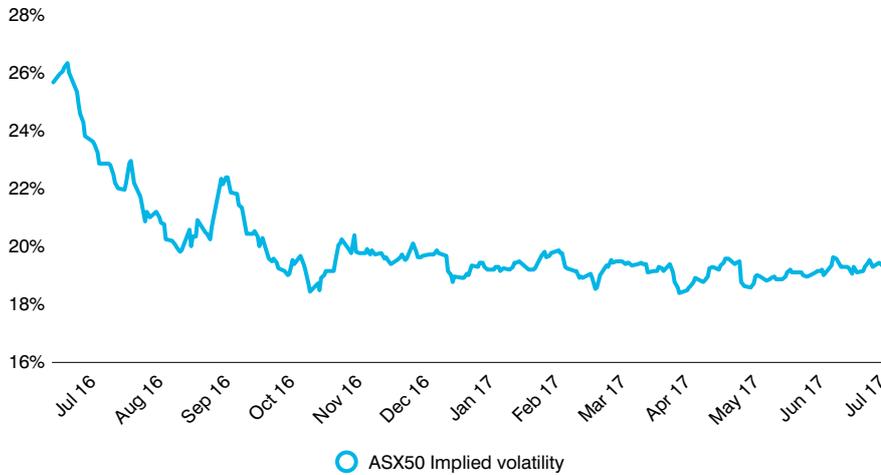
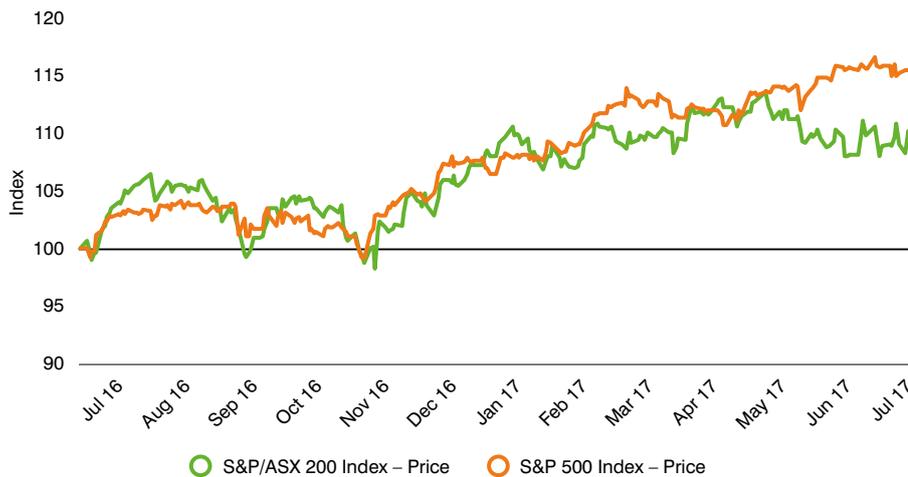


Figure 8: Australian S&P/ASX 200 Index Compared to the US S&P 500 Index



Source: FactSet

## Dividends

A final fully franked dividend of 10 cents per share has been declared. This is down from 14 cents last year, as foreshadowed in our 2016 Annual Report and our 2017 Interim Report.

The dividends paid during the year ended 30 June 2017 were as follows:

	\$'000
Final dividend for the year ended 30 June 2016 of 14 cents fully franked at 30 per cent paid 26 August 2016	30,603
Interim dividend for the year ended 30 June 2017 of 10 cents per share fully franked at 30 per cent, paid 21 February 2017	21,859
	<b>52,462</b>

“

*The focus on adding incrementally to a range of existing smaller company holdings continued as attractive opportunities arose.*

”

## Listed Investment Company Capital Gains

Listed investment companies (LICs) which make capital gains on the sale of investments held for more than one year are able to attach to their dividends a LIC capital gains amount which some shareholders are able to use to claim a tax deduction. This is called an 'LIC capital gain attributable part'. The purpose of this is to put shareholders in listed investment companies on a similar footing with holders of managed investment trusts with respect to capital gains tax on the sale of underlying investments.

Tax legislation sets out the definition of a 'listed investment company' which Djerriwarrh satisfies. Furthermore, from time to time the Company sells securities out of the investment portfolio held for more than one year which may result in capital gains being made and tax being paid. The Company is therefore, on occasion, in a position to be able to make available to shareholders a LIC capital gain attributable part with our dividends. In respect of this year's final dividend of 10.0 cents per share for the year ended 30 June 2017, it carries with it a 7.14 cents per share LIC capital gain attributable part (2016: 7.14 cents). The amount which shareholders may be able to claim as a tax deduction depends on their individual situation. Further details are provided in the dividend statements.

## Financial Condition

The Company's financing consists primarily of shareholders' funds. The Company also has agreements with the Commonwealth Bank of Australia and Westpac Bank, for cash advance facilities of \$150 million (see Note D2). As at 30 June 2017, \$84.5 million had been drawn down on existing facilities (2016: \$76.5 million). The Company's total borrowings of \$84.5 million at balance date represented 11.8 per cent of net assets.



Market return  
from resources

22.9%

## Likely Developments

The Company intends to continue its investment activities in future years as it has done since inception. The results of these investment activities depend upon the performance of the companies and securities in which we invest. Their performance in turn depends on many economic factors. These include economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also industry and company-specific issues such as management competence, capital strength, industry economics and competitive behaviour.

The Directors do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of the Company's investments. Accordingly, the Directors do not provide a forecast of

the likely results of our activities. However, the Company's focus is on results over the medium to long term and its twin objectives are as set out on page 3.

## Significant Changes in the State of Affairs

Directors are not aware of any other significant changes in the operations of the Company or the environment in which it operates that will adversely affect the results in subsequent years.

## Events Since Balance Date

The Directors are not aware of any other matter or circumstance not otherwise disclosed in the Financial Report or the Directors' Report which has arisen since the end of the financial year that has affected

or may affect the operations, or the results of those operations, or the state of affairs of the Company in subsequent financial years.

## Environmental Regulations

The Company's operations are such that they are not materially affected by environmental regulations.

## Rounding Off of Amounts

The Company is of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Instrument, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## Top 20 Investments

As at 30 June 2017

Includes investments held in both the investment and trading portfolios.

### Valued at Closing Prices at 30 June 2017

	Total Value \$ Million	% of the Portfolio
1 Commonwealth Bank of Australia*	66.8	9.0
2 Westpac Banking Corporation*	63.1	8.5
3 BHP*	43.1	5.8
4 National Australia Bank*	35.0	4.7
5 Australia and New Zealand Banking Group*	34.0	4.6
6 Wesfarmers*	25.8	3.5
7 Telstra Corporation*	25.7	3.5
8 CSL*	25.2	3.4
9 Brambles*	19.3	2.6
10 Rio Tinto*	18.0	2.4
11 Oil Search*	14.6	2.0
12 QBE Insurance Group*	13.7	1.8
13 James Hardie Industries*	13.0	1.7
14 Woolworths*	13.0	1.7
15 Qube Holdings*	12.9	1.7
16 Seek*	12.2	1.6
17 Woodside Petroleum*	11.9	1.6
18 Amcor*	11.8	1.6
19 AMP*	11.6	1.6
20 Mirrabooka Investments	11.3	1.5
<b>Total</b>	<b>481.8</b>	

As a percentage of total portfolio value (excludes cash)

64.8%

\* Indicates that options were outstanding against part of the holding.

# Board and Management

## Directors

**John Paterson** BCom (Hons) (Melb), CPA, F Fin. Chairman and Independent Non-Executive Director. Chairman of the Investment Committee. Member of the Nomination Committee. Chairman of the Company's associated entity, Australian Investment Company Services Limited (AICS).

Mr Paterson is a Company Director who was appointed to the Board in July 2002, appointed Deputy Chairman in September 2009 and appointed Chairman in October 2013. He is also a Director of Australian Foundation Investment Company Limited (AFIC). He was formerly a Director of Goldman Sachs JBWere and is a former member of the Board of Guardians of Australia's Future Fund.

**Ross E Barker** BSc (Hons), MBA (Melb), F Fin. Managing Director and Member of the Investment Committee. Managing Director of the Company's associated entity, Australian Investment Company Services Limited (AICS).

Mr Barker has been a Director of the Company since May 1998 and was appointed Managing Director in February 2001. He is also Managing Director of AFIC, AMCIL Limited and Mirrabooka Investments Limited. He is also Chairman of Melbourne Business School Ltd.

**Robert J Edgar** BEc (Hons), PHD. Independent Non-Executive Director. Member of the Audit Committee.

Dr Edgar joined the Board on 26 March 2015. Dr Edgar's initial training was in Economics. He spent the majority of his business career at Australia & New Zealand Banking Group Ltd. He retired as Deputy Chief Executive Officer of the bank in 2009. He is a Non-Executive Director of Transurban Limited and Linfox Armaguard Pty Ltd. He also serves as the Chairman of the Hudson Institute of Medical Research and was a former Chairman of Federation Centres Limited. He was also previously a Non-Executive Director of NuFarm Limited, Asciano Limited and three Asian banks connected with the ANZ Group.

**Kathryn J Fagg** BE (Hons), MCom (Hons). Independent Non-Executive Director. Member of the Nomination Committee.

Ms Fagg joined the Board in May 2014. Her executive and professional roles have been broad and diverse. She started her career as a petroleum engineer. She became a management consultant and then held a number of Senior Executive positions in the banking, steel and logistics industries across Australia, New Zealand and Asia. Ms Fagg is currently a Board member of Reserve Bank of Australia and a Non-Executive Director of Incitec Pivot Limited and Boral Limited. She is President of Chief Executive Women, Chair of the Melbourne Recital Centre and Chair of the Breast Cancer Network Australia and was previously Chair of Parks Victoria. She also has a number of other significant interests including as a Fellow of the Academy of Technological Sciences and Engineering where she chairs the Industry and Innovation Forum.

Kathryn has been awarded Honorary Doctorates by the University of New South Wales in Business and in Chemical Engineering by the University of Queensland.

**Graham B Goldsmith** B Bus (Acctg), FCPA, FAICD, F Fin. Independent Non-Executive Director. Member of the Investment Committee.

Mr Goldsmith was appointed to the Board in April 2013. He is a Non-Executive Director of SEEK Limited and of Zhaopin Limited, Chancellor of Swinburne University of Technology and a Panel Member of Adara Partners. Mr Goldsmith is a former Vice Chairman and a former Managing Director of Goldman Sachs Australia, and its predecessor firm Goldman Sachs JBWere.

**Andrew F Guy** LLB, MBA. Independent Non-Executive Director. Chairman of the Audit Committee. Member of the Investment Committee and the Nomination Committee. Director of the Company's associated entity, Australian Investment Company Services Limited (AICS).

Mr Guy is a Company Director who was appointed to the Board in December 1989. He is a Director of Infrastructure Specialist Asset Management Limited and Chairman of Victoria Legal Aid.

**Graham J Kraehe** AO B Econ (Adel). Independent Non-Executive Director. Chairman of the Nomination Committee. Member of the Audit Committee and Investment Committee.

Mr Kraehe is a Company Director who was appointed to the Board in July 2002. He is a former Chairman of BlueScope Steel Limited, Brambles Limited, National Australia Bank Limited and a former Director of News Corporation Limited and the Reserve Bank of Australia. He is also a former Managing Director and Chief Executive Officer of Southcorp Limited.

## Board and Management continued

**Alice JM Williams** B.Com, FCPA, FAICD, CFA, ASFA AIF. Independent Non-Executive Director. Member of the Audit Committee.

Ms Williams was appointed to the Board in May 2010. Ms Williams is a Director of Victorian Funds Management Corporation, Equity Trustees Limited, Cooper Energy, and Defence Health. She is also a Non-Executive Director of Racing Victoria Limited, Barristers Chambers Limited and Foreign Investment Review Board (FIRB).

She was formerly a Director of Port of Melbourne Corporation, Guild Group, Airservices Australia, State Trustees Limited, Western Health, the Australian Accounting Standards Board, Telstra Sale Company and V/Line Passenger Corporation. She previously held senior management positions in the financial services sector including NM Rothschild and Sons (Australia) Limited and JP Morgan Australia.

**Karen J Wood** B Ed; LLB (Hons). Independent Non-Executive Director.

Ms Wood was appointed to the Board in July 2016. She is a former senior executive of BHP Billiton. During her executive career with that company she served in a number of roles including as Group Company Secretary and leading the People and the Corporate Affairs functions. She retired from BHP Billiton in 2014. She currently serves as Chair of the BHP Billiton Foundation. She served on the Takeovers Panel from 2000 to 2012.

### Senior Executives

**Geoffrey N Driver** B Ec, Grad Dip Finance. General Manager, Business Development and Investor Relations.

Mr Driver joined the Company in January 2003. Previously, he was with National Australia Bank Ltd for 18 years in various roles covering business strategy, marketing, distribution, investor relations and business operations. Mr Driver is Deputy Chairman of Trust for Nature (Victoria).

**R Mark Freeman** BE, MBA, Grad Dip App Fin (Sec Inst), AMP (INSEAD). Chief Investment Officer.

Mr Freeman has been Chief Investment Officer since joining the Company in February 2007. Prior to this he was a Partner with Goldman Sachs JBWere where he spent 12 years advising the investment companies on their investment and dealing activities. He has a deep knowledge and experience of investments markets and the Company's approaches, policies and processes.

**Andrew JB Porter** MA (Hons) (St And), FCA. Chief Financial Officer.

Mr Porter joined the Company in January 2005. He is a Chartered Accountant and has had over 21 years of experience in accounting and financial management both in the United Kingdom with Andersen Consulting and Credit Suisse First Boston and in Australia where he was Regional Chief Operating Officer for the Corporate and Investment Banking Division of CSFB. He is also a member of the National Executive of the G100, the peak body for CFOs and a former Non-Executive Director of the Royal Victorian Eye & Ear Hospital.

**Matthew J Rowe** BA (Hons), MSc Corp Gov, FGIA, FCIS. Company Secretary.

Mr Rowe joined the Company in July 2016. He is a Chartered Secretary with over 10 years of experience in corporate governance with a particular focus in listed investment companies. He was previously a corporate governance advisor at a professional services firm which included acting as Company Secretary for three ASX-listed companies. Previously, Matthew was the Company Secretarial Manager for a funds management company based in the United Kingdom. His experience includes working with boards of directors of Australian, United Kingdom and European-listed companies in the areas of corporate governance and company secretarial practices.

## Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2017 and the numbers of meetings attended by each Director were:

	Board		Investment Committee		Audit Committee		Nomination Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
J Paterson	10	10	25	23	-	2*	1	1
RE Barker	10	10	25	23	-	3*	-	-
RJ Edgar	10	10	-	13*	3	3	-	-
KJ Fagg	10	9	-	14*	-	1*	1	1
GB Goldsmith	10	10	25	23	-	1*	-	-
AF Guy	10	10	25	25	3	3	1	1
GJ Kraehe	10	9	25	21	3	3	1	1
AJM Williams	10	10	-	20*	3	3	-	-
KJ Wood	10	9	-	13*	-	1*	-	-

\* Attended meetings as non-members.

During the year a sub-committee of the Board met twice. Messrs Barker, Guy and Paterson attended the first meeting and Messrs Barker and Paterson attended the second meeting.

## Insurance of Directors and Officers

During the financial year, the Company paid insurance premiums to insure the Directors and Officers named in this report to the extent allowable by law. The terms of the insurance contract preclude disclosure of further details.

## Corporate Governance Statement

A copy of the Company's Corporate Governance Statement for the financial year ended 30 June 2017 can be found on the Company's website at:

[djerri.com.au/Corporate-Governance.aspx](http://djerri.com.au/Corporate-Governance.aspx)

# Remuneration Report

## (a) Principles Used to Determine Nature and Amount of Remuneration

The constitution of Djerriwarrh requires approval by the shareholders in general meeting of a maximum amount of remuneration per year to be allocated between and paid to Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Australian corporate Directors. The amount of remuneration for each Director excludes amounts owing when the Directors' retirement allowances were frozen at 30 June 2004. At the Company's 2015 Annual General Meeting, the total aggregate amount approved by shareholders for Non-Executive Director remuneration was \$900,000.

Directors hold office until such time as they retire, resign or are removed from office under the terms set out in the constitution of the Company.

Non-Executive Directors do not receive any performance-based remuneration.

RE Barker is made available as Managing Director of Djerriwarrh by Australian Investment Company Services (AICS). No Directors' fees are paid to Mr Barker as they have been included in the amounts charged by AICS. Also as part of these remuneration arrangements with AICS, Mr Barker receives an 'at risk' component which is based on performance, as do other Executives and the Investment Team. The performance criteria includes quantitative and qualitative assessments which include, among other things, the services that they have provided to Djerriwarrh and for which AICS is paid.

All current Directors have entered into a Directors' Deed in a form approved by shareholders.

The Directors and the Company have agreed to freeze Directors' retirement allowances at the 30 June 2004 level. This frozen amount will be paid to the respective Directors when they ultimately retire, without further adjustment. The Company continues to pay an SGC contribution on Directors' fees.

