

26 August 2019

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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 2019 Statutory Annual Report, Annual Shareholder Review, Notice of Meeting and Proxy Form being sent to shareholders.

Yours faithfully



Matthew Rowe
Company Secretary



Djerriwarrh
AUSTRALIAN EQUITIES, ENHANCED YIELD

Annual Report 2019

30
YEARS OF
INVESTING FOR
ENHANCED
INCOME

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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.

This year marks the 30th anniversary of the establishment of Djerriwarrh Investments in 1989.

Year in Summary

Profit for the Year

\$34.3m

Up 9.2% from 2018

Total Portfolio Return

9.1% Including franking*

S&P/ASX 200 Accumulation Index
+13.4% including franking*

Net Operating Result

\$37.6m

Up 4.5% from 2018

Total Shareholder Return

8.4%

Share price plus dividend

Fully Franked Dividend

10¢ 20¢

Final

Total

Same as 2018

Management Expense Ratio

0.43%

0.44% in 2018

Portfolio Dividend Yield

8.6% Including franking*

S&P/ASX 200 Index yield
5.2% (grossed up for franking credits)

Total Portfolio

\$815.2m

Including cash at 30 June
\$760.5 million in 2018

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

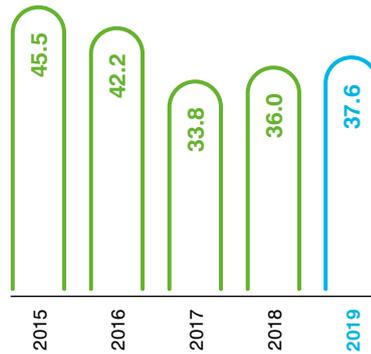
DIRECTORS' REPORT

5 Year Summary

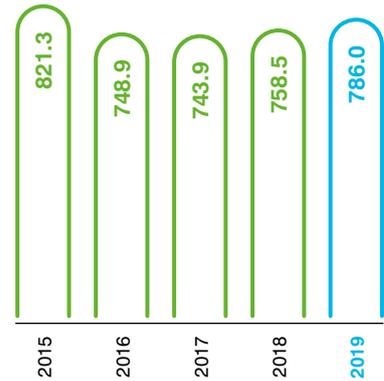
Net Profit After Tax (\$ Million)



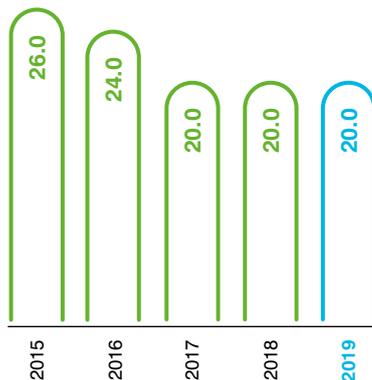
Net Operating Result After Tax (\$ Million)



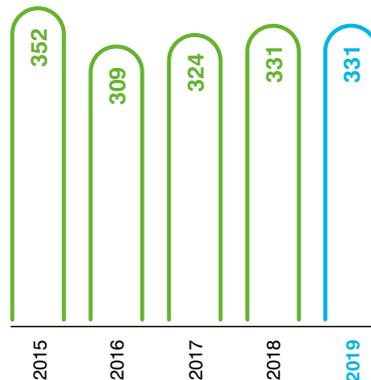
Investments at Market Value (\$ Million)^(a)



Dividends Per Share (Cents)^(b)



Net Asset Backing Per Share (Cents)^(c)



Number of Shareholders (30 June)



Notes

(a) Excludes cash.

(b) All dividends were fully franked. For 2019 the final dividend carried attributable LIC gain of 4.29 cents per share and the interim dividend carried on attributable LIC gain of 7.14 cents per share. For 2018 the dividend carried attributable LIC gain of 14.28 cents per share, for 2017 it was 7.14 cents per share, for 2016 it was also 7.14 cents per share and for 2015 it was 10.0 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.

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.

As a result, 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.

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 timeframe.

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 portfolios. 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:

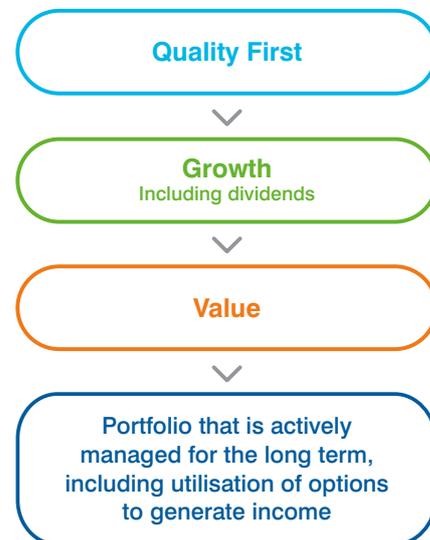
- level of volatility in share price anticipated for the underlying stock;
- level of the option exercise price and particularly how far it is from the current share price;
- time to expiry, i.e. how far the option has to run;
- level of interest rates: the lower interest rates are, other things being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

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.

