Contents

These documents comprise the preliminary final report given to ASX under listing rule 4.3A

Djerriwarrh Investments Limited ABN 38 006 862 693

Djerriwarrh
AUSTRALIAN EQUITIES, ENHANCED YIELD

Appendix 4E Statement for the Full-Year ending 30 June 2019

30
YEARS OF INVESTING FOR ENHANCED INCOME

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2019 with the previous corresponding period being the year ended 30 June 2018.

These preliminary results are based on financial statements that are in the process of being audited.

Results for announcement to the market

- The final dividend is 10 cents per share fully franked, the same as last year. The dividend will be paid on 27 August 2019 to ordinary shareholders on the register on 6 August 2019. Shares are expected to trade ex-dividend from 5 August 2019.

- 3 cents of the final dividend is 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 4.29 cents. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements. There is no conduit foreign income component of the dividend.

- The Company’s Dividend Reinvestment Plan (“DRP”) is in operation for the final dividend. Under the DRP shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares is based on a **2.5% discount** to the average selling price of shares traded on the ASX and Chi-X automated trading systems in the five days from the day the shares begin trading on an ex-dividend basis. The last day for the receipt of an election notice for participation in the plan is 7 August 2019.

- Net Operating Result after tax was $37.6 million, 4.5% up from the previous corresponding period.

- Net Operating Result per share was 16.95 cents per share, up from 16.3 cents last year.

- Net Profit attributable to members was $34.3 million, 9.2% up from $31.4 million in the previous corresponding period.

- Revenue from operating activities was $39.9 million, 15.7% up from the previous corresponding period.

- The interim dividend for the 2019 financial year was 10 cents per share (the same as last year), fully franked, and it was paid to shareholders on 21 February 2019.

- Net tangible assets per share before any provision for deferred tax on the unrealised taxable gains on the long-term investment portfolio as at 30 June 2019 were $3.31 (before allowing for the final dividend), which was the same figure (before allowing for the final dividend) at the end of the previous corresponding period.

- The 2019 AGM will be held at Zinc, Federation Square, Melbourne, at 1.30 PM on Tuesday 8 October 2019.

Full Year Report to 30 June 2019

- Djerriwarrh seeks to provide an enhanced level of fully franked income, that is higher than what is available from the S&P/ASX 200, and which is delivered at a low cost to shareholders. The enhanced yield is achieved through investing in higher dividend yielding companies as well as using option strategies. The use of options will typically reshape the profile of returns, producing more immediate income at the expense of potential capital growth. In strongly rising markets as experienced recently capital growth is likely to be less than the overall market.

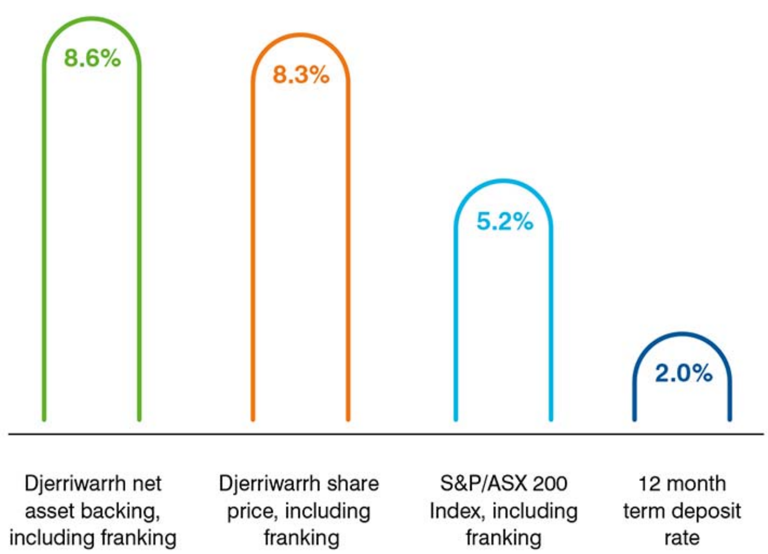
- Full Year Profit was $34.3 million, up 9.2% from $31.4 million in the corresponding period last year. Key components of the result were:
  - an increase in investment income, which included the recognition of a dividend from the Coles demerger from Wesfarmers and a special dividend from BHP;
  - a smaller income contribution from option activity, as a significant number of in-the-money call option positions were bought back and moved into the current financial year at higher exercise prices to capture more of the potential capital upside of these holdings; and
  - a reduction in net unrealised losses from open option positions, as options positions were moved into this financial year rather than have these holdings exercised.