## (b) Remuneration of Directors

Details of the nature and amounts of each Director's remuneration in respect of the year to 30 June 2017 were as follows:

	Primary Fee \$	Post-employment Superannuation \$	Total Remuneration \$
<b>J Paterson – Chairman (Non-Executive)</b>			
2017	155,251	14,749	170,000
2016	155,251	14,749	170,000
<b>RE Barker – Managing Director (Executive)</b>			
2017	-	-	-
2016	-	-	-
<b>RJ Edgar – Director (Non-Executive)</b>			
2017	77,626	7,374	85,000
2016	77,626	7,374	85,000
<b>KJ Fagg – Director (Non-Executive)</b>			
2017	77,626	7,374	85,000
2016	77,626	7,374	85,000
<b>GB Goldsmith – Director (Non-Executive)</b>			
2017	77,626	7,374	85,000
2016	77,626	7,374	85,000
<b>AF Guy – Director (Non-Executive)</b>			
2017	77,626	7,374	85,000
2016	77,626	7,374	85,000
<b>GJ Kraehe – Director (Non-Executive)</b>			
2017	77,626	7,374	85,000
2016	77,626	7,374	85,000

	Primary Fee \$	Post-employment Superannuation \$	Total Remuneration \$
<b>BB Teele – Director (Non-Executive) (retired 5 October 2015)</b>			
<b>2017</b>	-	-	-
2016	20,461	1,944	22,405
<b>AJM Williams – Director (Non-Executive)</b>			
<b>2017</b>	<b>77,626</b>	<b>7,374</b>	<b>85,000</b>
2016	77,626	7,374	85,000
<b>KJ Wood – Director (Non-Executive) (appointed 1 July 2016)</b>			
<b>2017</b>	<b>77,626</b>	<b>7,374</b>	<b>85,000</b>
<b>Total remuneration: Directors</b>			
<b>2017</b>	<b>698,633</b>	<b>66,367</b>	<b>765,000</b>
2016	641,468	60,937	702,405

The level of Director' fees was considered during the year and it was considered appropriate that no changes be made.

### (c) Directors' Retirement Allowances

The Board proposed and shareholders approved at the 2004 AGM discontinuing the practice of paying Directors' retirement allowances.

The Directors' retirement allowance provided in past years was equal to the total emoluments that the Director received in the three years immediately preceding retirement, where a Director had held office for five or more years and a proportionate part for less than five years' service.

For Directors in office at 30 June 2004, the amounts accrued as at that date will be paid to them upon their ultimate retirement. No further accruals of Directors' retiring allowances will be made after 30 June 2004. New Directors appointed to the Company after that date will not be entitled to any Director's retirement allowance.

The amounts payable to the respective current Directors who were in office at 30 June 2004, which will be paid when they retire, are set out below. These amounts were expensed in prior years as the retirement allowances accrued.

	Amount Payable on Retirement \$
RE Barker	114,500
AF Guy	114,500
GJ Kraehe	44,468
J Paterson	44,468
RJ Edgar	0
KJ Fagg	0
GB Goldsmith	0
AJM Williams	0
KJ Wood	0
	<b>317,936</b>

## Remuneration Report continued

### Holdings of Securities Issued by the Company

As at 30 June 2017 Directors and Executives who hold stock units issued by the Company for their own benefit or who have an interest in holdings in the name of another party and the total number of such securities are as follows:

	Balance at 1 July 2016	Net Changes During the Year	Balance at 30 June 2017
J Paterson	244,310	73,054	317,364
RE Barker	383,495	3,400	386,895
RJ Edgar	0	20,000	20,000
KJ Fagg	3,000	84	3,084
GB Goldsmith	20,000	26,274	46,274
AF Guy	220,450	1,154	221,604
GJ Kraehe	38,523	1,091	39,614
AJM Williams	8,904	3,028	11,932
KJ Wood	n/a	36,203	36,203
GN Driver	26,543	1,757	28,300
RM Freeman	41,065	1,163	42,228
AJB Porter	8,010	92,479	100,489

It is the Company's policy that no Djerriwarrh shares owned by Directors or Executives are held subject to margin loans.

### (d) Executives

Executives are officers who are involved in, concerned with, or who take part in, the management of the affairs of the Company.

The Company has five Executives: RE Barker, Managing Director; GN Driver, General Manager – Business Development and Investor Relations; RM Freeman, Chief Investment Officer; AJB Porter, Chief Financial Officer; and MJ Rowe who is Company Secretary (and was appointed on 11 July 2016)(2016: five Executives, including SM Pordage who resigned as Company Secretary with effect from 29 April 2016).

No remuneration is paid to the Executives directly by Djerriwarrh as their services are provided pursuant to an arrangement with AICS as outlined in the Notes to the Financial Statements. However, the Managing Director, General Manager – Business Development and Investor Relations, the Chief Financial Officer and the Company Secretary are all required to purchase Djerriwarrh shares as part of their Short Term Incentive Plans, and all purchased Djerriwarrh shares during the year under this arrangement (apart from the Company Secretary who commenced 11 July 2016). The Chief Investment Officer is not required to purchase any Djerriwarrh shares as part of his incentive arrangements. However, he is a Djerriwarrh shareholder and purchased DJW shares during the year.

## Non-audit Services

Details of non-audit services performed by the auditors may be found in Note F2 of the Financial Report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in the *Corporations Act 2001* including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company, or jointly sharing economic risk and rewards.

A copy of the Auditors Independence Declaration is set out on page 18.

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



John Paterson  
Chairman

Melbourne  
17 July 2017

# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Djerrivarrh Investments Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Charles Christie'.

Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
17 July 2017

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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# Income Statement

For the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Dividends and distributions	A3	30,570	36,794
Revenue from deposits and bank bills		352	164
Other revenue		15	41
<b>Total revenue</b>		<b>30,937</b>	<b>36,999</b>
Net gains on trading portfolio	A3	2,278	2,057
Income from options written portfolio	A3	10,938	16,074
<b>Income from operating activities</b>		<b>44,153</b>	<b>55,130</b>
Finance costs	B4/D2	(3,059)	(4,488)
Administration expenses	B1	(3,975)	(3,894)
Share of net profit from associate	B1	389	262
<b>Operating result before income tax expense</b>		<b>37,508</b>	<b>47,010</b>
<b>Income tax expense*</b>	B2, E2	<b>(3,666)</b>	<b>(4,806)</b>
<b>Net operating result for the year</b>		<b>33,842</b>	<b>42,204</b>
Net losses on open options positions		(235)	(2,123)
Deferred tax credit on open options positions*	B2, E2	71	637
		(164)	(1,486)
<b>Profit for the year</b>		<b>33,678</b>	<b>40,718</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	A5	15.39	18.63
		<b>2017 \$'000</b>	<b>2016 \$'000</b>
* Total tax expense	B2, E2	3,595	4,169

This Income Statement should be read in conjunction with the accompanying notes.

# Statement of Comprehensive Income

For the Year Ended 30 June 2017

	Year to 30 June 2017			Year to 30 June 2016		
	Revenue <sup>1</sup> \$'000	Capital <sup>1</sup> \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the year	33,842	(164)	33,678	42,249	(1,531)	40,718
<b>Other comprehensive income</b>						
<i>Items that will not be recycled through the Income Statement</i>						
Gains/(losses) for the period	-	50,584	50,584	-	(76,994)	(76,994)
Tax on above	-	(15,311)	(15,311)	-	23,054	23,054
<i>Items that may be recycled through the Income Statement</i>						
Net movement in fair value of swap contracts <sup>2</sup>	-	673	673	-	311	311
<b>Total other comprehensive income</b>	-	35,946	35,946	-	(53,629)	(53,629)
<b>Total comprehensive income</b>	<b>33,842</b>	<b>35,782</b>	<b>69,624</b>	<b>42,249</b>	<b>(55,160)</b>	<b>(12,911)</b>

1. 'Capital' includes realised or unrealised gains or losses (and the tax on those) on securities in the investment portfolio and unrealised gains or losses (and the tax thereon) on options in the options written portfolio. Income in the form of distributions and dividends and realised gains or losses on options is recorded as 'revenue'. All other items, including expenses, are included in 'net operating result', which is categorised under 'revenue'.
2. It is currently anticipated that the swaps will be held to maturity and consequently that they will not be recycled through the Income Statement.

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

# Balance Sheet

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Current assets</b>			
Cash	D1	8,378	954
Receivables		44,587	6,417
Trading portfolio		-	4,575
<b>Total current assets</b>		<b>52,965</b>	<b>11,946</b>
<b>Non-current assets</b>			
Investment portfolio	A2	750,239	752,655
Deferred tax assets – investment portfolio	B2	4,619	19,295
Shares in associate	F5	419	1,148
<b>Total non-current assets</b>		<b>755,277</b>	<b>773,098</b>
<b>Total assets</b>		<b>808,242</b>	<b>785,044</b>
<b>Current liabilities</b>			
Payables		1,412	2,865
Tax payable		226	627
Borrowings – bank debt	D2	84,500	76,500
Interest rate hedging contracts	B4	437	1,110
Options sold	A2	6,318	8,351
<b>Total current liabilities</b>		<b>92,893</b>	<b>89,453</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	E2	466	533
Deferred tax liabilities – investment portfolio	B2	-	-
<b>Total non-current liabilities</b>		<b>466</b>	<b>533</b>
<b>Total liabilities</b>		<b>93,359</b>	<b>89,986</b>
<b>Net assets</b>		<b>714,883</b>	<b>695,058</b>
<b>Shareholders' equity</b>			
Share capital	A1, D6	636,888	634,225
Revaluation reserve	A1, D3	40,612	1,677
Realised capital gains reserve	A1, D4	(9,298)	5,295
Interest rate hedging reserve	B4	(437)	(1,110)
Retained profits	A1, D5	47,118	54,971
<b>Total shareholders' equity</b>		<b>714,883</b>	<b>695,058</b>

This Balance Sheet should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

for the Year Ended 30 June 2017

## Year Ended 30 June 2017

	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Interest Rate Hedging \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		634,225	1,677	5,295	(1,110)	54,971	695,058
Dividends paid	A4	-	-	(10,931)	-	(41,531)	(52,462)
Shares issued under Dividend Reinvestment Plan	D6	2,691	-	-	-	-	2,691
Share issue costs	D6	(28)	-	-	-	-	(28)
<b>Total transactions with shareholders</b>		<b>2,663</b>	<b>-</b>	<b>(10,931)</b>	<b>-</b>	<b>(41,531)</b>	<b>(49,799)</b>
Profit for the year		-	-	-	-	33,678	33,678
<b>Other comprehensive income (net of tax)</b>							
Net gains for the period on investments <sup>1</sup>		-	35,273	-	-	-	35,273
Net movement in fair value of swap contracts		-	-	-	673	-	673
Other comprehensive income for the year		-	35,273	-	673	-	35,946
Transfer to realised capital gains reserve of cumulative losses on investments sold		-	3,662	(3,662)	-	-	-
<b>Total equity at the end of the year</b>		<b>636,888</b>	<b>40,612</b>	<b>(9,298)<sup>2</sup></b>	<b>(437)</b>	<b>47,118</b>	<b>714,883</b>

1. Consists of an unrealised gain on investments held at the year-end of \$38.9 million (after tax) plus cumulative losses on investments sold during the year of \$3.7 million (after tax).

2. See Note D4.

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

## Year Ended 30 June 2016

	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Interest Rate Hedging \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		634,225	50,126	26,132	(1,421)	55,740	764,802
Dividends paid	A4	-	-	(15,301)	-	(41,532)	(56,833)
<b>Total transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>(15,301)</b>	<b>-</b>	<b>(41,532)</b>	<b>(56,833)</b>
Profit for the year		-	(45)	-	-	40,763	40,718
<b>Other comprehensive income (net of tax)</b>							
Net loss for the period on investments <sup>1</sup>		-	(53,940)	-	-	-	(53,940)
Net movement in fair value of swap contracts		-	-	-	311	-	311
Other comprehensive income for the year		-	(53,940)	-	311	-	(53,629)
Transfer to realised capital gains reserve of cumulative losses on investments sold		-	5,536	(5,536)	-	-	-
<b>Total equity at the end of the year</b>		<b>634,225</b>	<b>1,677</b>	<b>5,295<sup>2</sup></b>	<b>(1,110)</b>	<b>54,971</b>	<b>695,058</b>

1. Consists of an unrealised loss on investments held at the year-end of \$48.4 million (after-tax) plus cumulative losses on investments sold during the year of \$5.5 million (after tax).

2. See Note D4.

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

# Cash Flow Statement

For the Year Ended 30 June 2017

	Note	2017 \$'000 Inflows/ (Outflows)	2016 \$'000 Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Sales from trading portfolio		9,781	14,590
Purchases for trading portfolio		(2,078)	(12,822)
Interest received		352	164
Proceeds from entering into options in options written portfolio		27,915	28,798
Payment to close out options in options written portfolio		(19,245)	(12,591)
Dividends and distributions received		29,949	30,685
		<b>46,674</b>	<b>48,824</b>
Other receipts		1,015	41
Administration expenses		(3,966)	(4,123)
Finance costs paid		(3,016)	(4,507)
Income taxes paid		(4,581)	(5,832)
<b>Net cash inflow/(outflow) from operating activities</b>	E1	<b>36,126</b>	<b>34,403</b>
<b>Cash flows from investing activities</b>			
Sales from investment portfolio		147,875	148,734
Purchases for investment portfolio		(134,763)	(157,755)
Tax paid on capital gains		(17)	(11,062)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>13,095</b>	<b>(20,083)</b>
<b>Cash flows from financing activities</b>			
Drawing down of cash advance facilities		8,000	1,500
Share issue costs		(28)	-
Dividends paid		(49,769)	(56,833)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(41,797)</b>	<b>(55,333)</b>
Net increase/(decrease) in cash held		7,424	(41,013)
Cash at the beginning of the year		954	41,967
<b>Cash at the end of the year</b>	D1	<b>8,378</b>	<b>954</b>

For the purpose of the Cash Flow Statement, 'cash' includes cash and deposits held at call.

This Cash Flow Statement should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## A. Understanding Djerriwarrh's Financial Performance

### A1. How Djerriwarrh Manages its Capital

Djerriwarrh's objective is to provide shareholders with attractive total returns including capital growth over the medium to long term and to pay an enhanced level of dividends.

Djerriwarrh recognises that its capital will fluctuate with market conditions. In order to manage those fluctuations, the Board may adjust the amount of dividends paid, issue new shares, buy-back the Company's shares or, where applicable, sell assets to settle any debt.

Djerriwarrh's capital consists of its shareholders' equity plus any net borrowings. A summary of the balances in equity (excluding the interest rate hedging reserve) is provided below:

	2017 \$'000	2016 \$'000
Share capital	636,888	634,225
Revaluation reserve	40,612	1,677
Realised capital gains reserve	(9,298)	5,295
Retained profits	47,118	54,971
	<b>715,320</b>	<b>696,168</b>

Refer to Notes D3 – D6 for a reconciliation of movement for each equity account from period to period.

### A2. Investments Held and How They Are Measured

Djerriwarrh has three portfolios of securities: the investment portfolio, the options written portfolio and the trading portfolio. Details of all holdings (except for the specific option holdings) as at the end of the reporting period can be found at the end of the Annual Report. The investment portfolio holds securities which the Company intends to retain on a long-term basis. The options written portfolio and trading portfolio are held for short-term trading only. The latter is relatively small in size when utilised. The Company predominantly writes call options but a small number of put options are also written at times (see below). Call options are only written over securities held in the investment portfolio while put options are fully backed by cash, cash equivalents or access to liquidity facilities.

The balance and composition of the investment portfolio was:

	2017 \$'000	2016 \$'000
Equity instruments (at market value)	750,239	752,655
Puttable instruments and convertible notes that are classified as debt	-	-
	<b>750,239</b>	<b>752,655</b>

The fair value (the price at which the option may be bought) at 30 June of the securities in the options written portfolio was:

	2017 \$'000	2016 \$'000
Call options	(5,475)	(7,930)
Put options	(843)	(421)
	<b>(6,318)</b>	<b>(8,351)</b>

If all call options were exercised, this would lead to the sale of \$256.8 million worth of securities at an agreed price – the 'exposure' (2016: \$325.3 million). If all put options were exercised, this would lead to the purchase of \$13.8 million of securities at an agreed price (2016: \$13.4 million).

Shares valued at \$95.2 million are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2016: \$82.8 million). These shares are lodged with ASX Clear under the terms of ASX Clear Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

## NOTES TO THE FINANCIAL STATEMENTS continued

### How Investments Are Shown in the Financial Statements

The accounting standards set out the following hierarchy for fair value measurement:

**Level 1:** Quoted prices in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices).

**Level 3:** Inputs for the asset or liabilities that are not based on observable market data.

All financial instruments held by Djerrivarrh are classified as Level 1 (other than options which are Level 2). Their fair values are initially measured at the costs of acquisition and then remeasured based on quoted market prices at the end of the reporting period. Options are valued daily using an independent third-party data provider.