How Djerriwarrh Invests – What We Look For in Companies



Review of Operations and Activities

Profit

Profit for the year was \$34.3 million, up 9.2 per cent 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 per cent 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.

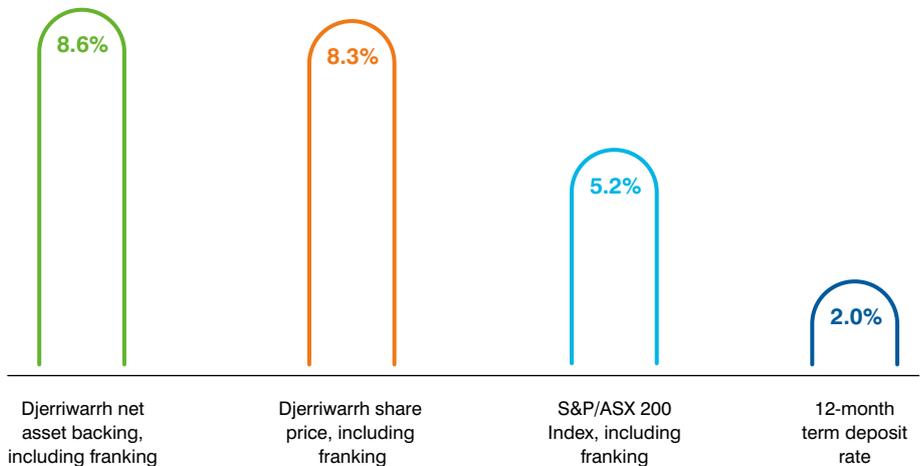
Dividend

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.

Three cents of the final dividend are 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. The interim dividend also carried a LIC capital gain of 7.14 cents. These LIC capital gains allows some shareholders to claim a tax deduction in their tax return.

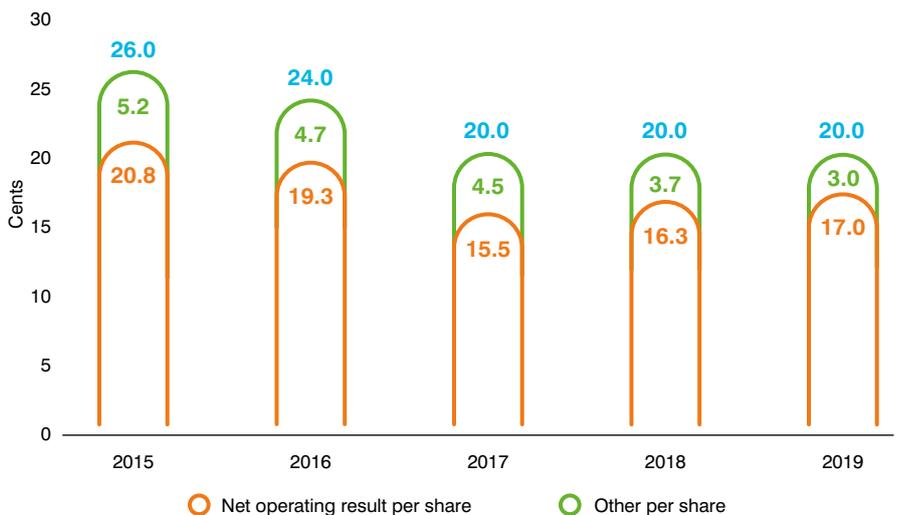
Figure 1 outlines the relative dividend yield on the Company's net asset backing and shares, including franking, compared with

Figure 1: Relative Yield of an Investment in Djerriwarrh at 30 June 2019



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.

Figure 2: Sources of the Dividend Paid



the S&P/ASX 200 Index, with franking and the return available for a retail term deposit with the major banks at 30 June 2019. The yield on net asset backing is important as it highlights the dividend achieved through the underlying investment activity of the Company, including the relative income benefit of the option strategies.

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 (other per share in Figure 2). These taxable realised gains also contribute to the generation of franking credits.