- Net Operating Result (which excludes the impact of open option positions) was $37.6 million, up 4.5% from $36.0 million in the prior corresponding period last year.

- Final dividend is 10 cents per share fully franked, bringing total dividends for the year to 20 cents per share, in line with last year.

- Portfolio return for the year, including franking, was 9.1%. Including franking, the S&P/ASX 200 Accumulation Index was up 13.4%. Over ten years, the corresponding figures are 10.7% for Djerriwarrh and 11.7% for the Index.

- At 30 June 2019, the yield on the portfolio (net asset backing) was 8.6%, including franking, whereas the yield on the S&P/ASX 200, including franking, was 5.2%.



Note: Djerriwarrh yield based on 20 cent full year dividend. Assumes an investor can take full advantage of the franking credits. S&P/ASX 200 Index 80 per cent franked.

Market Comments

Global equity markets have recently responded positively to the prospect of lower interest rates in the United States, despite concerns about the possibility of slower global economic growth, in part driven by uncertainty surrounding international trade. The Australian equity market has reacted to record low interest rates by pushing stocks that produce sound dividends higher, as investors are left with little alternative for reliable income. In this environment, large companies were the key driver of the market, with the Twenty Leaders Accumulation Index up 14.3% for the year, whereas the combined Small and Mid-Cap Accumulation Index was up 2.8% over the 12 months to 30 June 2019.

Portfolio Returns

Djerriwarrh's primary focus is to provide a dividend yield that is higher than the S&P/ASX 200 Index. Djerriwarrh's yield on the portfolio at 30 June 2019, grossed up for franking, was 8.6% whereas the Index yield on an equivalent basis was 5.2%.

In a strongly rising market, where it becomes more challenging to maintain exposure to key holdings because of option activity that contributes to this yield, Djerriwarrh's total portfolio return, including franking, for the 12 months to 30 June 2019 was 9.1%. The S&P/ASX 200 Accumulation Index return, including franking, over the corresponding period was 13.4%. For the 10 years to 30 June 2019, the total portfolio return, including franking, was 10.7% per annum, whereas the S&P/ASX 200 Accumulation Index over the same period, including franking, was 11.7% per annum (see attached performance table).

The relative portfolio performance over the 12 months to 30 June 2019 was the outcome of the following key factors. In many instances, it was uneconomic in the strongly rising market in the second half of the financial year to buy back and move in-the-money call option positions to higher exercise prices to try and capture more capital growth. As a result, a number of call options were exercised at a lower price than was prevailing in the market at the time. In addition, "buying stock and writing of call option" transactions to maintain exposure to selected holdings meant option coverage remained at the upper end of the range with these covered purchases. Whilst this activity is important for income generation, it can detract from capital growth. Participation in the BHP and Rio Tinto off-market buy-backs, that generated significant franking credits for the Company, also provided some headwind to performance as holdings were sold at a 14% discount to the market at the time. Finally, Djerriwarrh does not own gold stocks in the portfolio, which have been very strong recently in response to global political uncertainties, or many real estate trusts, which have risen as investors respond to lower bond yields.

The more significant positive contributors (including dividends and option income) to Djerriwarrh's portfolio performance over the 12-month period were BHP, Commonwealth Bank, Telstra, Brambles and CSL.

In contrast, companies such as CYBG (Clydesdale Bank) and Challenger, both of which were sold during the second half of the financial year, significantly underperformed. Current holdings in Adelaide Brighton, James Hardie Industries and Reliance Worldwide were negatively impacted by weaker industry conditions in their respective markets

Portfolio Adjustments

The focus for change to the portfolio over the year was to ensure concentration remained on quality companies with strong industry positions, which have stable dividends and the propensity to grow these dividends over time. In total, the number of holdings in the Investment Portfolio was reduced from 74 to 59 over the year. This reduction also reflected a greater focus on companies where there is a better prospect of generating income from writing call options over these holdings in a more uncertain environment.

A number of purchases were made through the period to restore positions that were sold because of the exercise of call options. The largest of these were BHP, Wesfarmers, Transurban (including participation in its rights issue) and APA Group. National Australia Bank was the other large purchase, given the very attractive dividend yield on offer at the time.

New holdings added through the period were Adelaide Brighton, OZ Minerals and Medibank Private.

Profit and Dividend

Profit for the year was $34.3 million, up 9.2% from $31.4 million in the corresponding period last year. The demerger of Coles from Wesfarmers produced an accounting demerger dividend of $1.3 million and there was an uplift in income from holdings in BHP (including a special dividend), Alumina and Sydney Airport.