### Net Tangible Asset Backing Per Share

The Board regularly reviews the net asset backing per share both before and after provision for deferred tax on the unrealised gains or losses in Djerrivarrh's long term investment portfolio. Deferred tax is calculated as set out in Note B2. The relevant amounts as at 30 June 2017 and 30 June 2016 were as follows:

In addition, the Investment Committee regularly reviews the net asset value per share both before and after provision for deferred tax on the unrealised gains in the long term investment portfolio. Deferred tax is calculated as set out in Note B2. The relevant amounts as at 30 June 2017 and 30 June 2016 were as follows:

	30 June 2017 \$	30 June 2016 \$
<b>Net tangible asset backing per share</b>		
Before tax	3.24	3.09
After tax	3.26	3.18

### Equity Investments

The shares in the investment portfolio are designated under the accounting standards as financial assets measured at fair value through 'other comprehensive income' (OCI), because they are equity instruments held for long-term capital growth and dividend income, rather than to make a profit from their sale. This means that changes in the value of these shares during the reporting period are included in OCI in the statement of comprehensive income. The cumulative change in value of the shares over time is then recorded in the revaluation reserve. On disposal, the amounts recorded in the revaluation reserve are transferred to the realised capital gains reserve.

### Options

Options are classified as financial assets or liabilities at fair value through profit and loss and usually have an expiry date within 12 months from the date that they are sold. Options written are initially brought to account at the amount received upfront for entering into the contract (the premium) and subsequently revalued to current market value.

### Puttable Instruments and Convertible Notes

Puttable instruments and convertible notes are classified as financial assets at fair value through profit and loss under the accounting standards and therefore need to be treated differently in the financial statements from equity investments, even though they are managed in the same way as the rest of the investment portfolio. Changes in the value of these investments are reflected in the Income Statement and not in the Statement of Comprehensive Income with the other investments. Any gains or losses on these securities are transferred from retained profits to the revaluation reserve. On disposal, the amounts recorded in the revaluation reserve are transferred to the realised capital gains reserve.

### Securities Sold and How They Are Measured

During the period \$186.9 million (2016: \$142.9 million) of equity securities were sold. The cumulative loss on the sale of securities was \$3.7 million for the period after tax (2016: \$5.5 million loss). This has been transferred from the revaluation reserve to the realised capital gains reserve (see Statement of Changes in Equity). These sales were accounted for at the date of trade.

Where securities are sold, any difference between the sale price and the cost is transferred from the revaluation reserve to the realised capital gains reserve and the amounts noted in the Statement of Changes in Equity. This means the Company is able to identify the realised gains out of which it can pay a LIC gain as part of the dividend, which conveys certain taxation benefits to many of Djerriwarrh's shareholders.

The realised gain or loss on options written is not recognised until the option expires, is exercised or is closed out. All unrealised gains or losses which represent movements in the market value of the options are recognised through the Income Statement.

### A3. Operating Income

The total income received from Djerriwarrh's investments in 2017 is set out below.

	2017 \$'000	2016 \$'000
<b>Dividends and distributions</b>		
Dividends from securities held in investment portfolio at 30 June	26,483	32,951
Dividends from investment securities sold during the year	4,087	3,838
Dividends from securities held in trading portfolio at 30 June	-	-
Dividends from trading securities sold during the year	-	5
	<b>30,570</b>	<b>36,794</b>

Dividends from listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Dividends from unlisted securities are recognised as income when they are received. Capital returns on ordinary shares are treated as an adjustment to the carrying value of the shares.

### Trading Income and Non-equity Investments

Net gains on the trading and options portfolio are set out below.

	2017 \$'000	2016 \$'000
<b>Net gains</b>		
Net realised gains from trading portfolio	2,278	2,015
Realised gains on options written portfolio	10,938	16,074
Unrealised gains from trading portfolio	-	107
Gains/(losses) on non-equity investments	-	(65)
	<b>13,216</b>	<b>18,131</b>

Including the realised gain on options written above, plus the unrealised loss on open options, a total of \$10.7 million before tax was recorded through the Income Statement from options in the options written portfolio (2016: \$14.0 million).

## NOTES TO THE FINANCIAL STATEMENTS continued

### A4. Dividends Paid

The dividends paid and payable for the year ended 30 June 2017 are shown below:

	2017 \$'000	2016 \$'000
<b>(a) Dividends Paid During the Year</b>		
Final dividend for the year ended 30 June 2016 of 14 cents fully franked at 30 per cent paid 26 August 2016 (2016: 16 cents fully franked at 30 per cent paid on 21 August 2015).	30,603	34,974
Interim dividend for the year ended 30 June 2017 of 10 cents per share fully franked at 30 per cent, paid 21 February 2017 (2016: 10 cents fully franked at 30 per cent paid 16 February 2016)	21,859	21,859
	<b>52,462</b>	<b>56,833</b>
<b>(b) Franking Credits</b>		
Balance on the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables.	36,309	43,671
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(9,401)	(13,116)
<b>Net available</b>	<b>26,908</b>	<b>30,555</b>
These franking account balances would allow Djerrivarrh to frank additional dividend payments up to an amount of:	62,785	71,295

Djerrivarrh's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and on Djerrivarrh paying tax on its other operating activities and on any capital gain.

### (c) Dividends Declared After Balance Date

Since the end of the year Directors have declared a final dividend of 10 cents per share fully franked at 30 per cent. The aggregate amount of the final dividend for the year to 30 June 2017 to be paid on 25 August 2017, but not recognised as a liability at the end of the financial year is:

21,935

### (d) Listed Investment Company Capital Gain Account

	2017 \$'000	2016 \$'000
Balance of the LIC capital gain account	47,879	56,906
This equates to an attributable amount	68,399	81,294

Distributed LIC capital gains may entitle certain shareholders to a deduction in their tax return, as set out in the dividend statement. LIC capital gains available for distribution are dependent on the disposal of investment portfolio holdings that qualify for LIC capital gains or the receipt of LIC distributions from LIC securities held in the portfolios. \$11.0 million of the capital gain (\$15.7 million of the attributable amount) will be paid out as part of the final dividend on 25 August 2017.

## A5. Earnings Per Share

The table below shows the earnings per share based on the profit for the year:

	2017	2016
<b>Basic earnings per share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	218,859,903	218,589,718
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	33,678	40,718
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	15.39	18.63
<b>Basic net operating result per share</b>	<b>\$'000</b>	<b>\$'000</b>
Net operating result	33,842	42,204
	<b>Cents</b>	<b>Cents</b>
Basic net operating result per share	15.46	19.31

### Dilution

As there are no options, convertible notes or other dilutive instruments on issue, diluted earnings per share is the same as basic earnings per share. This also applies to diluted net operating result per share.

## B. Costs, Tax and Risk

### B1. Management Costs

The total management expenses for the period are as follows:

	2017	2016
	<b>\$'000</b>	<b>\$'000</b>
Administration fees paid to AICS	(2,437)	(2,412)
Share of net profit from AICS as an associate	389	262
Other administration expenses	(1,538)	(1,482)

### Administration Fees Paid to AICS

Australian Investment Company Services Limited (AICS) undertakes the day-to-day administration of Djerriwarrh's investments and its operations, including financial reporting. Djerriwarrh has a 25 per cent shareholding in AICS and has two Directors on the AICS Board who are involved in approving the annual expenses budget of the Company, among other duties.

## NOTES TO THE FINANCIAL STATEMENTS continued

### Other Administration Expenses

A major component of other administration expenses is Directors' remuneration. This has been summarised below:

	Short-term Benefits \$	Post- employment Benefits \$	Total \$
<b>2017</b>			
<b>Directors</b>	<b>698,633</b>	<b>66,367</b>	<b>765,000</b>
2016			
Directors	641,468	60,937	702,405

Djerriwarrh recognises Directors' retirement allowances that have been crystallised as 'amounts payable'. There are no further retirement allowances that will need to be expensed.

Detailed remuneration disclosures are provided in the Remuneration Report.

The Company does not make loans to Directors.

### B2. Tax

Djerriwarrh's tax position, and how it accounts for tax, is explained here. Detailed reconciliations of tax accounting to the financial statements can be found in Note E2.

The income tax expense for the period is the tax payable on this financial year's taxable income, adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences and for any unused tax losses. Deferred tax assets and liabilities (except for those related to the unrealised gains or losses in the investment portfolio) are offset, as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis.

A provision has been made for taxes on any unrealised gains or losses on securities valued at fair value through the Income Statement – i.e. the trading portfolio, puttable instruments, convertible notes that are classified as debt and the options written portfolio.

A provision also has to be made for any taxes that could arise on sale of securities in the investment portfolio, even though there is no intention to dispose of them. Where Djerriwarrh disposes of such securities, tax is calculated according to the particular parcels allocated to the sale for tax purposes, offset against any capital losses carried forward.

### Tax Expense

The income tax expense for the period is shown below:

	2017 \$'000	2016 \$'000
<i>(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable</i>		
<b>Operating result before income tax expense</b>	<b>37,508</b>	<b>47,010</b>
Tax at the Australian tax rate of 30 per cent (2016: 30 per cent)	11,252	14,103
Tax offset for franked dividends received	(7,681)	(9,127)
Tax effect of sundry items not taxable in calculating taxable income or taxable in current year but not included in income	227	(37)
	<b>3,798</b>	<b>4,939</b>
Over provision in prior years	(132)	(133)
Income tax expense on operating result before net gains on investments	<b>3,666</b>	<b>4,806</b>
<b>Net gains (losses) on open options positions</b>	<b>(235)</b>	<b>(2,123)</b>
Tax at the Australian tax rate of 30 per cent (2016: 30 per cent)	(71)	(637)
Tax expense (credit) on net gains on open options positions	(71)	(637)
<b>Total tax expense</b>	<b>3,595</b>	<b>4,169</b>

### Deferred Tax – Investment Portfolio

The accounting standards require us to recognise a deferred tax asset or liability for the potential capital gains tax on the unrealised gain or loss in the investment portfolio. This amount is shown in the Balance Sheet. However, the Board does not intend to sell the investment portfolio and considers that the asset meets the asset recognition criteria.

	2017 \$'000	2016 \$'000
Deferred tax liabilities (assets) on unrealised gains in the investment portfolio	(4,619)	(19,295)
Opening balance at 1 July	(19,295)	3,796
Charged to Income Statement for puttable instruments/non-equity investments	-	(20)
Tax on realised gains	(635)	(17)
Charged to OCI for ordinary securities on gains or losses for the period	15,311	(23,054)
	<b>(4,619)</b>	<b>(19,295)</b>

## B3. Risk

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

As a LIC that invests in tradeable securities, Djerrriwarrh will always be subject to market risk as it invests its capital in securities which are not risk free – the market price of these securities will fluctuate.

A general fall in market prices of 5 per cent and 10 per cent on values at 30 June, if spread equally over all assets in the investment portfolio, would have led to the following reductions (after tax):

	2017 \$'000		2016 \$'000	
	5%	10%	5%	10%
Profit after tax	-	-	-	-
Other comprehensive income	(26,258)	(52,517)	(26,343)	(52,686)

A market fall of 5 per cent and 10 per cent across the trading portfolio and options written portfolio on values at 30 June would have led to the following increases (after tax):

	2017 \$'000		2016 \$'000	
	5%	10%	5%	10%
Profit after tax	221	442	132	264
Other comprehensive income	-	-	-	-

The revaluation reserve at 30 June 2017 was \$40.6 million (2016: \$1.7 million). It would require a fall in the value of the investment portfolio of 4.8 per cent after tax to fully deplete this (2016: 0.3 per cent).

## NOTES TO THE FINANCIAL STATEMENTS continued

Djerriwarrh seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Investment Committee (normally fortnightly) and risk can be managed by reducing exposure where necessary. Djerriwarrh does not have a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

Djerriwarrh's investment exposures by sector is as below:

	2017 %	2016 %
Energy	4.91	6.19
Materials	16.11	14.26
Industrials	9.89	9.70
Consumer staples	6.97	6.89
Banks	27.25	25.62
Other financials (including property trusts)	16.97	16.79
Telecommunications	4.19	6.35
Healthcare	8.08	10.10
Other – consumer discretionary, info technology and utilities	4.52	3.97
Cash	1.11	0.13

Securities representing over 5 per cent of the combined investment and trading portfolio (including options) at 30 June were:

	2017 %
Commonwealth Bank	9.0
Westpac	8.5
BHP	5.8

	2016 %
Commonwealth Bank	8.1
Westpac	6.8
National Australia Bank	5.6

No other security represents over 5 per cent of the Company's investment and trading portfolios.

The writing of call options provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. Options are only written against securities that are held in the trading or investment portfolios although stock may be purchased on-market to meet call obligations.

Djerriwarrh is also not directly exposed to material currency risk as most of its investments are quoted in Australian dollars.

## Interest Rate Risk

Djerriwarrh is not currently materially exposed to interest rate risk as all its cash investments and borrowings are short term for a fixed interest rate but it has entered into interest rate hedging contracts with the Commonwealth Bank of Australia and Westpac Bank, under which Djerriwarrh will pay a fixed interest rate on \$75 million worth of short-term borrowings, \$25 million which commenced in February 2013, \$15 million which commenced in October 2015, \$20 million which commenced in April 2016 and \$15 million which commenced in December 2016. This locked in a longer-term fixed rate for a substantial proportion of Djerriwarrh's debt and will expire respectively in February 2018, October 2020, October 2019, October 2020 and October 2021. Should interest rates move to the extent that the Board feel that the swaps are uneconomical, they may be unwound and the cost of unwinding them would be reflected through the Income Statement. Interest rate risk on hybrid securities held by Djerriwarrh is reflected in their market value. The hedge was fully effective for the year.

## Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Djerriwarrh is exposed to credit risk from cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are overdue. The risk in relation to each of these items is set out below.

### Cash

All cash investments not held in a transactional account are invested in short-term deposits with Australia's 'big four' commercial banks or cash management trusts which invest predominantly in securities with an A1+ rating.

In the unlikely event of a bank default or default on the underlying securities in the cash trust, there is a risk of losing the cash deposits and any accrued unpaid interest.

### Receivables

Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within two days of the date of a transaction. Receivables are non-interest bearing and unsecured. In the event of a payment default, there is a risk of losing any difference between the price of the securities sold and the price of the recovered securities from the discontinued sale.

### Trading and Investment Portfolios

Converting and convertible notes or other interest-bearing securities that are not equity securities carry credit risk to the extent of their carrying value. This risk will be realised in the event of a shortfall on winding-up of the issuing companies.

## Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet its financial liabilities.

Djerriwarrh monitors its cash flow requirements daily. The Investment Committee also monitors the level of contingent payments on a regular basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received, put options that may require Djerriwarrh to purchase securities, and facilities that need to be repaid. Djerriwarrh ensures that it has either cash or access to short-term borrowing facilities sufficient to meet these contingent payments.

Djerriwarrh's inward cash flows depend upon the dividends received. Should these drop by a material amount, Djerriwarrh would amend its outward cash flows accordingly or draw down on more debt. Djerriwarrh's major cash outflows are the purchase of securities and dividends paid to shareholders, and both of these can be adjusted by the Board and management. Furthermore, the assets of Djerriwarrh are largely in the form of readily tradeable securities which can be sold on-market if necessary.

## NOTES TO THE FINANCIAL STATEMENTS continued

The table below analyses Djerriwarrh's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 6 Months \$'000	6-12 Months \$'000	Greater than 1 Year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
<b>30 June 2017</b>					
Non-derivatives					
Payables	1,412	-	-	1,412	1,412
Borrowings	84,500	-	-	84,500	84,500
	<b>85,912</b>	<b>-</b>	<b>-</b>	<b>85,912</b>	<b>85,912</b>
Derivatives					
Options written*	13,781	-	-	13,781	6,318
Interest rate swaps	338	232	702	1,272	437
	<b>14,119</b>	<b>232</b>	<b>702</b>	<b>15,053</b>	<b>6,755</b>

	Less than 6 Months \$'000	6-12 Months \$'000	Greater than 1 Year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
<b>30 June 2016</b>					
Non-derivatives					
Payables	2,865	-	-	2,865	2,865
Borrowings	76,500	-	-	76,500	76,500
	<b>79,365</b>	<b>-</b>	<b>-</b>	<b>79,365</b>	<b>79,365</b>
Derivatives					
Options written*	13,444	-	-	13,444	8,351
Interest rate swaps	220	220	391	831	1,110
	<b>13,664</b>	<b>220</b>	<b>391</b>	<b>14,275</b>	<b>9,461</b>

\* In the case of call options, there are no contractual cash flows as if the option is exercised the contract will be settled in the securities over which the option is written. The contractual cash flows for put options written are the cash sums the Company will pay to acquire securities over which the options have been written, and it is assumed for purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow).