Over recent years there has been less reliance on utilising realised capital gains for the dividend, particularly following the reduction of the dividend in 2017.

During the financial year, Djerriwarrh participated in the BHP and Rio Tinto off-market share buy-backs. This participation generated franking credits for the Company, resulting in a sound franking account balance at year-end.



Net Operating
Result Up

4.5%

“

Global equity markets have recently responded positively to the prospect of lower interest rates in the United States.

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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 20 Leaders Accumulation Index up 14.3 per cent for the year, whereas the combined Small and Mid-Cap Accumulation Index was up 2.8 per cent over the 12 months to 30 June 2019 (Figure 3).

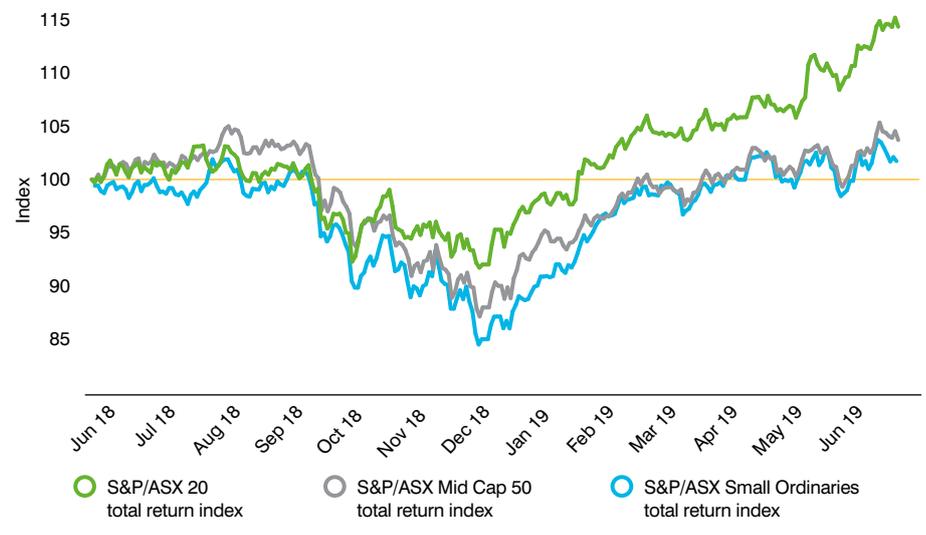
Portfolio Returns

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 per cent whereas the Index yield on an equivalent basis was 5.2 per cent.

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 per cent. The S&P/ASX 200 Accumulation Index return, including franking, over the corresponding period was 13.4 per cent. For the 10 years to 30 June 2019, the total portfolio return, including franking, was 10.7 per cent per annum, whereas the S&P/ASX 200 Accumulation Index over the same period, including franking, was 11.7 per cent per annum (Figure 4).

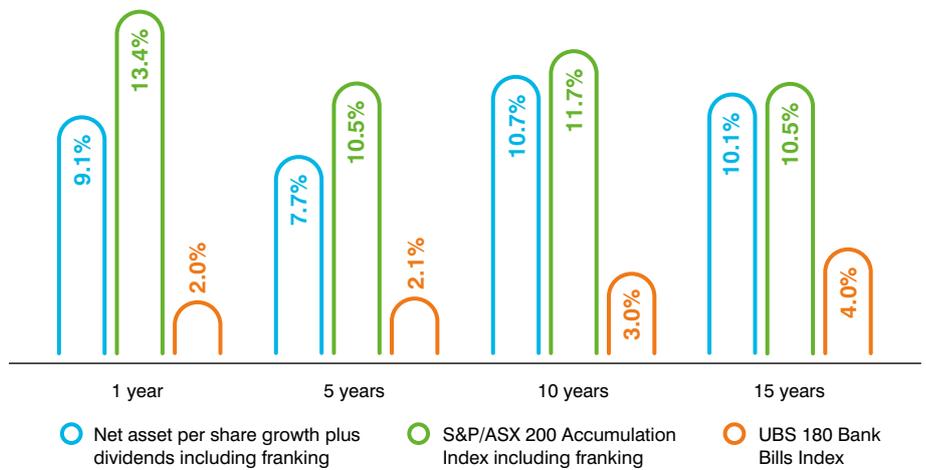
The relative portfolio performance over the 12 months to 30 June 2019 was the outcome of the following key factors. In many instances, it was uneconomic in the strongly rising market in the second half of the financial year to buy back and move in-the-money call option positions to higher exercise prices 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

Figure 3: Performance of S&P/ASX 20 Companies Relative to the Mid Cap and Small Indices



Source: FactSet

Figure 4: Portfolio Performance to 30 June 2019 – Per Annum Returns*, Including the Benefit of Franking Credits



* Assumes an investor can take full advantage of the 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.