Income from options was $6.4 million, which was down from $11.7 million in the corresponding period last year. The fall in option income was a result of a number of option positions being bought back and moved into the current financial year with higher exercise prices.

There was also a reduction in the value of the net losses on open option positions (these losses can arise when prices on the underlying stocks increase in value) as fewer options were “in the money” at year-end because of the movement of open option positions into the current financial year.

The Net Operating Result for the year was $37.6 million, up 4.5% from $36.0 million in the prior corresponding period. In the opinion of the Directors, 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 gains on open option positions at year-end.

Djerriwarrh’s final dividend has been maintained at 10 cents per share fully franked, bringing total dividends for the year to 20 cents per share, in line with last year. The Dividend Reinvestment Plan is in operation with a 2.5% discount.

Moving Forward

With the Australian market trading at nearly all-time highs and with valuations across many companies seemingly driven higher in this very low interest rate environment, Djerriwarrh will look to keep option coverage towards the upper end of the typical range of 30% to 50% of the portfolio.

Whilst market volatility which is important to Djerriwarrh’s option activities remains low, we suspect this could well increase over coming months as investors move their focus away from low interest rates to other substantive issues such as the outlook for economic growth, the outcome regarding negotiation of trade tariffs between the United States and China, and geopolitical issues such as Brexit. Furthermore, if Central Banks are right about the need for lower interest rates, it is quite likely that earnings growth will disappoint at a later stage. At present markets are not factoring this in at all.

Djerriwarrh, having repositioned the portfolio over the year, has moved a large amount of option income into this financial year. In uncertain markets, this provides some flexibility in adjusting these option positions to manage the balance between income generation and producing growth in the portfolio going forward.

Please direct any enquiries to:

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15 July 2019

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions	Cost ($'000)
BHP	19,808
Wesfarmers	15,981
Transurban (includes $2.4 million from participation in 10 for 57 rights issue)	12,199
National Australia Bank	10,606
APA Group	10,505

Sales	Proceeds ($'000)
Wesfarmers#	19,903
Transurban#	15,135
BHP# (also includes $2.8 million from participation in the off-market buyback)	13,595
Rio Tinto# (also includes $6.2 million from participation in the off-market buyback)	13,067
Brambles#	9,858

#Sales as result of the exercise of call options

New Companies Added to the Investment Portfolio
Adelaide Brighton
OZ Minerals
Medibank Private

TOP INVESTMENTS AS AT 30 JUNE 2019

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 28 June 2019

			Total Value $ million	% of Portfolio
1	*	Commonwealth Bank of Australia	73.5	9.3%
2	*	Westpac Banking Corporation	56.8	7.2%
3	*	BHP Group	55.6	7.1%
4	*	National Australia Bank	47.5	6.0%
5	*	Australia and New Zealand Banking Group	41.7	5.3%
6	*	CSL	40.1	5.1%
7	*	Macquarie Group	30.0	3.8%
8	*	Woodside Petroleum	22.7	2.9%
9	*	Woolworths Group	21.5	2.7%
10	*	Wesfarmers	20.5	2.6%
11	*	Sydney Airport	19.7	2.5%
12	*	Telstra Corporation	19.4	2.5%
13	*	Amcor	17.2	2.2%
14	*	Brambles	15.6	2.0%
15	*	Oil Search	15.4	2.0%
16	*	Transurban	14.9	1.9%
17	*	Atlas Arteria	14.5	1.8%
18	*	James Hardie Industries	12.9	1.6%
19	*	Suncorp Group	12.0	1.5%
20	*	Sonic Healthcare	11.6	1.5%
			562.9	
		As % of Total Portfolio Value (excludes Cash)	71.6%	

* Indicates that options were outstanding against part of the holding

PORTFOLIO PERFORMANCE TO 30 JUNE 2019

PERFORMANCE MEASURES AT 30 JUNE 2019	1 YEAR	5 YEARS %PA	10 YEARS %PA	15 YEARS %PA
PORTFOLIO RETURN –NET ASSET BACKING INCLUDING DIVIDENDS REINVESTED	***6.3%***	***4.6%***	***7.4%***	***7.0%***
S&P/ASX 200 ACCUMULATION INDEX	11.6%	8.9%	10.0%	9.0%
UBS 180 BANK BILLS INDEX	2.0%	2.1%	3.0%	4.0%

PORTFOLIO RETURN –NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED*	***9.1%***	***7.7%***	***10.7%***	***10.1%***
S&P/ASX 200 GROSS ACCUMULATION INDEX*	13.4%	10.5%	11.7%	10.5%

*Incorporates the benefit of franking credits for those who can fully utilise them.