#### B4. Interest Rate Swaps

	2017 \$000	2016 \$000
Opening balance at 1 July	(1,110)	(1,421)
Movement for year (net of tax)	673	311
Fair value of interest rate swap agreements	(437)	(1,110)

The company has entered into five interest rate hedging contracts at rates of 3.3225 per cent, 2.3125 per cent, 2.0375 per cent, 2.195 per cent and 2.385 per cent with Westpac and the Commonwealth Bank of Australia, under which the Company will pay a fixed interest rate on \$75 million worth of short-term borrowings which have a floating interest rate. These have been designated as effective hedges and any movements in their fair value will be shown as an adjustment against equity. These swaps commenced in February 2013, October 2015, April 2016 and December 2016. They have between three and five-year effective lives. The reserve and the corresponding asset/liability are measured as the fair value of the interest rate swaps net of associated tax. It is currently anticipated that the swaps will be held to maturity and consequently that they will have no impact, under current accounting standards, on the Income Statement.

#### C. Unrecognised Items

Unrecognised items, such as contingencies, do not appear in the financial statements, usually because they don't meet the requirements for recognition. However, they have the potential to have a significant impact on the Company's financial position and performance.

Directors are not aware of any material contingent liabilities or contingent assets other than those already disclosed elsewhere in the Financial Report.

## ADDITIONAL INFORMATION

Additional information that shareholders may find useful is included here. It is grouped into three sections:

- D. Balance Sheet Reconciliations
- E. Income Statement Reconciliations
- F. Other Information

### D. Balance Sheet Reconciliations

This section provides information about the basis of calculation of line items in the financial statements that the Directors do not consider significant in the context of the Company's operations.

#### D1. Current Assets – Cash

	2017 \$'000	2016 \$'000
Cash at bank and in hand (including on-call)	8,378	954

Cash holdings yielded an average floating interest rate of 1.88 per cent (2016: 1.94 per cent). All cash investments are held in a transactional account or an over-night 'at call' account invested in cash management trusts which invest predominantly in securities with an A1+ rating.

#### D2. Credit Facilities

The Company was party to agreements under which Commonwealth Bank of Australia and Westpac Bank would extend cash advance facilities. Details of the facilities are given below.

	2017 \$'000	2016 \$'000
Commonwealth Bank of Australia – cash advance facility	140,000	140,000
Amount drawn down at 30 June	84,500	76,500
Undrawn facilities at 30 June	55,500	63,500
Westpac Bank – cash advance facility	10,000	10,000
Amount drawn down at 30 June	0	0
Undrawn facilities at 30 June	10,000	10,000
Total short-term loan facilities	150,000	150,000
Total drawn down at 30 June	84,500	76,500
Total undrawn facilities at 30 June	65,500	73,500

The above borrowings are unsecured. Repayment of facilities is done either through the use of cash received from distributions or the sale of securities, or by rolling existing facilities into new ones. Facilities are usually drawn down for no more than three months and hence are classified as current liabilities when drawn.

The current debt facilities are as follows:

Facility Provider	Amount	Expiry Date
Commonwealth Bank	\$50 million	30 October 2017
Commonwealth Bank	\$40 million	30 June 2018
Westpac Bank	\$10 million	30 June 2018
Commonwealth Bank	\$50 million	31 December 2018
<b>Total facilities</b>	<b>\$150 million</b>	

### D3. Revaluation Reserve

	2017 \$'000	2016 \$'000
Opening balance at 1 July	1,677	50,126
Gains/(losses) on investment portfolio		
– Equity instruments	50,584	(76,994)
– Puttable/debt instruments (transferred from retained profits)	-	(65)
Deferred tax on above	(15,311)	23,074
Cumulative taxable realised (gains)/losses (net of tax)	3,662	5,536
	<b>40,612</b>	<b>1,677</b>

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy Note A2.

### D4. Realised Capital Gains Reserve

	2017 \$'000			2016 \$'000		
	Taxable Realised Gains (Net of Tax)	Difference Between Tax and Accounting Costs	Total	Taxable Realised Gains (Net of Tax)	Difference Between Tax and Accounting Costs	Total
Opening balance at 1 July	56,224	(50,929)	5,295	71,531	(45,399)	26,132
Dividends paid	(10,931)	-	(10,931)	(15,301)	-	(15,301)
Cumulative taxable realised (losses)/gains for period	1,895	(4,922)	(3,027)	11	(5,530)	(5,519)
Tax on realised gains/(losses)	(635)	-	(635)	(17)	-	(17)
	<b>46,553</b>	<b>(55,851)</b>	<b>(9,298)</b>	<b>56,224</b>	<b>(50,929)</b>	<b>5,295</b>

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio as described in A2. The difference between tax and accounting costs is a result of realised gains or losses being accounted for on an average cost basis, while taxable gains or losses are made based on the specific cost of the actual stock sold – i.e. on a parcel selection basis. These differences also include non-taxable realised gains or losses, e.g. losses under off-market buy-backs.

## ADDITIONAL INFORMATION continued

### D5. Retained Profits

	2017 \$'000	2016 \$'000
Opening balance at 1 July	54,971	55,740
Dividends paid	(41,531)	(41,532)
Profit for the year	33,678	40,718
Transfer to revaluation reserve (puttable instruments and non-equity investments)(net of tax)	-	45
	<b>47,118</b>	<b>54,971</b>

This reserve relates to past profits.

### D6. Share Capital

Date	Details	Notes	Number of Shares '000	Issue Price \$	Paid-up Capital \$'000
1/7/2015	Balance		218,590		634,225
30/6/2016	Balance		218,590		634,225
21/2/2017	Dividend Reinvestment Plan	(i)	762	3.53	2,691
	Costs of issue		-	-	(28)
30/6/2017	Balance		<b>219,352</b>		<b>636,888</b>

(i) Shareholders elect to have all or part of their dividend payment reinvested in new ordinary shares under the Dividend Reinvestment Plan (DRP). The price of the new DRP shares is based on the average selling price of shares traded on the Australian Securities Exchange and Chi-X in the five days after the shares begin trading on an ex-dividend basis. The DRP was reactivated for the interim dividend for the year ended 30 June 2017.

All shares have been fully paid, rank pari passu and have no par value.

## E. Income Statement Reconciliations

### E1. Reconciliation of Net Cash Flows from Operating Activities to Profit

	2017 \$'000	2016 \$'000
<b>Profit for the year</b>	<b>33,678</b>	<b>40,718</b>
Change in fair value of puttable instruments	-	45
Net decrease (increase) in trading portfolio	4,575	(4,575)
Net profit from associate	(271)	(183)
Dividend from associate	1,000	-
Increase (decrease) in options written portfolio	(2,033)	2,251
Dividends received as securities under DRP investments	(564)	(1,888)
Decrease (increase) in current receivables	(38,170)	266
– less increase (decrease) in receivables for investment portfolio	39,023	(223)
Increase (decrease) in deferred tax liabilities	14,609	(23,667)
– less (increase) decrease in deferred tax liability on investment portfolio	(14,676)	23,091
Increase (decrease) in current payables	(1,453)	(9,053)
– less decrease (increase) in payables for investment portfolio	1,427	8,769
Increase (decrease) in provision for tax payable	(401)	(12,193)
– less CGT provision	(635)	(17)
– add taxes paid on capital gains	17	11,062
<b>Net cash flows from operating activities</b>	<b>36,126</b>	<b>34,403</b>

### E2. Tax Reconciliations

#### Tax Expense Composition

	2017 \$'000	2016 \$'000
Charge for tax payable relating to the current year	3,794	4,898
Over provision in prior years	(132)	(133)
Increase (decrease) in deferred tax liabilities	(67)	(576)
Increase (decrease) in deferred tax liabilities – investment portfolio	-	(20)
	<b>3,595</b>	<b>4,169</b>

## ADDITIONAL INFORMATION continued

### Amounts Recognised Directly Through Other Comprehensive Income

	2017 \$'000	2016 \$'000
Net increase in deferred tax assets relating to capital gains tax on the movement in gains or losses in the investment portfolio	(15,311)	23,054
	<b>(15,311)</b>	<b>23,054</b>

### Deferred Tax Assets and Liabilities

The deferred tax balances are attributable to:

	2017 \$'000	2016 \$'000
(a) Tax on unrealised gains in the trading portfolio	-	32
(b) Tax on unrealised gains in the options written portfolio	382	453
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	(96)	(101)
(d) Interest and dividend income receivable which is not assessable for tax until receipt	180	149
	<b>466</b>	<b>533</b>
<b>Movements:</b>		
Opening balance at 1 July	533	1,109
Credited/(charged) to Income Statement	(67)	(576)
Credited/(charged) to OCI	-	-
	<b>466</b>	<b>533</b>

Deferred tax assets arise when provisions and expenses have been charged but are not yet tax deductible. These assets are realised when the relevant items become tax deductible, as long as enough taxable income has been generated to claim the assets against, and as long as there are no changes to the tax legislation that affect Djerriwarrh's ability to claim the deduction.

The portion of deferred tax liability likely to be reversed within the next 12 months is \$0.6 million (2016: \$0.6 million). This relates primarily to items described in items (b) and (d) above.

### E3. Reconciliation of Profit Before Tax

The Board considers Djerriwarrh's operating result after tax to be a key measure of Djerriwarrh's performance. This amount excludes the impact of unrealised gains/losses on options and any gains or losses on Djerriwarrh's investment portfolio. It reconciles to Djerriwarrh's profit before tax as follows:

	2017 \$'000	2016 \$'000
Operating result after income tax expense	33,842	42,204
Add back income tax expense	3,666	4,806
Net gains (losses) on open options positions	(235)	(2,123)
<b>Profit for the year before tax</b>	<b>37,273</b>	<b>44,887</b>

## F. Other Information

This section covers other information that is not directly related to specific line items in the financial statements, including information about related party transactions and other statutory information.

### F1. Related Parties

All transactions with related parties were made on normal commercial terms and conditions and approved by Independent Directors. The only such transactions were in connection with the services provided by AICS (see B1).

### F2. Remuneration of Auditors

During the year the auditor earned the following remuneration:

	2017 \$	2016 \$
<b>PricewaterhouseCoopers</b>		
Audit or review of Financial Reports	164,682	152,381
<b>Non-audit services</b>		
Taxation compliance services	24,145	22,220
<b>Total remuneration</b>	<b>188,827</b>	<b>174,601</b>

### F3. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board, through its sub-committees, has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

#### Description of Segments

The Board makes the strategic resource allocations for Djerriwarrh. Djerriwarrh has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for Djerriwarrh's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and Djerriwarrh's performance is evaluated on an overall basis.

#### Segment Information Provided to the Board

The internal reporting provided to the Board for Djerriwarrh's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards, except that net assets are reviewed both before and after the effects of unrealised capital gains tax on investments (as reported in Djerriwarrh's net tangible asset announcements to the ASX).

### Other Segment Information

Revenues from external parties are derived from the receipt of dividend, distribution and interest income, and income arising on the trading portfolio and realised income from the options portfolio.

Djerriwarrh is domiciled in Australia and most of Djerriwarrh's income is derived from Australian entities or entities that maintain a listing in Australia. Djerriwarrh has a diversified portfolio of investments, with no investment comprising more than 10 per cent of Djerriwarrh's income from operating activities.

### F4. Summary of Other Accounting Policies

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. This Financial Report has been authorised for issue and is presented in the Australian currency. Djerriwarrh has the power to amend and reissue the Financial Report.

Djerriwarrh has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	AASB Terminology
Market value	Fair value for actively traded securities
Cash	Cash and cash equivalents
Share capital	Contributed equity
Options	Derivatives written over equity instruments that are valued at fair value through profit or loss

Other terminology used in the report is defined as follows:

Phrase	Definition
Net operating result	Total operating income after operating expenses and income tax are deducted

Djerriwarrh complies with International Financial Reporting Standards (IFRS). Djerriwarrh is a 'for profit' entity.

Djerriwarrh has not applied any Australian Accounting Standards or AASB Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2017 (the inoperative standards) except for AASB 9 which was adopted on 7 December 2009. The impact of the inoperative standards has been assessed and the impact has been identified as not being material. Djerriwarrh only intends to adopt other inoperative standards at the date at which their adoption becomes mandatory.

### Basis of Accounting

The financial statements are prepared using the valuation methods described in A2. All other items have been treated in accordance with the historical cost convention.

### Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and liabilities of Djerrivarrh approximates their carrying value.

### Rounding of Amounts

Djerrivarrh is a company of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Instrument, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## F5. Associate Accounting

Associates are entities over which the Company has significant influence but not control, generally accompanied by a shareholding of between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost, in the Company's financial statements.

The Company has one associate – Australian Investment Company Services (AICS), incorporated in Australia – in which it has a 25 per cent shareholding. AICS provides investment and administrative services to the Company and to other listed investment companies, including its parent, Australian Foundation Investment Company (AFIC) which holds the other 75 per cent.

The Company's share of its associate's post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in net income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

During the year, the Company received a fully franked dividend of \$1,000,000 from its associate. This has reduced the carrying value of the shares in the associate.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- (1) the financial statements and notes set out on pages 20 to 43 are in accordance with the *Corporations Act 2001* including:
  - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note F4 to the financial statements confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and the Chief Financial Officer regarding the financial statements in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017. The declarations received were that, in the opinion of the Managing Director and the Chief Financial Officer to the best of their knowledge, the financial records of the Company have been properly maintained, that the financial statements comply with accounting standards and that they give a true and fair view.



John Paterson  
Chairman

Melbourne  
17 July 2017



## **Independent auditor's report to the shareholders of Djerriwarrh Investments Limited**

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion the accompanying financial report of Djerriwarrh Investments Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***What we have audited***

The Company's financial report comprises:

- the balance sheet as at 30 June 2017
- the income statement for the year then ended
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

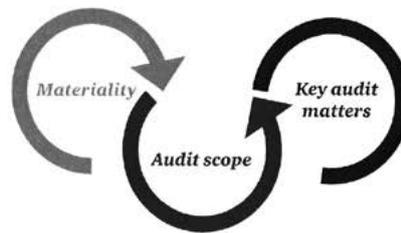
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



### **Materiality**

- For the purpose of our audit we used overall materiality of 1% of the Company's net assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose net assets as the benchmark because, in our view, net assets is;
  - the metric against which the performance of the Company is most commonly measured; and
  - the key driver of the business and determinant of the Company's value.
- We selected 1% based on our professional judgement, noting that it is within the range of commonly acceptable net asset related thresholds.

### **Audit scope**

- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company, the accounting processes and controls, and the industry in which the Company operates.
- Our audit focused on where subjective judgements were made; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Company operates entirely out of its Melbourne office and we perform our audit procedures predominantly at that office.
- The administration and investment operations for the Company are conducted by the Company's associate, Australian Investment Company Services Limited. In addition to our audit procedures, we obtained a report from other auditors that the controls over administration and investment operations operating at Australia Investment Company Services Limited were suitably designed and operated effectively for the year. We assessed the report by considering the other auditor's independence, competency and results of procedures.

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### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Existence and valuation of the investment portfolio</i> (Refer to note A2) \$750.2m</p> <p>Investments mostly consist of listed Australian equities and exchange traded options which are valued by multiplying the quantity held by market price.</p> <p>Whilst there is no significant judgement in determining the valuation of the Company's investments, investments represent a key measure of the Company's performance and comprise a significant proportion of total assets in the balance sheet. The fluctuations in investment valuation will also impact the realised and unrealised gains/(losses) recognised in the statement of comprehensive income which also affects the deferred tax provisions. Given the pervasive nature investments have on the Company's key financial metrics, we determined the existence and valuation of investments to be a key audit matter.</p>	<ol style="list-style-type: none"><li>1) Performed an investment reconciliation of the investments balance from the opening investment balance, addition/subtraction of purchases, sales and other relevant transactions and agreeing back to the 30 June 2017 balance.</li><li>2) Agreed all the investment quantity holdings at 30 June 2017 to independent third party sources.</li><li>3) Agreed all the listed equities investment prices to independent market pricing sources.</li><li>4) Agreed all the exchange traded options prices to independent market pricing confirmations.</li><li>5) Obtained a report on whether the controls over investment purchase and sales transactions were suitably designed and operated effectively for the year and assessed the report.</li></ol>

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### *Other information*

The directors are responsible for the other information. The other information comprises the Director's Report, Additional Information section and Other Information section included in the Company's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*

and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

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### *Report on the remuneration report*

#### *Our opinion on the remuneration report*

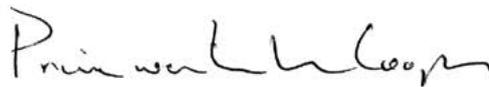
We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Djerriwarrh Investments limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

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#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



PricewaterhouseCoopers



Charles Christie  
Partner

17 July 2017

## OTHER INFORMATION

### Information About Shareholders

At 20 July 2017 there were 18,473 holdings of ordinary shares. These holdings were distributed in the following categories:

Size of Holding	Shareholdings (At 20 July 2017)
1 to 1,000	2,176
1,001 to 5,000	6,512
5,001 to 10,000	4,230
10,001 to 100,000	5,400
100,001 and over	155
<b>Total</b>	<b>18,473</b>

20 largest shareholdings	10.11%
Average shareholding	11,874

There were 361 shareholdings of less than a marketable parcel of \$500 (132 shares).