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 per cent 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. The fall 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:

- Adelaide Brighton is an Australian manufacturer of cement, lime and pre-packaged dry blended products. The company operates manufacturing and distribution facilities in South Australia, the Northern Territory, Victoria and New South Wales.
- OZ Minerals engages in the mining of copper, gold, silver, exploration and development of mining projects. The company owns and operates Prominent Hill – a high-quality copper-gold mine, and Carrapateena – a copper-gold project at an advanced development stage – both in South Australia.

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

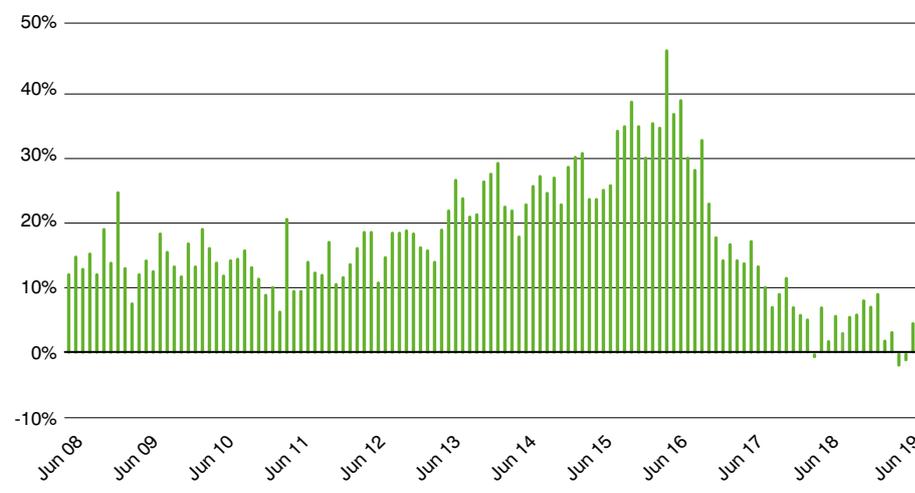


Figure 6: Option Coverage



- Medibank Private engages in the underwriting and distribution of private health insurance policies through Medibank and ahm brands. It operates through Health Insurance, and Medibank Health segments. The Health Insurance segment offers private health insurance products including hospital cover and ancillary cover, as stand-alone products and packaged products. The Medibank Health segment offers a range of activities including contracting with government and corporate customers to provide health management services, as well as providing a range of telehealth services in Australia.

Djerriwarrh utilises debt to take advantage of returns from the investment opportunities on offer. At 30 June 2019, the Company had \$110.5 million of debt with a cash or near cash position of \$57.1 million.

Share Price

The Djerriwarrh share price premium (Figure 5) had fallen to a discount during the course of the year, although by the end of the year it had moved back to a slight premium as investors responded to further declines in interest rates and the attractiveness of Djerriwarrh's fully franked income.

Moving Forward

Djerriwarrh typically has call options written over 30 per cent to 50 per cent of the portfolio. Average coverage of the portfolio for the year was 45 per cent, and was 51 per cent at the end of June, even after the exercise of some call options (Figure 6). 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 (Figure 7), Djerriwarrh will look to keep option coverage towards the upper end of the range.

Whilst market volatility which is important to Djerriwarrh's option activities remains low (Figure 8), 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. Markets at this point are not factoring this in at all at present.

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.

Capital Changes

Under the Company's Dividend Reinvestment Plan, 836,333 shares were issued in August 2018 at a price of \$3.29 per share and 911,945 shares were issued in February 2019 at a price of \$3.03 per share. At the close of the year the Company had 222.7 million shares in issue.

Dividends

A final fully franked dividend of 10 cents per share has been declared (2018: 10 cents).