Note: Djerriwarrh's net asset per share growth plus dividend series is calculated after management expenses, income tax and capital gains tax on realised sales of investments. It should also be noted that Index returns for the market do not include the impact of management expenses and tax on their performance.

Djerriwarrh Investments Limited

Annual Financial Statements

30 June 2019

Financial statements

Income Statement for the Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Dividends and distributions	A3	39,668	34,297
Revenue from deposits and bank bills		215	169
Total revenue		**39,883**	**34,466**
Net gains/(losses) on trading portfolio	A3	(427)	70
Income from options written portfolio	A3	6,376	11,693
Income from operating activities		**45,832**	**46,229**
Finance Costs	B4/D2	(2,816)	(3,220)
Administration expenses	B1	(3,942)	(3,922)
Share of net profit from Associate	B1	633	428
Operating result before income tax expense		**39,707**	**39,515**
Income tax expense*	B2, E2	(2,077)	(3,509)
Net operating result for the year		**37,630**	**36,006**
Net gains/(losses) on open options positions		(4,714)	(6,515)
Deferred tax expense on open options positions*	B2, E2	1,414	1,954
		(3,300)	(4,561)
Profit for the year		**34,330**	**31,445**
		Cents	**Cents**
Basic earnings per share	A5	15.47	14.27
		2019 $'000	**2018 $'000**
* Total Tax Expense	B2, E2	663	1,555

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

Statement of Comprehensive Income for the Year Ended 30 June 2019

	Year to 30 June 2019			Year to 30 June 2018		
	Revenue[1]	**Capital[1]**	**Total**	Revenue	Capital	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Profit for the year	**37,630**	**(3,300)**	**34,330**	**36,006**	**(4,561)**	**31,445**
Other Comprehensive Income						
Items that will not be recycled through the Income Statement						
Gains for the period	-	10,050	**10,050**	-	28,718	**28,718**
Tax on above	-	(3,238)	**(3,238)**	-	(8,985)	**(8,985)**
Items that may be recycled through the Income Statement						
Net movement in fair value of swap contracts[2]	-	(464)	**(464)**	-	227	**227**
Total Other Comprehensive Income	-	**6,348**	**6,348**	-	**19,960**	**19,960**
Total Comprehensive Income	**37,630**	**3,048**	**40,678**	**36,006**	**15,399**	**51,405**

[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 2019

	Note	**2019 $'000**	2018 $'000
Current assets			
Cash	D1	29,211	2,025
Receivables		27,909	79,124
Tax refund due		637	468
Total current assets		**57,757**	**81,617**
Non-current assets			
Investment portfolio	A2	807,905	770,067
Deferred tax assets	E2	2,738	1,416
Shares in associate	F5	1,158	717
Total non-current assets		**811,801**	**772,200**
Total assets		**869,558**	**853,817**
Current liabilities			
Payables		412	471
Borrowings – bank debt	D2	110,500	109,500
Interest rate hedging contracts	B4	674	210
Options Sold	A2	21,896	11,571
Total current liabilities		**133,482**	**121,752**
Non-current liabilities			
Deferred tax liabilities – investment portfolio	B2	6,458	4,344
Total non-current liabilities		**6,458**	**4,344**
Total liabilities		**139,940**	**126,096**
Net Assets		**729,618**	**727,721**
Shareholders' equity			
Share capital	A1, D6	647,761	642,268
Revaluation reserve	A1, D3	64,863	60,297
Realised capital gains reserve	A1, D4	(51,114)	(31,223)
Interest rate hedging reserve	B4	(674)	(210)
Retained profits	A1, D5	68,782	56,589
Total shareholders' equity		**729,618**	**727,721**

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

Statement of Changes in Equity for the Year Ended 30 June 2019

Year Ended 30 June 2019

	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		**642,268**	**60,297**	**(31,223)**	**(210)**	**56,589**	**727,721**
Dividends paid	A4	-	-	(22,137)	-	(22,137)	**(44,274)**
Shares issued under Dividend Reinvestment Plan	D6	5,515	-	-	-	-	**5,515**
Share Issue Costs	D6	(22)	-	-	-	-	**(22)**
Total transactions with shareholders		**5,493**	**-**	**(22,137)**	**-**	**(22,137)**	**(38,781)**
Profit for the year		-	-	-	-	34,330	**34,330**
Other Comprehensive Income (net of tax)							
Net gains for the period on investments[1]		-	6,812	-	-	-	**6,812**
Net movement in fair value of swap contracts		-	-	-	(464)	-	**(464)**
Other Comprehensive Income for the year		-	6,812	-	(464)	-	**6,348**
Transfer to Realised Capital Gains Reserve of cumulative gains on investments sold		-	(2,246)	2,246	-	-	**-**
Total equity at the end of the year		**647,761**	**64,863**	**(51,114)** [2]	**(674)**	**68,782**	**729,618**

[1] Consists of an unrealised gain on investments held at the year-end of $4.6 million (after-tax) plus cumulative gains on investments sold during the year of $2.2 million (after tax).