### Voting Rights of Ordinary Shares

The Constitution provides for votes to be cast:

- (i) on a show of hands, one vote for each shareholder; and
- (ii) on a poll, one vote for each fully paid ordinary share.

### Major Shareholders

The 20 largest holdings of ordinary shares as at 20 July 2017 are listed below:

Shareholder	Holding	% Total
Australian Foundation Investment Company Limited	7,505,346	3.42
Bruce Teele	2,062,620	0.94
Australian Executor Trustees Limited <No 1 Account>	1,794,739	0.82
Miss Margaret Frances Erskine	1,750,000	0.80
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,175,777	0.54
Mrs Nida Dorothy Johnson	1,136,719	0.52
Gumala Investments Pty Ltd <General Gumala Foundatn A/C>	730,000	0.33
Navigator Australia Ltd <MLC Investment Sett A/C>	668,852	0.30
HSBC Custody Nominees (Australia) Limited	667,361	0.30
Resthaven Incorporated	617,052	0.28
Terrence Campbell	486,582	0.22
Laidlaw Family Investments Pty Ltd <Laidlaw Family Invest A/C>	479,884	0.22
Baker Custodian Corporation	450,000	0.21
Ms Roslyn Webster + Mr Jon Webster <Rjw Super Fund A/C>	435,103	0.20
PNBW Pty Ltd <F & JA Arrowsmith Family A/C>	420,156	0.19
Mr Ian Stanley Fraser + Mr John Bruce Hannaford + Mr Andrew Stanley Fraser <Joe White Bequest Cap A/C>	396,360	0.18
Ross Barker	386,895	0.18
Brownell Superannuation Pty Ltd <Brownell Super Fund A/C>	375,000	0.17
Mrs Margaret Mary Wilson	328,000	0.15
John Paterson	317,364	0.14

## **OTHER INFORMATION** continued

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### **Substantial Shareholders**

The Company has not been notified of any substantial shareholders.

### **Transactions in Securities**

During the year ended 30 June 2017, the Company recorded 2,492 transactions in securities (including options). Brokerage of \$1,178,933 (including GST) was paid or accrued for the year.

## Holding of Securities

As at 30 June 2017

Details of the Company's portfolios are given below. The list should not be used to evaluate portfolio performance or to determine the net asset backing per share (which is advised to the ASX each month and recorded on the toll free telephone service at 1800 780 784).

Individual holdings in the portfolios may change significantly during the course of the year. In addition, holdings may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale.

Unless otherwise stated, the securities in this list are fully paid ordinary shares, trust units, stapled securities or convertible notes.

Code	Company Name	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
AGL*	AGL Energy	354	174	4,431
ALQ*	ALS	742	502	3,607
AMC*	Amcor	846	731	11,756
AMH	AMCIL	10,599	10,599	9,698
AMP*	AMP	2,342	2,242	11,554
ANZ*	Australia and New Zealand Banking Group	1,539	1,200	34,016
APA*	APA Group	546	326	2,965
ASX*	ASX	164	79	4,241
AUB*	AUB Group	365	598	7,721
AWC*	Alumina	3,518	2,725	5,032
AZJ*	Aurizon Holdings	810	445	2,371
BHP*	BHP	1,819	1,861	43,053
BLD*	Boral	603	409	2,772
BXB*	Brambles	1,651	1,998	19,324
CAR*	Carsales.com	105	180	1,999
CBA*	Commonwealth Bank of Australia	820	810	66,797
CCL*	Coca-Cola Amatil	670	550	5,048
CGF*	Challenger	602	492	6,402
COH*	Cochlear	0	18	2,537
CPU*	Computershare	142	477	6,637
CSL*	CSL	267	184	25,196
CTX*	Caltex Australia	172	190	5,942
CVW	Clearview Wealth	3,117	3,274	4,747
CYB*	CYBG PLC	420	1,290	5,881
FNP	Freedom Foods Group	359	359	1,723
FPH*	Fisher & Paykel Healthcare Corporation	301	181	1,950
HSO*	Healthscope	4,312	2,933	6,433
IAG*	Insurance Australia Group	1,487	962	6,471
ILU*	Iluka Resources	220	470	3,965
INM	Iron Mountain	38	38	1,655
IPL*	Incitec Pivot	2,931	2,406	8,141
IRE*	IRESS	175	436	5,475
ISD	Isentia Group	0	1,500	3,225
JHC*	Japara Healthcare	2,483	2,483	5,177
JHX*	James Hardie Industries	589	639	13,015
LIC	Lifestyle Communities	624	624	2,528
LNK*	Link Administration Holdings	0	284	2,096
MFT	Mainfreight	370	400	8,972

## Holding of Securities continued

As at 30 June 2017

Code	Company Name	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
MIR	Mirrabooka Investments	4,506	4,169	11,257
MQG*	Macquarie Group	107	125	10,982
MYX	Mayne Pharma Group	2,737	1,902	2,064
NAB*	National Australia Bank	1,641	1,188	34,964
NTC	NetComm Wireless	0	1,000	1,720
NVT*	Navitas	918	918	4,395
ORA*	Orora	750	750	2,125
ORG*	Origin Energy	850	665	4,482
ORI*	Orica	493	238	4,902
OSH*	Oil Search	2,927	2,150	14,592
PPT*	Perpetual	114	87	4,691
QBE*	QBE Insurance Group	1,165	1,165	13,696
QUB*	Qube Holdings	5,185	5,016	12,917
REA	REA Group	35	15	996
REG*	Regis Healthcare	400	400	1,565
RHC*	Ramsay Health Care	72	72	5,218
RIO*	Rio Tinto	408	287	17,983
RMD*	ResMed	515	360	3,569
S32*	South32	3,100	3,210	8,456
SCG*	Scentre Group	1,205	2,125	8,588
SEK*	Seek	785	730	12,191
SHL*	Sonic Healthcare	346	296	7,065
SUN*	Suncorp Group	735	670	9,749
SYD*	Sydney Airport	632	592	4,180
TCL*	Transurban Group	768	783	9,252
TLS*	Telstra Corporation	6,125	6,125	25,678
TPM*	TPG Telecom	824	1,035	5,881
TWE*	Treasury Wine Estates	704	532	6,903
VCX*	Vicinity Centres	1,100	2,170	5,563
WBC*	Westpac Banking Corporation	1,748	2,075	63,121
WES*	Wesfarmers	598	644	25,772
WFD*	Westfield Corporation	910	1,020	8,166
WLL	Wellcom Group	0	400	1,760
WOW*	Woolworths	511	511	13,008
WPL*	Woodside Petroleum	502	400	11,917
<b>Total</b>				<b>743,921</b>

\* Indicates that options were outstanding against part or all of the holding.

## Major Transactions in the Investment Portfolio

Acquisitions	Cost (\$'000)
Commonwealth Bank of Australia	18,075
Westpac Banking Corporation	12,223
BHP	9,542
National Australia Bank	7,084
Computershare	6,137
Macquarie Group	5,200
Scentre Group	5,176
CSL	5,045

Sales	Proceeds (\$'000)
National Australia Bank*	19,868
Commonwealth Bank of Australia*	17,921
ANZ Banking Group*	14,164
CSL*	14,131
Rio Tinto*	8,532
BHP*	7,273
Cover-More Group (takeover by Zurich Insurance)	6,570
Oil Search	5,467

\* Sales as result of the exercise of call options.

### New Companies Added to the Investment Portfolio

Isentia Group  
 Link Administration Holdings  
 Cochlear  
 Wellcom Group  
 NetComm Wireless

## Major Transactions in the Trading Portfolio

<b>Sales</b>	<b>Proceeds (\$'000)</b>
ASG Group <sup>(a)</sup>	5,620
Pacific Brands <sup>(b)</sup>	1,936

(a) Sold while under takeover offer.

(b) Takeover by Hanesbrands.

## Sub-underwriting

During the year the Company participated as a sub-underwriter of issues of securities. The principal underwriter and securities involved were:

<b>Company</b>	<b>Underwritten by</b>	<b>Description</b>	<b>Amount Underwritten</b>
Skydive the Beach Group Ltd	Veritas Securities Ltd	2 for 21 Entitlement Offer	\$1,242,117

## Issues of Securities

Issue	Type	Price	Remarks
21 February 2017	DRP	\$3.53	5% discount
24 August 2012	DRP	\$3.66	2.5% discount
17 February 2012	DRP	\$3.59	2.5% discount
24 August 2011	DRP	\$3.47	2.5% discount
18 February 2011	DRP	\$4.05	2.5% discount
24 August 2010	DRP	\$3.89	5% discount
19 February 2010	DRP	\$4.16	5% discount
25 August 2009	DRP	\$4.02	5% discount
20 February 2009	DRP	\$3.07	5% discount
15 August 2008	DRP	\$4.10	
16 February 2008	DRP	\$5.05	
9 August 2007	DRP	\$5.11	
12 March 2007	DRP	\$4.78	
11 October 2006	Rights issue	\$4.00	1 to 5 rights issue
10 August 2006	DRP	\$4.62	
8 March 2006	DRP	\$4.29	
26 August 2005	DRP	\$3.95	
16 March 2005	DRP	\$3.68	
26 August 2004	DRP	\$3.43	
9 July 2004	Convertible note issue	\$3.90	Issue of \$3.90 convertible notes maturing 30 September 2009
5 March 2004	DRP	\$3.48	
22 December 2003	SAP	\$3.22	
22 August 2003	DRP	\$3.50	
7 March 2003	DRP	\$3.27	
19 December 2002	SAP	\$3.14	
19 August 2002	DRP	\$3.57	
7 March 2002	DRP	\$3.73	
4 October 2001	SAP	\$3.51	
29 June 2001	DRP	\$3.53	
8 March 2001	DRP	\$3.15	
16 August 2000	DRP	\$3.27	
27 April 2000	SAP	\$3.28	
7 March 2000	DRP	\$3.47	
11 August 1999	DRP	\$3.54	
28 April 1999	SAP	\$3.36	
15 March 1999	DRP	\$3.47	
11 September 1998	DRP	\$3.27	
27 March 1998	DRP	\$3.60	
30 October 1997	Rights issue	\$4.00	1 to 5 rights issue of convertible notes
11 September 1997	DRP	\$3.35	
27 March 1997	DRP	\$2.76	
13 September 1996	DRP	\$2.58	
29 March 1996	DRP	\$2.73	
27 September 1995	DRP	\$2.47	
22 June 1995	New issue	\$2.60	
24 March 1995	DRP	\$2.34	
23 September 1994	DRP	\$2.34	
21 June 1994	New issue	\$2.57	
31 March 1994	DRP	\$2.56	
24 September 1993	DRP	\$2.30	
26 March 1993	DRP	\$2.13	
25 September 1992	DRP	\$2.17	
1 January 1992	New issue	\$2.29	
18 June 1990	New issue	\$2.00	
9 April 1990	New issue	\$2.00	
22 December 1989	Initial allotment	\$2.00	

## Company Particulars

**Djerriwarrh Investments Limited (DJW)**  
ABN 38 006 862 693

### **Directors**

John Paterson, Chairman  
Ross E Barker, Managing Director  
Robert J Edgar  
Kathryn J Fagg  
Graham B Goldsmith  
Andrew F Guy  
Graham J Kraehe AO  
Alice JM Williams  
Karen J Wood

### **Company Secretaries**

Matthew J Rowe  
Andrew JB Porter

### **Auditor**

PricewaterhouseCoopers  
Chartered Accountants

### **Country of Incorporation**

Australia

### **Registered Office and Mailing Address**

Level 21, 101 Collins Street  
Melbourne Victoria 3000

### **Contact Details**

**Telephone** (03) 9650 9911  
**Facsimile** (03) 9650 9100  
**Email** invest@djerri.com.au  
**Website** djerri.com.au

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange):

**Telephone** 1800 780 784 (toll free)

### **Share Registrar**

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067

### **Shareholder**

**Enquiry Line** 1300 653 915  
+61 3 9415 4190 (from overseas)

**Facsimile** (03) 9473 2500

**Website** investorcentre.com/contact

For all enquiries relating to shareholdings, dividends and related matters, please contact the Share Registrar as above.

### **Securities Exchange Code**

DJW Ordinary shares

## Shareholder Meetings

### Annual General Meeting

**Time** 10.00am  
**Date** Tuesday 10 October 2017  
**Venue** RACV City Club  
**Location** 501 Bourke Street  
Melbourne

### Adelaide Shareholder Meeting

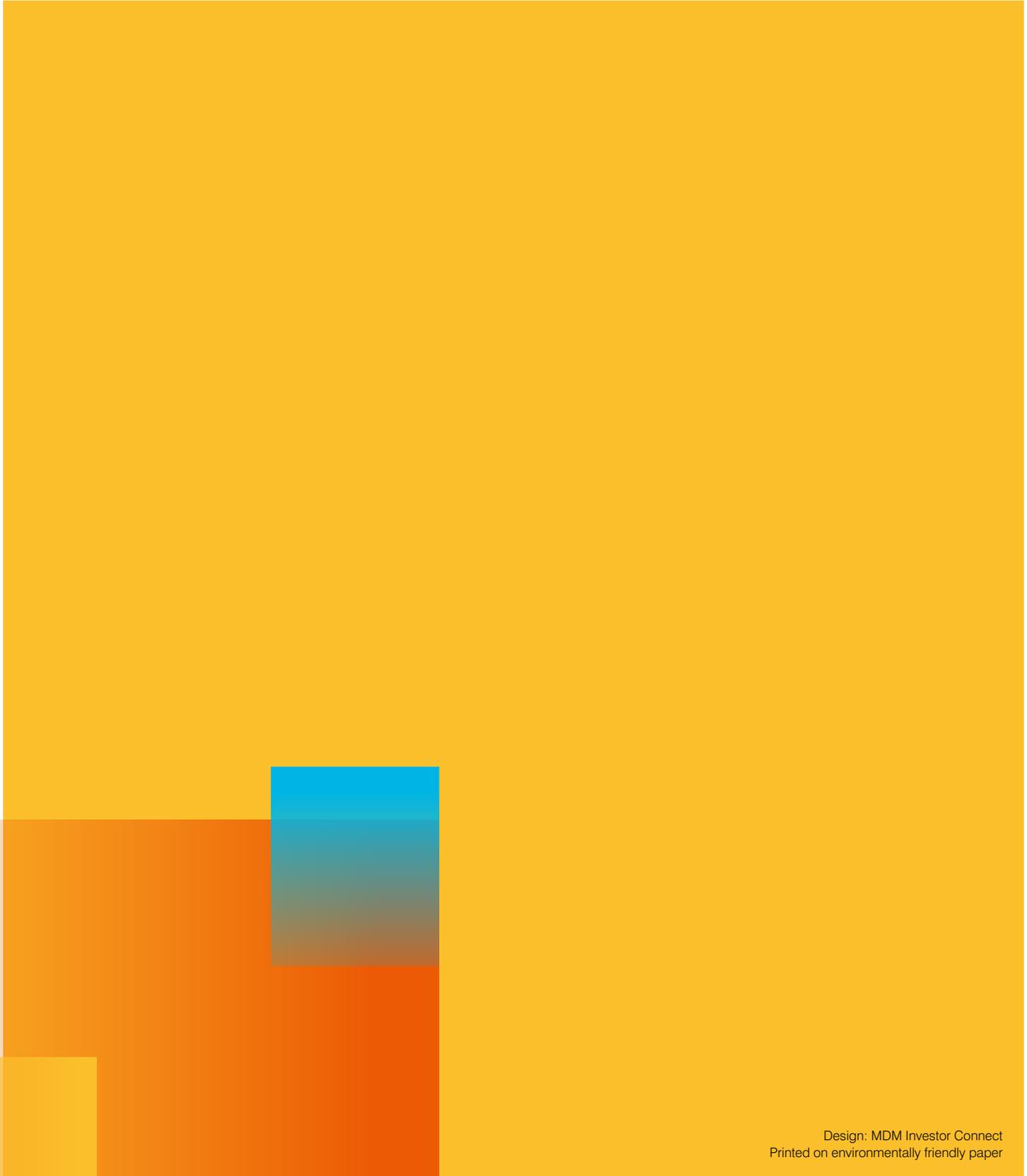
**Time** 2.30pm  
**Date** Friday 20 October 2017  
**Venue** Adelaide Convention Centre  
**Location** Panorama Rooms, North Terrace  
Adelaide

### Brisbane Shareholder Meeting

**Time** 2.30pm  
**Date** Monday 23 October 2017  
**Venue** Brisbane Hilton  
**Location** 190 Elizabeth Street  
Brisbane

### Sydney Shareholder Meeting

**Time** 2.30pm  
**Date** Friday 27 October 2017  
**Venue** Four Seasons Hotel  
**Location** 199 George Street  
Sydney





Annual Review  
2017



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Djerriwarrh Investments Limited is a listed investment company (LIC) investing in a diversified portfolio of Australian and New Zealand equities. For stocks where there is an options market, the Company often uses exchange traded and over-the-counter options to enhance the income return to investors.

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## Year in Summary

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### Profit for the Year

\$33.7m

Down 17.3% from 2016

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### Total Shareholder Return

-3.8%

Share price plus dividend

---

### Net Operating Result

\$33.8m

Down 19.8% from 2016

---

### Management Expense Ratio

0.46%

0.46% in 2016

---

### Fully Franked Dividend

10¢ 20¢

Final

Total

Down 4 cents from 2016

---

### Total Portfolio

\$752.3m

Including cash at 30 June

\$749.8 million in 2016

---

### Total Portfolio Return

16.6% Including franking\*

S&P/ASX 200 Accumulation Index  
+15.7% including franking\*

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\* Assumes a shareholder can take full advantage of the franking credits.

# 5 Year Summary

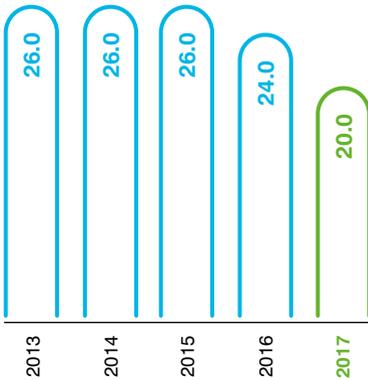
Net Profit After Tax (\$ Million)



Net Operating Result After Tax (\$ Million)



Dividends Per Share (Cents)<sup>(b)</sup>



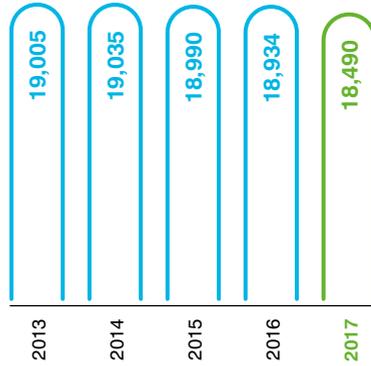
Net Asset Backing Per Share (Cents)<sup>(c)</sup>



**Investments at Market Value  
(\$ Million)<sup>(a)</sup>**



**Number of Shareholders  
(30 June)**



Notes

- (a) Excludes cash.
- (b) All dividends were fully franked. For 2017 the dividend carried attributable LIC gain of 7.14 cents per share. For 2016 it was also 7.14 cents per share, for 2015 and 2014 it was 10.0 cents per share. For 2013 it was 14.3 cents per share.
- (c) Net asset backing per share based on year-end data before the provision for the final dividend. The figures do not include a provision for capital gains tax that would apply if all securities held as non-current investments had been sold at balance date as Directors do not intend to dispose of the portfolio.

# About the Company

Djerriwarrh Investments Limited is a listed investment company (LIC) investing in a diversified portfolio of Australian and New Zealand equities.

For stocks where there is an options market, the Company often uses exchange traded and over-the-counter options to enhance the income return to investors.

In undertaking this option activity the Company is likely to change the profile of returns experienced from the market by producing more immediate fully franked income at the expense of some potential capital growth in the future.

## Investment Aims

Djerriwarrh aims to provide shareholders with attractive investment returns through access to fully franked dividends and growth in capital invested.

In this regard the primary investment goals are:

- to pay a higher level of fully franked dividend than is available from the market in general; and
- to provide attractive total return including capital growth over the medium to long term.

## Approach to Investing

The investment philosophy is built on taking a medium to long-term view on holding positions in the portfolio with an emphasis on identifying quality companies that are likely to sustainably grow their earnings and dividends over this time frame.

## How Djerriwarrh Invests – What We Look For in Companies



Quality in this context is an outcome of our assessment of the board and management as well as some key financial metrics such as the level of gearing in the balance sheet, product margins and free cash flow. The structure of the industry and a company's competitive position in this industry are also an important indicator of quality.

Linked to this assessment of quality is the ability of companies to grow earnings over time, which ultimately should produce good dividend growth.

The view of value of a company is not just based on short-term measures of the price earnings ratio and other valuation metrics; rather, value is assessed against Djerriwarrh's long-term investment horizon.



The final component of the Company's ability to pay a higher yield is its approach to selling options over part of its investment and trading portfolio. This generates current income from the option premium Djerriwarrh receives for selling the options.

The amount that the Company receives from selling options depends on a number of factors:

- level of volatility in share price anticipated for the underlying stock;
- level of the option exercise price and particularly how far it is from the current share price;
- time to expiry; i.e. how far the option has to run;
- level of interest rates: the lower interest rates are, other things being equal, the lower the option premium received; and
- the percentage of the portfolio over which we are prepared to sell options.

It is our preference for the options to either lapse at expiry, or prior to exercise, to seek to buy the options back and sell new options further out and preferably at a higher exercise price. From time to time, where the

share price increases strongly, we do take decisions to allow the shares to be exercised when we have formed the view that it is in the shareholders' best interest to allow that to occur. Gains or losses on disposals of investments upon the exercise of such options, after applicable tax, are taken to the realised capital gains reserve. Any gains when taxed are available for distribution to shareholders. It should be noted option positions are monitored daily and the portfolio is managed to try and maintain an appropriate balance between capital growth and income generation.

When undertaking this option activity in strongly rising markets, shareholders are potentially giving up some of the possible capital growth that may occur in company share prices as a result of receiving higher income more immediately. Alternatively, in falling markets, income from options can offset some of the decline in share prices.

Djerriwarrh also has access to lines of credit which allows the Company to gear its Balance Sheet when appropriate investment returns are available to enhance shareholder returns. When it is appropriate, exposure to rising interest rates is also capped.

# Review of Operations and Activities

## Profit

Profit for the year to 30 June 2017 was \$33.7 million, down 17.3 per cent from \$40.7 million in the corresponding period last year. Dividend income was down to \$30.6 million from \$36.8 million last year reflecting the lower contribution from resource and energy holdings, particularly in the first half of the year. Dividend income was also impacted by reduced holdings in bank shares as call options were exercised late in the financial year before their dividends.

Djerriwarrh's option income fell to \$10.9 million from \$16.1 million generated in the last financial year. As the Australian market rose, volatility fell to low levels contributing to reduced income from options. The pace of market increases also meant that a number of call options positions were at risk of being exercised. In this environment Djerriwarrh looked to buy-back a significant number of in-the-money call option positions to capture more of the potential upside of holdings rather than have the positions exercised. This also reduced option income for the year but enhanced the total portfolio return.

The net operating result for the year was \$33.8 million, down 19.8 per cent per cent from \$42.2 million in the previous corresponding period. In the Directors' opinion, this is a better measure of Djerriwarrh's performance in deriving ongoing investment, trading and options income from the Company's portfolios as it excludes the valuation impact of net unrealised losses on open option positions at year-end.

## Dividend

Consistent with Djerriwarrh's announcement in July 2016, the final dividend was 10 cents per share fully franked, down from 14 cents per share last year. Total dividends for the year are 20 cents per share fully franked, down from 24 cents last year. The Dividend Reinvestment Plan is in operation with a 5 per cent discount.

Of the final dividend, 5 cents was sourced from taxable capital gains, on which the Company has paid or will pay tax. The amount of the pre tax attributable gain on this portion of the dividend, known as an 'LIC capital gain', is therefore 7.14 cents. This enables some shareholders to claim a tax deduction in their tax return.

Dividend yield on the share price of \$3.68 at the end of June was 5.4 per cent fully franked, 7.7 per cent grossing up for the benefit of franking credits.

Yield History (Figure 1) outlines the history of the yield on Djerriwarrh's share price to the yield on the S&P/ASX 200 Index (neither include the benefit of franking).

Sources of the Dividend Paid (Figure 2) illustrates that the Company's annual dividends are sourced from the operating result and from taxable realised gains generated from the sale of holdings primarily associated with the Company's option activity. These taxable realised gains also contribute to the generation of franking credits.

Figure 1: Yield History

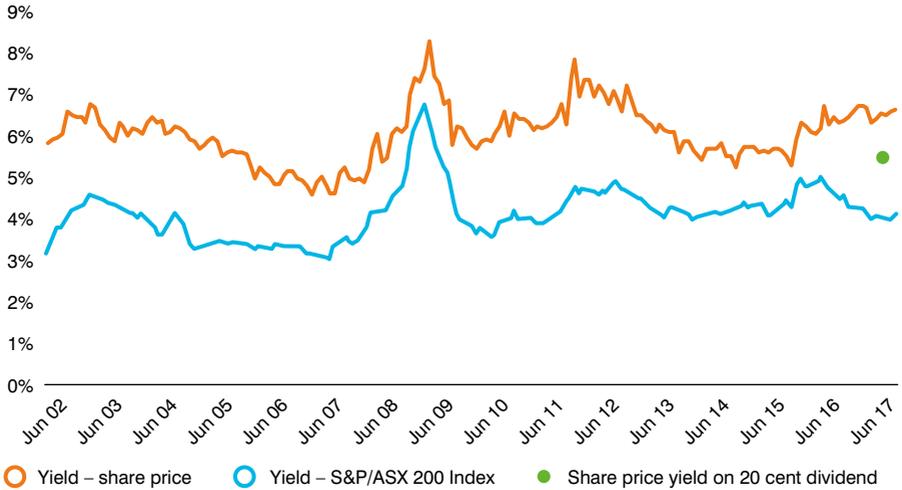
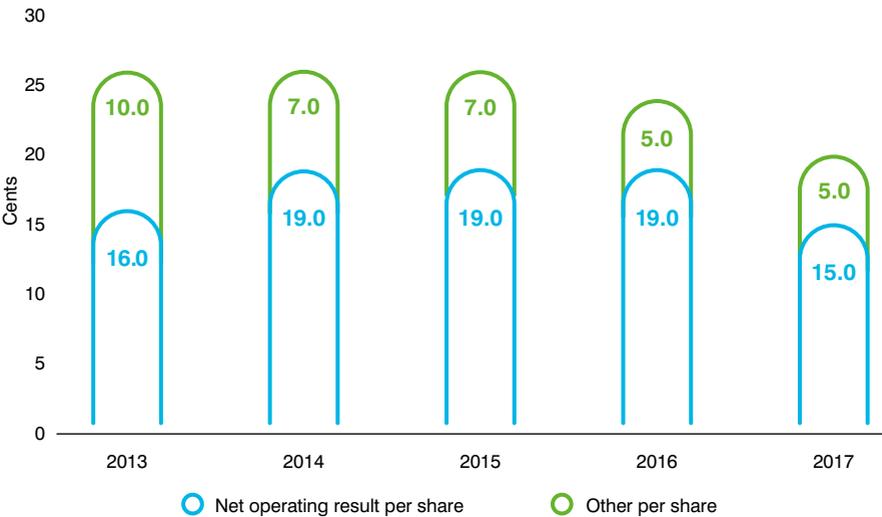


Figure 2: Sources of the Dividend Paid



# Review of Operations and Activities continued

Figure 2 also highlights the trend over recent years where dividends received have fallen. In this context realised gains remain an important contributor to the dividend.

## Portfolio Returns

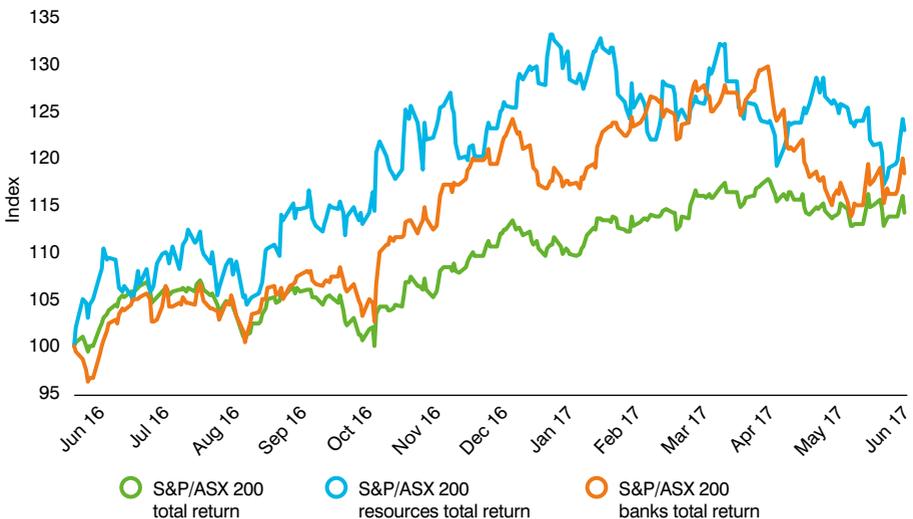
The Australian equity market for the 12 months to 30 June 2017 was led by the strong rise in banks and resources (up 18.4 per cent and 22.9 per cent respectively). In part this was a result of a rebound in interest in banks given their previous underperformance and the attractive yield on offer for income-focused

investors. Resource stocks rose because of the better outlook for commodities as a result of improved global growth.

Djerriwarrh's portfolio return (Figure 4), including franking for the year to 30 June 2017 was 16.6 per cent whereas the S&P/ASX 200 Accumulation Index return including franking was 15.7 per cent (franking added 3.6 per cent to Djerriwarrh's return and 1.6 per cent to the Index's).

The franking benefit assumes an investor can take full advantage of the franking credits.

**Figure 3: Performance of Bank and Resource Sectors Relative to the S&P/ASX 200**



Source: FactSet

“

*The Australian equity market for the 12 months to 30 June 2017 was led by the strong rise in banks and resources.*

”



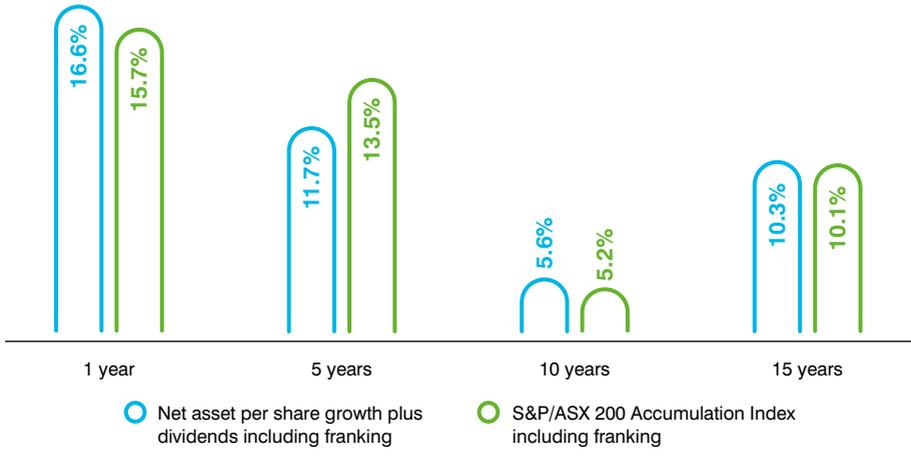
Market return  
from banks

18.4%



# Review of Operations and Activities continued

Figure 4: Portfolio Performance to 30 June 2017 – Per Annum Returns, Including the Benefit of Franking Credits



Note: Djerriwarrh's net asset per share growth plus dividend series is calculated after management fees, income tax and capital gains tax paid on realised sales of investments. It should be noted that Index returns for the S&P/ASX 200 do not include management expenses and tax.

Given Djerriwarrh's option activities can limit some of the capital growth of the portfolio in strongly rising markets, this performance is encouraging. It is reflective of the bias toward larger companies (given this is where the most active options markets are) and the decision to buy-back selected in-the-money call options to maintain holdings where practical. The reduced exposure to the energy sector also assisted performance.

The major contributors to the portfolio performance for the year were the four major banks, BHP, Rio Tinto and CSL.

## Portfolio Adjustments

Given the rise in banking and resource stocks over the year, a number of the larger purchases in the portfolio were to replenish holdings in these sectors as option exercises reduced exposures. Djerriwarrh also sought to add to its holdings in CSL and Macquarie Bank, although again some were sold because of option exercises.

The focus on adding incrementally to a range of existing smaller company holdings continued as attractive opportunities arose. This also included participation in capital raisings by IRESS, TPG Telecom, Qube Holdings and Cover-More Group (subsequently taken over).

New companies added to the portfolio during the period were Isentia Group, Link Administration Holdings (including participation in its share placement to purchase Capita Asset Services in the United Kingdom), Cochlear, NetComm Wireless, and Wellcom Group.

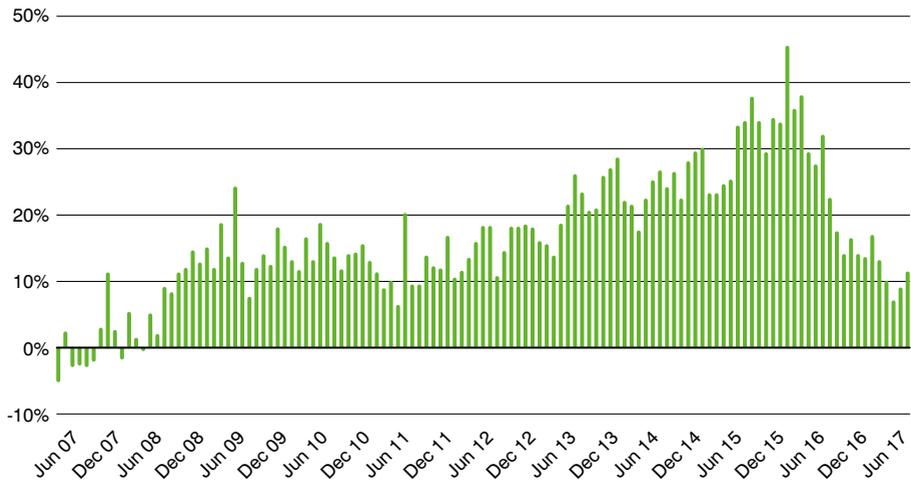
Purchases for the year totalled \$133.9 million and sales equalled \$186.9 million.