[2] See Note D4

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

Statement of Changes in Equity for the Year Ended 30 June 2019 (continued)

Year Ended 30 June 2018

	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		**636,888**	**40,612**	**(9,298)**	**(437)**	**47,118**	**714,883**
Dividends paid	A4	-	-	(21,973)	-	(21,974)	**(43,947)**
Shares issued under Dividend Reinvestment Plan	D6	5,401	-	-	-	-	**5,401**
Share Issue Costs	D6	(21)	-	-	-	-	**(21)**
Total transactions with shareholders		**5,380**	**-**	**(21,973)**	**-**	**(21,974)**	**(38,567)**
Profit for the year		-	-	-	-	31,445	**31,445**
Other Comprehensive Income (net of tax)							
Net gains for the period on investments[1]		-	19,733	-	-	-	**19,733**
Net movement in fair value of swap contracts		-	-	-	227	-	**227**
Other Comprehensive Income for the year		-	19,733	-	227	-	**19,960**
Transfer to Realised Capital Gains Reserve of cumulative gains on investments sold		-	(48)	48	-	-	**-**
Total equity at the end of the year		**642,268**	**60,297**	**(31,223)** [2]	**(210)**	**56,589**	**727,721**

[1] Consists of an unrealised gain on investments held at the year-end of $19.7 million (after-tax) plus cumulative gains on investments sold during the year of $48,000 (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 2019

	Note	**2019 $'000 Inflows/ (Outflows)**	2018 $'000 Inflows/ (Outflows)
Cash flows from operating activities			
Sales from trading portfolio		5,964	5,764
Purchases for trading portfolio		(6,095)	(148)
Interest received		215	169
Proceeds from entering into options in options written portfolio		30,164	25,972
Payment to close out options in options written portfolio		(18,166)	(15,535)
Dividends and distributions received		35,205	26,857
		47,287	43,079
Administration expenses		(3,940)	(4,219)
Finance costs paid		(2,709)	(3,214)
Income taxes paid		(3,075)	(3,388)
Net cash inflow/(outflow) from operating activities	E1	**37,563**	**32,258**
Cash flows from investing activities			
Sales from investment portfolio		277,744	170,039
Purchases for investment portfolio		(250,319)	(194,448)
Tax paid on capital gains		(22)	(635)
Net cash inflow/(outflow) from investing activities		**27,403**	**(25,044)**
Cash flows from financing activities			
Drawing down of cash advance facilities		1,000	25,000
Share issue costs		(22)	(21)
Dividends paid		(38,758)	(38,546)
Net cash inflow/(outflow) from financing activities		**(37,780)**	**(13,567)**
Net increase/(decrease) in cash held		27,186	(6,353)
Cash at the beginning of the year		2,025	8,378
Cash at the end of the year	D1	**29,211**	**2,025**

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 fully-franked 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:

	2019	2018
	$'000	$'000
Share capital	647,761	642,268
Revaluation reserve	64,863	60,297
Realised capital gains reserve	(51,114)	(31,223)
Retained profits	68,782	56,589
	730,292	**727,931**

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 whilst put options are fully backed by cash, cash equivalents or access to liquidity facilities.

The balance and composition of the investment portfolio was:

	2019 **$'000**	2018 $'000
Equity instruments (at market value)	807,905	770,067
	807,905	770,067

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

Call options	(21,594)	(11,519)
Put options	(302)	(52)
	(21,896)	(11,571)

If all call options were exercised, this would lead to the sale of $412.9 million worth of securities at an agreed price – the 'exposure' (2018: $299.6 million). If all put options were exercised, this would lead to the purchase of $26.6 million of securities at an agreed price (2018 : $3.4 million).

$103.9 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2018: $101.3 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.

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 Djerriwarrh 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 Djerriwarrh's long-term investment portfolio. Deferred tax is calculated as set out in note B2. The relevant amounts as at 30 June 2019 and 30 June 2018 were as follows:

	30 June 2019	30 June 2018
Net tangible asset backing per share	**$**	$
Before tax	**3.31**	**3.31**
After tax	3.28	3.29

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 twelve 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.

Securities sold and how they are measured

During the period $227.2 million (2018 : $203.6 million) of equity securities were sold from the investment portfolio. The cumulative gain on the sale of securities was $2.2 million for the period after tax (2018: $48,000). 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 'Listed Investment Company' (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 2019 is set out below.

	2019 **$'000**	2018 $'000
Dividends and distributions		
Dividends from securities held in investment portfolio at 30 June	34,195	28,898
Dividends from investment securities sold during the year	5,348	5,399
Dividends from trading securities sold during the year	125	-
	39,668	34,297

Dividend Income

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 & non-equity investments

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

Net gains		
Net realised gains/(losses) from securities in the trading portfolio	(553)	70
Net realised gains from options in the trading portfolio	126	-
Realised gains on options written portfolio	6,376	11,693
	5,949	11,763

Including the realised gain on options written above, plus the unrealised loss on open options, a total of $1.7 million before tax was recorded through the Income Statement from options in the options written portfolio (2018 : $5.2 million).

A4 . Dividends paid

The dividends paid and payable for the year ended 30 June 2019 are shown below:

	2019 $'000	2018 $'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2018 of 10 cents fully franked at 30% paid 27 August 2018 (2018: 10 cents fully franked at 30% paid on 25 August 2017).	22,095	21,935
Interim dividend for the year ended 30 June 2019 of 10 cents per share fully franked at 30%, paid 21 February 2019 (2018: 10 cents fully franked at 30% paid 21 February 2018)	22,179	22,012
	44,274	43,947
(b) Franking credits		
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	34,028	33,130
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(9,544)	(9,469)
Net available	24,484	23,661
These franking account balances would allow Djerriwarrh to frank additional dividend payments up to an amount of:	57,129	55,209

Djerriwarrh's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and on Djerriwarrh 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%. The aggregate amount of the final dividend for the year to 30 June 2019 to be paid on 27 August 2019, but not recognised as a liability at the end of the financial year is:

22,270

(d) Listed Investment Company capital gain account	2019 $'000	2018 $'000
Balance of the Listed Investment Company (LIC) capital gain account	7,976	26,565
This equates to an attributable amount	11,395	37,949

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. $6.7 million of the capital gain ($9.5 million of the attributable amount) will be paid out as part of the final dividend on 27 August 2019.

A5. Earnings per share

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

Basic Earnings per share	**2019 Number**	2018 Number
Weighted average number of ordinary shares used as the denominator	221,974,315	220,294,908
	$'000	**$'000**
Profit for the year	34,330	31,445
	Cents	**Cents**
Basic earnings per share	15.47	14.27
Basic net operating result per share	**$'000**	**$'000**
Net operating result	37,630	36,006
	Cents	**Cents**
Basic net operating result per share	16.95	16.34

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:

	2019 $'000	2018 $'000
Administration fees paid to AICS	(2,515)	(2,450)
Share of net profit from AICS as an Associate	633	428
Other administration expenses	(1,427)	(1,472)

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% shareholding in AICS and has 2 Directors on the AICS Board who are involved in approving the annual expenses budget of the Company, amongst other duties.

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 $**
2019			
Directors	575,344	54,656	630,000
2018			
Directors	653,811	62,114	715,925

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:

(a) Reconciliation of income tax expense to prima facie tax payable

	2019 **$'000**	2018 $'000
Operating result before income tax expense	**39,707**	**39,515**
Tax at the rate of 30% (2018 – 30%)	11,912	11,854
Tax offset for franked dividends received	(9,713)	(8,481)
Demerger dividend not taxable	(377)	-
Tax effect of sundry items not taxable in calculating taxable income or taxable in current year but not included in income	456	318
	2,278	**3,691**
Over provision in prior years	(201)	(182)
Income tax expense on operating result before net gains on investments	**2,077**	**3,509**
Net gains (losses) on open options positions	**(4,714)**	**(6,515)**
Tax at the rate of 30% (2018 – 30%)	(1,414)	(1,954)
Tax expense (credit) on net gains on open options positions	**(1,414)**	**(1,954)**
Total tax expense	**663**	**1,555**

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. .