Djerriwarrh utilises debt to take advantage of returns from the investment opportunities on offer. At present the Company has \$84.5 million of debt. Djerriwarrh's cash or near cash position at 30 June 2017 was \$53.0 million.

## Share Price

The Djerriwarrh share price has responded to the rebasing of the dividend to 20 cents per share as announced with the final result last year. However, as investors continue to focus on dividend yield in the current low interest environment, shares continued to trade a premium to the net asset backing. At 30 June 2017, the premium was 14 per cent, down from 32 per cent at 30 June 2016. The reduced premium was one of the factors in reintroducing the Dividend Reinvestment Plan (DRP) for the interim dividend this year. Prior to this it was felt it would be unreasonable to have a DRP where shareholders paid very high premiums to participate.

**Figure 5: Share Price Premium/Discount to Net Asset Backing**



# Review of Operations and Activities continued

## Moving Forward

Djerriwarrh's typical option coverage is in the range of 30 per cent to 50 per cent of the portfolio (average coverage for the year was 40 per cent). A number of call option positions were exercised just prior to the end of the financial year, leaving option coverage of the portfolio at 32 per cent which is at the lower end of this range. In this context we will be increasing this coverage given our view is that the market is fully priced.

With a mixed outlook for the Australian economy the upcoming reporting season will be crucial in providing support to current market valuations. With dividend

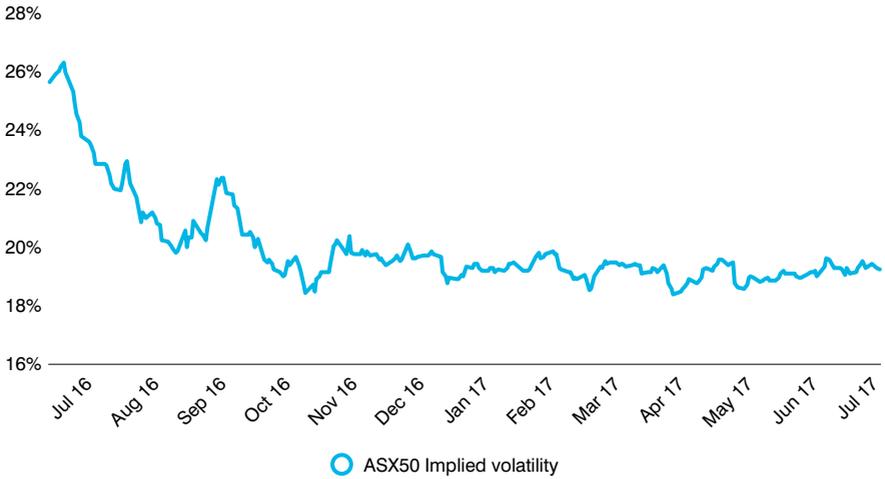
payout ratios relatively high, profit results will also be important for the outlook for dividend income. We may see some increase in profitability from resource companies, although the outlook for many other companies in a low-growth, highly competitive environment, in our view, still remains subdued. In respect to the banking sector it was very disappointing as investors to see the Federal and South Australian State Government seeking to introduce additional tax on the country's five biggest banks. These taxes bypass the company tax system, and as such they provide no franking credits for shareholders and represent double taxation on these companies' activities.

**Figure 6: Option Coverage of the Portfolio**



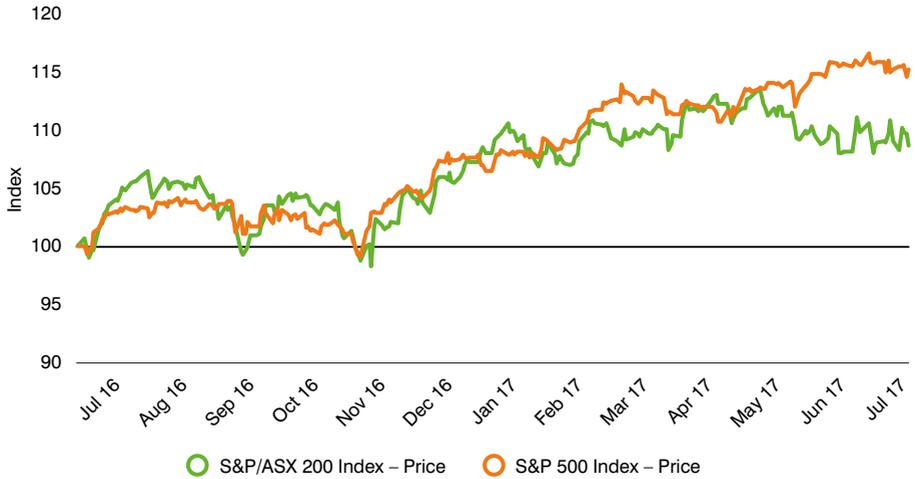


Figure 7: Australian Market Volatility



# Review of Operations and Activities continued

Figure 8: Australian S&P/ASX 200 Index Compared to the US S&P 500 Index



Source: FactSet

The level of volatility is another important factor that Djerriwarrh considers in its option-writing activities. This has been very low over the year (Figure 7) as the Australian market followed the United States market higher (Figure 8).

Our expectation is that volatility could well increase over coming months as the Federal Reserve and European Central

Bank look to increase interest rates from very low levels on the back of improved economic conditions. Geopolitical issues could also have a role in lifting volatility as tensions in the Middle East and Korean Peninsula play out.

## Top 20 Investments

As at 30 June 2017

Includes investments held in both the investment and trading portfolios.

		Total Value \$ Million	% of the Portfolio
1	Commonwealth Bank of Australia*	66.8	9.0
2	Westpac Banking Corporation*	63.1	8.5
3	BHP*	43.1	5.8
4	National Australia Bank*	35.0	4.7
5	Australia and New Zealand Banking Group*	34.0	4.6
6	Wesfarmers*	25.8	3.5
7	Telstra Corporation*	25.7	3.5
8	CSL*	25.2	3.4
9	Brambles*	19.3	2.6
10	Rio Tinto*	18.0	2.4
11	Oil Search*	14.6	2.0
12	QBE Insurance Group*	13.7	1.8
13	James Hardie Industries*	13.0	1.7
14	Woolworths*	13.0	1.7
15	Qube Holdings*	12.9	1.7
16	Seek*	12.2	1.6
17	Woodside Petroleum*	11.9	1.6
18	Amcor*	11.8	1.6
19	AMP*	11.6	1.6
20	Mirrabooka Investments	11.3	1.5
<b>Total</b>		<b>481.8</b>	

As a percentage of total portfolio value (excludes cash)

64.8%

\* Indicates that options were outstanding against part of the holding.

# Income Statement

For the Year Ended 30 June 2017

	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
Dividends and distributions	30,570	36,794
Revenue from deposits and bank bills	352	164
Other revenue	15	41
<b>Total revenue</b>	<b>30,937</b>	<b>36,999</b>
Net gains on trading portfolio	2,278	2,057
Income from options written portfolio	10,938	16,074
<b>Income from operating activities</b>	<b>44,153</b>	<b>55,130</b>
Finance costs	(3,059)	(4,488)
Administration expenses	(3,586)	(3,632)
<b>Operating result before income tax</b>	<b>37,508</b>	<b>47,010</b>
Income tax	(3,666)	(4,806)
<b>Net operating result</b>	<b>33,842</b>	<b>42,204</b>
<b>Net capital gains/(losses) on investments</b>		
Net losses on open options positions	(235)	(2,123)
Tax credit on above	71	637
	(164)	(1,486)
<b>Profit for the year</b>	<b>33,678</b>	<b>40,718</b>
	<b>Cents</b>	Cents
<b>Net operating result per share</b>	<b>15.46</b>	<b>19.31</b>
<b>Profit for the year per share</b>	<b>15.39</b>	<b>18.63</b>

# Balance Sheet

As at 30 June 2017

	2017 \$'000	2016 \$'000
<b>Current assets</b>		
Cash	8,378	954
Receivables	44,587	6,417
Trading portfolio	-	4,575
<b>Total current assets</b>	<b>52,965</b>	<b>11,946</b>
<b>Non-current assets</b>		
Investment portfolio	750,239	752,655
Deferred tax asset – investment portfolio	4,619	19,295
Shares in associate	419	1,148
<b>Total non-current assets</b>	<b>755,277</b>	<b>773,098</b>
<b>Total assets</b>	<b>808,242</b>	<b>785,044</b>
<b>Current liabilities</b>		
Payables	1,412	2,865
Tax payable	226	627
Borrowings – cash advance facilities	84,500	76,500
Interest-rate hedging contracts	437	1,110
Options written portfolio	6,318	8,351
<b>Total current liabilities</b>	<b>92,893</b>	<b>89,453</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	466	533
Deferred tax liabilities – investment portfolio	-	-
<b>Total non-current liabilities</b>	<b>466</b>	<b>533</b>
<b>Total liabilities</b>	<b>93,359</b>	<b>89,986</b>
<b>Net assets</b>	<b>714,883</b>	<b>695,058</b>
<b>Shareholders' equity</b>		
Share capital	636,888	634,225
Revaluation reserve	40,612	1,677
Realised capital gains reserve	(9,298)	5,295
Retained profits	47,118	54,971
Interest-rate hedging reserve	(437)	(1,110)
<b>Total shareholders' equity</b>	<b>714,883</b>	<b>695,058</b>

## Summarised Statement of Changes in Equity

For the Year Ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>Total equity at the beginning of the year</b>	<b>695,058</b>	764,802
Dividends paid	(52,462)	(56,833)
Shares issued – Dividend Reinvestment Plan	2,691	-
Cost of share issues	(28)	-
<b>Total transactions with shareholders</b>	<b>(49,799)</b>	<b>(56,833)</b>
Profit for the year	33,678	40,718
Revaluation of investment portfolio	50,584	(76,994)
Provision for tax on revaluation	(15,311)	23,054
Net revaluation of investment portfolio	<b>35,273</b>	<b>(53,940)</b>
Net movement in fair value for interest rate swaps	673	311
<b>Total comprehensive income for the year</b>	<b>69,624</b>	<b>(12,911)</b>
Realised gains/(losses) on securities sold	(3,027)	(5,519)
Tax expense on realised gains or losses on securities sold	(635)	(17)
Net realised gains/(losses) on securities sold	<b>(3,662)</b>	<b>(5,536)</b>
Transfer from revaluation reserve to realised gains reserve	3,662	5,536
<b>Total equity at the end of the year</b>	<b>714,883</b>	<b>695,058</b>

A full set of Djerrriwarrh's final accounts are available on the Company's website.

## Holding of Securities

As at 30 June 2017

Details of the Company's portfolios are given below. The list should not be used to evaluate portfolio performance or to determine the net asset backing per share (which is advised to the ASX each month and recorded on the toll free telephone service at 1800 780 784).

Individual holdings in the portfolios may change significantly during the course of the year. In addition, holdings may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale.

Unless otherwise stated, the securities in this list are fully paid ordinary shares, trust units, stapled securities or convertible notes.

Code	Company Name	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
AGL*	AGL Energy	354	174	4,431
ALQ*	ALS	742	502	3,607
AMC*	Amcor	846	731	11,756
AMH	AMCIL	10,599	10,599	9,698
AMP*	AMP	2,342	2,242	11,554
ANZ*	Australia and New Zealand Banking Group	1,539	1,200	34,016
APA*	APA Group	546	326	2,965
ASX*	ASX	164	79	4,241
AUB*	AUB Group	365	598	7,721
AWC*	Alumina	3,518	2,725	5,032
AZJ*	Aurizon Holdings	810	445	2,371
BHP*	BHP	1,819	1,861	43,053
BLD*	Boral	603	409	2,772
BXB*	Brambles	1,651	1,998	19,324
CAR*	Carsales.com	105	180	1,999
CBA*	Commonwealth Bank of Australia	820	810	66,797
CCL*	Coca-Cola Amatil	670	550	5,048
CGF*	Challenger	602	492	6,402
COH*	Cochlear	0	18	2,537
CPU*	Computershare	142	477	6,637
CSL*	CSL	267	184	25,196

## Holding of Securities continued

As at 30 June 2017

Code	Company Name	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
CTX*	Caltex Australia	172	190	5,942
CWV	Clearview Wealth	3,117	3,274	4,747
CYB*	CYBG plc	420	1,290	5,881
FNP	Freedom Foods Group	359	359	1,723
FPH*	Fisher & Paykel Healthcare Corporation	301	181	1,950
HSO*	Healthscope	4,312	2,933	6,433
IAG*	Insurance Australia Group	1,487	962	6,471
ILU*	Iluka Resources	220	470	3,965
INM	Iron Mountain	38	38	1,655
IPL*	Incitec Pivot	2,931	2,406	8,141
IRE*	IRESS	175	436	5,475
ISD	Isentia Group	0	1,500	3,225
JHC*	Japara Healthcare	2,483	2,483	5,177
JHX*	James Hardie Industries	589	639	13,015
LIC	Lifestyle Communities	624	624	2,528
LNK*	Link Administration Holdings	0	284	2,096
MFT	Mainfreight	370	400	8,972
MIR	Mirrabooka Investments	4,506	4,169	11,257
MQG*	Macquarie Group	107	125	10,982
MYX	Mayne Pharma Group	2,737	1,902	2,064
NAB*	National Australia Bank	1,641	1,188	34,964
NTC	NetComm Wireless	0	1,000	1,720
NVT*	Navitas	918	918	4,395
ORA*	Orora	750	750	2,125
ORG*	Origin Energy	850	665	4,482
ORI*	Orica	493	238	4,902
OSH*	Oil Search	2,927	2,150	14,592

Code	Company Name	Number Held 2016 '000	Number Held 2017 '000	Market Value 2017 \$'000
PPT*	Perpetual	114	87	4,691
QBE*	QBE Insurance Group	1,165	1,165	13,696
QUB*	Qube Holdings	5,185	5,016	12,917
REA	REA Group	35	15	996
REG*	Regis Healthcare	400	400	1,565
RHC*	Ramsay Health Care	72	72	5,218
RIO*	Rio Tinto	408	287	17,983
RMD*	ResMed	515	360	3,569
S32*	South32	3,100	3,210	8,456
SCG*	Scentre Group	1,205	2,125	8,588
SEK*	Seek	785	730	12,191
SHL*	Sonic Healthcare	346	296	7,065
SUN*	Suncorp Group	735	670	9,749
SYD*	Sydney Airport	632	592	4,180
TCL*	Transurban Group	768	783	9,252
TLS*	Telstra Corporation	6,125	6,125	25,678
TPM*	TPG Telecom	824	1,035	5,881
TWE*	Treasury Wine Estates	704	532	6,903
VCX*	Vicinity Centres	1,100	2,170	5,563
WBC*	Westpac Banking Corporation	1,748	2,075	63,121
WES*	Wesfarmers	598	644	25,772
WFD*	Westfield Corporation	910	1,020	8,166
WLL	Wellcom Group	0	400	1,760
WOW*	Woolworths	511	511	13,008
WPL*	Woodside Petroleum	502	400	11,917
<b>Total</b>				<b>743,921</b>

\* Indicates that options were outstanding against part or all of the holding.

## Major Transactions in the Investment Portfolio

<b>Acquisitions</b>	<b>Cost \$'000</b>
Commonwealth Bank of Australia	18,075
Westpac Banking Corporation	12,223
BHP	9,542
National Australia Bank	7,084
Computershare	6,137
Macquarie Group	5,200
Scentre Group	5,176
CSL	5,045

<b>Sales</b>	<b>Proceeds \$'000</b>
National Australia Bank*	19,868
Commonwealth Bank of Australia*	17,921
ANZ Banking Group*	14,164
CSL*	14,131
Rio Tinto*	8,532
BHP*	7,273
Cover-More Group (takeover by Zurich Insurance)	6,570
Oil Search	5,467

\* Sales as result of the exercise of call options.

### New Companies Added to the Investment Portfolio

Isentia Group

Link Administration Holdings

Cochlear

Wellcom Group

NetComm Wireless

## Major Transactions in the Trading Portfolio

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Sales	Proceeds \$'000
ASG Group <sup>(a)</sup>	5,620
Pacific Brands <sup>(b)</sup>	1,936

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(a) Sold while under takeover offer.

(b) Takeover by Hanesbrands.

# Company Particulars

**Djerriwarrh Investments Limited (DJW)**  
ABN 38 006 862 693

## Directors

John Paterson, Chairman  
Ross E Barker, Managing Director  
Robert J Edgar  
Kathryn J Fagg  
Graham B Goldsmith  
Andrew F Guy  
Graham J Kraehe AO  
Alice JM Williams  
Karen J Wood

## Company Secretaries

Matthew J Rowe  
Andrew JB Porter

## Auditor

PricewaterhouseCoopers  
Chartered Accountants

## Country of Incorporation

Australia

## Registered Office and Mailing Address

Level 21, 101 Collins Street  
Melbourne Victoria 3000

## Contact Details

**Telephone** (03) 9650 9911  
**Facsimile** (03) 9650 9100  
**Email** invest@djerri.com.au  
**Website** djerri.com.au

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange):

**Telephone** 1800 780 784 (toll free)

## Share Registrar

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067

## Shareholder

**Enquiry Line** 1300 653 915  
+61 3 9415 4190 (from overseas)  
**Facsimile** (03) 9473 2500  
**Website** investorcentre.com/contact

For all enquiries relating to shareholdings, dividends and related matters, please contact the Share Registrar as above.

## Securities Exchange Code

DJW Ordinary shares

# Shareholder Meetings

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## Annual General Meeting

**Time** 10.00am  
**Date** Tuesday 10 October 2017  
**Venue** RACV City Club  
**Location** 501 Bourke Street  
Melbourne

## Adelaide Shareholder Meeting

**Time** 2.30pm  
**Date** Friday 20 October 2017  
**Venue** Adelaide Convention Centre  
**Location** Panorama Rooms, North Terrace  
Adelaide

## Brisbane Shareholder Meeting

**Time** 2.30pm  
**Date** Monday 23 October 2017  
**Venue** Brisbane Hilton  
**Location** 190 Elizabeth Street  
Brisbane

## Sydney Shareholder Meeting

**Time** 2.30pm  
**Date** Friday 27 October 2017  
**Venue** Four Seasons Hotel  
**Location** 199 George Street  
Sydney

The Annual Report for 2017 is available on Djerriwarrh's website [djerri.com.au](http://djerri.com.au) or by contacting the Company on (03) 9650 9911.





Notice of Annual  
General Meeting  
2017

The Annual General Meeting of Djerriwarrh Investments Limited (ABN: 38 006 862 693, 'the Company') will be held at: RACV City Club, 501 Bourke Street, Melbourne Victoria at 10.00am (AEDT) on Tuesday 10 October 2017.

The Company has determined that, for the purpose of voting at the meeting, shares will be taken to be held by those persons recorded on the Company's register at 7.00pm (AEDT) on Sunday 8 October 2017.

# **BUSINESS OF THE MEETING**

## **1. Financial Statements and Reports**

To consider the Directors' Report, Financial Report and Independent Audit Report for the financial year ended 30 June 2017.

(Please note that no resolution will be required to be passed on this matter).

## **2. Adoption of Remuneration Report**

To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

That the Remuneration Report for the financial year ending 30 June 2017 be adopted.

(Please note that the vote on this Item is advisory only)

## **3. Re-election of Director**

To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

"That Ms Kathryn Fagg, a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."

## **4. Re-election of Director**

To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

"That Mr John Paterson, a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."

By Order of the Board



Matthew Rowe  
Company Secretary  
29 August 2017

## **Explanatory Notes**

**IMPORTANT: Shareholders are urged to direct their proxy how to vote by clearly marking the relevant box for each item on the proxy form.**

**Where permitted, the Chairman of the meeting intends to vote undirected proxies in favour of all items of business.**

### **1. Financial Statements and Reports**

During this item there will be a reasonable opportunity for shareholders to ask questions and comment on the Directors' Report, Financial Report and Independent Audit Report for the financial year ended 30 June 2017. No resolution will be required to be passed on this matter.

Shareholders who have not elected to receive a hard copy of the Company's 2017 Annual Report can view or download it from the Company's website at:

[djerri.com.au/Company-Reports.aspx](http://djerri.com.au/Company-Reports.aspx)

### **2. Adoption of Remuneration Report**

During this item there will be a reasonable opportunity for shareholders at the meeting to comment on and ask questions about the Remuneration Report which is contained within the 2017 Annual Report.

The vote on the proposed resolution is an advisory one.

### **Voting Exclusions on Item 2**

Pursuant to Section 250R(4) of the *Corporations Act 2001*, the Company is required to disregard any votes cast on Item 2 (in any capacity) by or on behalf of either a member of the key management personnel, details of whose remuneration are included in the remuneration report; or a closely related party of such a member (together 'prohibited persons').

However, the Company will not disregard a vote if:

- the prohibited person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- the vote is not cast on behalf of a prohibited person.

If the Chairman of the meeting is appointed, or taken to be appointed, as a proxy, the shareholder can direct the Chairman of the meeting to vote for or against, or to abstain from voting on, the resolution on Item 2 (Adoption of Remuneration Report) by marking the appropriate box opposite Item 2 on the proxy form.

Pursuant to Section 250R(5) of the *Corporations Act 2001*, if the Chairman of the meeting is a proxy and the relevant shareholder does not mark any of the boxes opposite Item 2, the relevant shareholder will be expressly authorising the Chairman to exercise the proxy in relation to Item 2.

**The Chairman intends to exercise such proxies by voting them in favour of the adoption of the Remuneration Report.**

**The Board recommends that shareholders vote in favour of adopting the Remuneration Report.**

### **3 and 4 Re-election of Director**

Ms Kathryn Fagg and Mr John Paterson were elected and re-elected respectively as Directors by shareholders at the 2014 AGM. As such they are required to seek re-election by shareholders at this AGM. Their biographical details are set out below:

**Kathryn J Fagg**  
**BE (Hons), MCom (Hons). Independent Non-Executive Director. Member of the Nomination Committee**

Ms Fagg joined the Board in May 2014. Her executive and professional roles have been broad and diverse. She started her career as a petroleum engineer. She became a management consultant and then held a number of senior executive positions in the banking, steel and logistics industries across Australia, New Zealand and Asia. Ms Fagg is currently a Board member of Reserve Bank of Australia and a Non-Executive Director of Incitec Pivot Limited and Boral Limited. She is President of Chief Executive Women, Chair of the

Melbourne Recital Centre and Chair of the Breast Cancer Network Australia and was previously Chair of Parks Victoria. She also has a number of other significant interests including as a Fellow of the Academy of Technological Sciences and Engineering where she chairs the Industry and Innovation Forum.

Kathryn has been awarded Honorary Doctorates by the University of New South Wales in Business and in Chemical Engineering by the University of Queensland.

**Mr John Paterson**  
BCom (Hons) (Melb), CPA, F Fin.  
Chairman and Independent Non-Executive Director. Chairman of the Investment Committee. Member of the Nomination Committee. Chairman of the Company's associated entity, AICS.

Mr Paterson is a company Director who was appointed to the Board in July 2002, appointed Deputy Chairman in September 2009 and appointed Chairman in October 2013. He is also a Director of Australian Foundation Investment Company Limited (AFIC). He was formerly a Director of Goldman Sachs JBWere and is a former member of the Board of Guardians of Australia's Future Fund.

**Board recommendation and undirected proxies: The Board (with the exception of each Director in relation to their own re-election) recommends that shareholders vote in FAVOUR of Items 3 and 4. The Chairman of the meeting intends to vote undirected proxies in FAVOUR of Items 3 and 4.**

Further information regarding the Company's corporate governance arrangements and the Board's role can be found on the Company's website at:

[djerri.com.au/Corporate-Governance.aspx](http://djerri.com.au/Corporate-Governance.aspx)

## Shareholder Information

### Proxies

1. A shareholder entitled to attend and vote at this meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend, vote and speak in the shareholder's place and to join in any demand for a poll.

2. Where a shareholder appoints more than one representative, proxy or attorney, those appointees are entitled to vote on a poll but not on a show of hands.
3. A shareholder who appoints two proxies may specify a proportion or number of the shareholder's votes each proxy is appointed to exercise. Where no such specification is made, each proxy may exercise half of the votes (any fractions of votes resulting from this are disregarded).
4. **Proxy forms may be lodged online by visiting [investorvote.com.au](http://investorvote.com.au) or by scanning the QR Code on the proxy form with a mobile device.**
5. **Relevant custodians may lodge their proxy forms online by visiting [intermediaryonline.com](http://intermediaryonline.com)**
6. Proxy forms and any authorities (or certified copies of those authorities) under which they are signed may be delivered in person, by mail or by fax to the Company's Share Registry (see details below) no later than 48 hours before the meeting, being 10.00am (AEST) on Sunday 8 October 2017. Further details are on the proxy form.
7. A proxy need not vote in that capacity on a show of hands on any resolution nor (unless the proxy is the Chairman of the meeting) on a poll. However, if the proxy's appointment specifies the way to vote on a resolution, and the proxy decide to vote in that capacity on that resolution, the proxy must vote the way specified (subject to the other provisions of this Notice, including the voting exclusions noted above).
8. If a proxy does not attend the meeting or does not vote on a poll on a resolution, then the Chairman of the meeting will be taken to have been appointed as the proxy of the relevant shareholder in respect of the meeting or the poll on that resolution, as applicable. If the Chairman of the meeting is appointed, or taken to be appointed, as a proxy, but the appointment does not specify the way to vote on a resolution, then the Chairman intends to exercise the relevant shareholder's votes in favour of the relevant resolution (subject to the other provisions of this Notice, including the voting exclusions noted above).

## Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the meeting. Unless it has previously been given to the Company, the representative should bring evidence of their appointment to the meeting, together with any authority under which it is signed. The appointment must comply with Section 250D of the *Corporations Act 2001*.

## Attorneys

A shareholder may appoint an attorney to vote on their behalf. To be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the deadline for the receipt of proxy forms (see above), being no later than 48 hours before the meeting.

## Share Registry

The Company's Share Registry details are as follows:

### Computershare Investor Services Pty Limited

#### Street Address

Yarra Falls  
452 Johnston Street  
Abbotsford Victoria 3067

#### Postal Address

GPO Box 242  
Melbourne Victoria 3001

#### Telephone

1300 653 915 (within Australia)  
+61 3 9415 4190 (outside Australia)

#### Facsimile

1800 783 447 (within Australia)  
+61 3 9473 2555 (outside Australia)

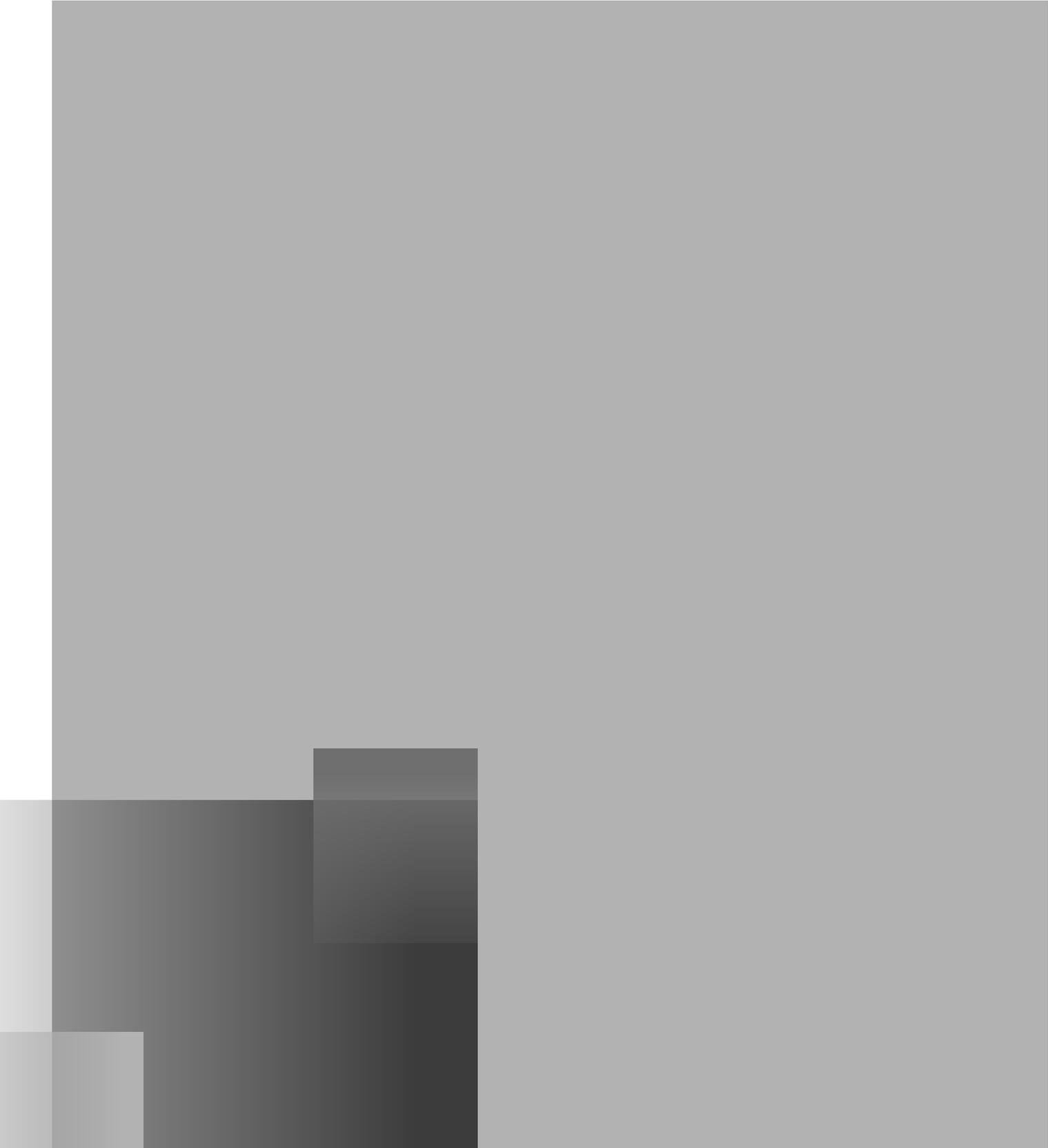
#### Internet

[investorcentre.com/contact](http://investorcentre.com/contact)



Djerriwarrh

AUSTRALIAN EQUITIES, ENHANCED YIELD



## Lodge your proxy:

 **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

**In Person:**  
Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only (Custodians)  
www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 653 915  
(outside Australia) +61 3 9415 4190

## Proxy Form

XX



### Appoint your proxy and view the Annual Report online

Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device. Follow the instructions on the secure website to appoint your proxy.

### Your access information that you will need to appoint your proxy online:

**Control Number:**

**SRN/HIN:**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential. Please dispose of this form carefully if you appoint your proxy online.

 **For your proxy form to be effective it must be received by 10.00am (AEDT) on Sunday 8 October 2017**

### How to direct your proxy to vote

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.

**A proxy need not be a shareholder of the Company.**

### Lodgement of proxy form

This proxy form (and any authority under which it is signed or a certified copy of it) must be received at an address given above by 10.00am (AEDT) on Sunday 8 October 2017, being not later than 48 hours before the commencement of the meeting. Any proxy form received after that time will not be valid for the scheduled meeting.

### Signing instructions for postal forms

**Individual:** Where the holding is in one name, the shareholder or attorney must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders or attorneys should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### Attending the meeting

If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO APPOINT YOUR PROXY,  
or turn over to complete the form →**

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a proxy to vote on your behalf

I/We being a shareholder/s of **DJERRIWARRH INVESTMENTS LIMITED** hereby appoint

the Chairman of the meeting **OR**

 **PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the meeting. Do not insert your own name(s).

or failing the individual or body corporate named in relation to the meeting generally or in relation to a poll on a given resolution, or if no individual or body corporate is named, the Chairman of the meeting, as my/our proxy to act generally at the meeting or in relation to a poll on the given resolution (as applicable) on my/our behalf, including to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of **Djerriwarrh Investments Limited** to be held at **RACV City Club, 501 Bourke Street, Melbourne, Victoria at 10.00am (AEDT) on Tuesday 10 October 2017** and at any adjournment or postponement of that meeting.

**Chairman to vote undirected proxies in favour: I/We acknowledge that the Chairman of the meeting intends to vote undirected proxies in favour of each item of business, to the extent permitted by law.**

**Chairman authorised to exercise proxies on remuneration related matters:** If I/we have appointed the Chairman of the meeting as my/our proxy (or the Chairman of the meeting becomes my/our proxy by default), I/we expressly authorise the Chairman of the meeting (to the extent permitted by law) to exercise my/our proxy in respect of item 2 even though item 2 is connected directly or indirectly with the remuneration of a member of key management personnel of Djerriwarrh Investments Limited, which includes the Chairman of the meeting.

## STEP 2 Items of Business

 **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 2	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-election of Director - Ms Kathryn Fagg	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Re-election of Director - Mr John Paterson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Board recommendations and undirected proxies:** The Board recommends shareholders vote in favour of each item of business. The Chairman of the meeting intends to vote undirected proxies in favour of each item of business, to the extent permitted by law.

## SIGN Signature of Shareholder(s) *This section must be completed.*

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_