	2019 **$'000**	2018 $'000
Deferred tax liabilities on unrealised gains in the investment portfolio	6,458	4,344
Opening balance at 1 July	4,344	(4,619)
Tax on realised gains	(1,124)	(22)
Charged to OCI for ordinary securities on gains or losses for the period	3,238	8,985
	6,458	4,344

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 Listed Investment Company that invests in tradeable securities, Djerriwarrh 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% and 10% on values at 30 June, if spread equally over all assets in the investment portfolio, would have led to the following reductions (after tax) :

	2019 $'000		**2018 $'000**	
	5%	10%	5%	10%
Profit after Tax	-	-	-	-
Other Comprehensive Income	(28,277)	(56,553)	(26,952)	(53,905)

A market fall of 5% and 10% across the Options Written Portfolio on values at 30 June would have led to the following increases (after tax) :

	2019 $'000		**2018 $'000**	
	5%	10%	5%	10%
Profit after Tax	766	1,533	405	810
Other Comprehensive Income	-	-	-	-

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:

	2019	2018
Energy	5.91%	6.78%
Materials	16.10%	16.25%
Industrials	12.96%	12.11%
Consumer Staples	4.45%	6.76%
Banks	26.91%	26.52%
Other Financials (incl. property trusts)	12.81%	18.20%
Telecommunications	3.34%	2.10%
Healthcare	8.18%	7.06%
Other –Consumer Discretionary, Info Technology & Utilities	5.76%	3.95%
Cash	3.58%	0.27%

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

	2019
Commonwealth Bank	9.3%
Westpac	7.2%
BHP	7.1%
National Australia Bank	6.0%
Australia and New Zealand Banking Group	5.3%
CSL	5.1%
	2018
Commonwealth Bank	8.3%
Westpac	7.7%
BHP	5.8%
National Australia Bank	5.0%

No other security represents over 5% 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 $50 million worth of short term borrowings, as outlined below.

Counter-party	Value	Interest-rate	Start Date	Finish Date
Westpac	$15m	2.3125%	October 2015	October 2020
Commonwealth Bank	$10m	2.0375%	April 2016	October 2019
Commonwealth Bank	$10m	2.195%	April 2016	October 2020
Commonwealth Bank	$15m	2.385%	December 2016	October 2021

This locked in a longer term fixed rate for a substantial proportion of Djerriwarrh's debt. 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. 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 4" 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.

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	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying amount
30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Payables	412	-	-	412	412
Borrowings	110,500	-	-	110,500	110,500
	110,912	-	-	110,912	110,912
Derivatives					
Options written*	26,555	-	-	26,555	21,896
Interest rate swaps	174	150	222	546	674
	26,729	150	222	27,101	22,570
30 June 2018					
Non-derivatives					
Payables	471	-	-	471	471
Borrowings	109,500	-	-	109,500	109,500
	109,971	-	-	109,971	109,971
Derivatives					
Options written*	3,383	-	-	3,383	11,571
Interest rate swaps	36	36	145	217	210
	3,419	36	145	3,600	11,781

* 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

	2019 $000	2018 $000
Opening Balance at 1 July	(210)	(437)
Movement for year (net of tax)	(464)	227
Fair Value of interest rate swap agreements at 30 June	(674)	(210)

Counter-party	**Value**	**Interest-rate**	**Start Date**	**Finish Date**
Westpac	$15m	2.3125%	October 2015	October 2020
Commonwealth Bank	$10m	2.0375%	April 2016	October 2019
Commonwealth Bank	$10m	2.195%	April 2016	October 2020
Commonwealth Bank	$15m	2.385%	December 2016	October 2021

The company has entered into 4 interest rate hedging contracts as detailed above, under which the company will pay a fixed interest rate on $50 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. 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 do not 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.

Further information that shareholder may find useful is included here. It is grouped into three sections:

D Balance sheet reconciliations

E Income statement reconciliations

F Further information

D. Balance sheet reconciliations

This section provides information about the basis of calculation of line items in the financial statements.

D1. Current assets – cash

	2019	2018
	$'000	$'000
Cash at bank and in hand (including on-call)	29,211	2,025

Cash holdings yielded an average floating interest rate of 2.08% (2018: 1.78%). 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.

	2019	2018
	$'000	$'000
Commonwealth Bank of Australia – cash advance facility	130,000	130,000
Amount drawn down at 30 June	110,500	109,500
Undrawn facilities at 30 June	19,500	20,500
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	140,000	140,000
Total drawn down at 30 June	110,500	109,500
Total undrawn facilities at 30 June	29,500	30,500

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	31 December 2019
Westpac Bank	$10 million	30 October 2019
Commonwealth Bank	$40 million	30 October 2019
Commonwealth Bank	$40 million	30 June 2021
Total Facilities	**$140 million**	

D3. Revaluation reserve

	2019 $'000	2018 $'000
Opening balance at 1 July	60,297	40,612
Gains/(losses) on investment portfolio	10,050	28,718
Deferred tax on above	(3,238)	(8,985)
Cumulative taxable realised (gains)/losses (net of tax)	(2,246)	(48)
	64,863	60,297

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

	2019 $'000			2018 $'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	24,631	(55,854)	**(31,223)**	46,553	(55,851)	**(9,298)**
Dividends paid	(22,137)	-	**(22,137)**	(21,973)	-	**(21,973)**
Cumulative taxable realised (losses)/gains for period	3,746	(376)	**3,370**	73	(3)	**70**
Tax on realised gains/(losses)	(1,124)	-	**(1,124)**	(22)	-	**(22)**
	5,116	(56,230)	**(51,114)**	24,631	(55,854)	**(31,223)**

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, whilst 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.

D5. Retained profits

	2019 $'000	2018 $'000
Opening balance at 1 July	56,589	47,118
Dividends paid	(22,137)	(21,974)
Profit for the year	34,330	31,445
	68,782	56,589

This reserve relates to past profits.

D6. Share capital

Date	**Details**	**Notes**	**Number of shares '000**	**Issue Price $**	**Paid-up Capital $'000**
1/7/2017	Balance		219,352		636,888
25/8/2017	Dividend Reinvestment Plan	**(i)**	768	3.44	2,641
21/2/2018	Dividend Reinvestment Plan	**(i)**	829	3.33	2,760
	Costs of issue		-	-	(21)
30/6/2018	Balance		220,949		642,268
27/8/2018	Dividend Reinvestment Plan	**(i)**	836	3.29	2,752
21/2/2019	Dividend Reinvestment Plan	**(i)**	912	3.03	2,763
	Costs of issue		-	-	(22)
30/6/2019	Balance		222,697		647,761

(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 & Chi-X in the five days after the shares begin trading on an ex-dividend basis.*

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

	2019 $'000	2018 $'000
Profit for the year	**34,330**	**31,445**
Net profit from Associate	(441)	(298)
Sale from trading to investment portfolio	(1,655)	-
Increase (decrease) in options written portfolio	10,325	5,253
Dividends received as securities under DRP investments	(3,956)	(880)
Decrease (increase) in current receivables	51,215	(34,537)
- Less increase (decrease) in receivables for investment portfolio	(49,589)	33,536
Increase (decrease) in deferred tax liabilities	792	7,081
- Less (increase) decrease in deferred tax liability on investment portfolio	(2,114)	(8,963)
Increase (decrease) in current payables	(59)	(941)
- Less decrease (increase) in payables for investment portfolio	(14)	643
Increase (decrease) in provision for tax payable	(169)	(694)
- Less CGT provision	(1,124)	(22)
- Add taxes paid on capital gains	22	635
Net cash flows from operating activities	**37,563**	**32,258**

E2. Tax reconciliations

Tax expense composition

Charge for tax payable relating to the current year	2,186	3,619
Over provision in prior years	(201)	(182)
Increase (decrease) in deferred tax liabilities	(1,322)	(1,882)
	663	**1,555**

Amounts recognised directly through Other Comprehensive Income

Net increase in deferred tax liabilities relating to capital gains tax on the movement in gains or losses in the investment portfolio	(3,238)	(8,985)
	(3,238)	**(8,985)**

Deferred tax assets & liabilities

The deferred tax balances are attributable to:

		2019 $'000	2018 $'000
(a)	Tax on unrealised (gains)/losses in the options written portfolio	2,986	1,572
(b)	Provisions and expenses charged to the accounting profit which are not yet tax deductible	14	45
(c)	Interest and dividend income receivable which is not assessable for tax until receipt	(262)	(201)
		2,738	1,416

Movements:

	2019	2018
Opening balance at 1 July	1,416	(466)
(Credited)/charged to Income statement	1,322	1,882
	2,738	1,416

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.

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:

	2019 $'000	2018 $'000
Operating result after income tax expense	37,630	36,006
Add back income tax expense	2,077	3,509
Net gains (losses) on open options positions	(4,714)	(6,515)
Profit for the year before tax	**34,993**	**33,000**

F. Further information

This section covers 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:

	2019	2018
	$	$
PricewaterhouseCoopers		
Audit or review of financial reports	130,113	136,473
Non-Audit Services		
Taxation compliance services	17,556	22,220
Total remuneration	147,669	158,693

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 (including the unrealised gain or loss on options) comprising more than 10% 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 on 15 July 2019 in accordance with a resolution of the Board and is presented in the Australian currency. The directors of Djerriwarrh have 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 & 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 2019 ("the inoperative standards"). 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 Djerriwarrh approximates their carrying value.

Rounding of amounts

Djerriwarrh 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.