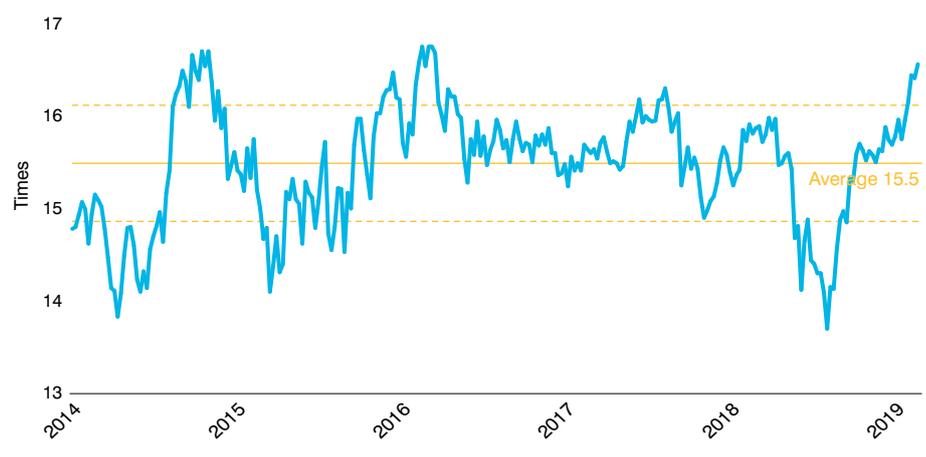
The dividends paid during the year ended 30 June 2019 were as follows:

	\$'000
Final dividend for the year ended 30 June 2018 of 10 cents fully franked at 30 per cent paid 27 August 2018	22,095
Interim dividend for the year ended 30 June 2019 of 10 cents per share fully franked at 30 per cent, paid 21 February 2019	22,179
Total	44,274

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 LICs on a similar footing with holders of managed investment trusts with respect to capital gains tax on the sale of underlying investments.

Figure 7: Price Earnings Ratio of the S&P ASX 200 Index



Source: FactSet

Figure 8: Australian Market Volatility Relative to the Movement in the S&P ASX 200 Index



Source: FactSet



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. This year's interim dividend of 10.0 cents per share for the year ended 30 June 2019 that was paid in February 2019 carried a 7.14 cents per share LIC capital gain attributable part (2018: 7.14 cents). In respect of this year's final dividend of 10.0 cents per share for the year ended 30 June 2019, it also carries with it a 4.29 cents per share LIC capital gain attributable part (2018: 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 \$140 million (see Note D2). As at 30 June 2019, \$110.5 million had been

drawn down on existing facilities (2018: \$109.5 million). The Company's total borrowings of \$110.5 million at balance date represented 15.1 per cent of net assets.

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, 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 above.

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 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 2019

Includes investments held in both the investment and trading portfolios.

Valued at Closing Prices at 28 June 2019

		Total Value \$ Million	% of the Portfolio
1	Commonwealth Bank*	73.5	9.3
2	Westpac Banking Corp*	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*	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	Ancor*	17.2	2.2
14	Brambles*	15.6	2.0
15	Oil Search*	15.4	2.0
16	Transurban Group*	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
	Total	562.9	

As a percentage of total portfolio value (excludes cash)

71.6%

* 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. Director 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 Chairman 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.

R Mark Freeman BE, MBA, Grad Dip App Fin (Sec Inst), AMP (INSEAD). Managing Director and Member of the Investment Committee. Managing Director of the Company's associated entity, AICS.

Mr Freeman was appointed as Managing Director in January 2018 having 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. He is also Managing Director of AFIC, AMCIL Limited and Mirrabooka Investments Limited.

Robert J Edgar BEc (Hons), PHD. Independent Non-Executive Director. Member of the Audit and Investment Committees.

Dr Edgar joined the Board in March 2015. Dr Edgar's initial training was in Economics. He spent the majority of his business career at Australia and 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 AO BE (Hons), MCom (Hons). Independent Non-Executive Director. Chair of the Nomination Committee and member of the Investment 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 Non-Executive Chairman of Boral and a Non-Executive Director of Incitec Pivot Limited and a board member of CSIRO. She is Chair of the Breast Cancer Network of Australia and was previously a board member of the Reserve Bank of Australia, Chair of Parks Victoria, President of Chief Executive Women and Chair of Melbourne Recital Centre. She also has a number of other significant interests including as a Fellow of the Academy of Technological Sciences and Engineering.

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. Independent Non-Executive Director. Member of the Investment and Nomination Committees. Non-Executive Director of the Company's associated entity, AICS.

Mr Goldsmith was appointed to the Board in April 2013. He is Chairman of SEEK Limited 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. He was also previously the Chancellor of Swinburne University of Technology and a former Non-Executive Director of Zhaopin Limited.

Alice J M Williams B.Com, FCPA, FAICD, CFA, ASFA AIF. Independent Non-Executive Director. Chair of the Audit Committee.

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

She was formerly a Director of Victorian Funds Management Corporation (VFMC), Port of Melbourne Corporation, Guild Group, Airservices Australia, State Trustees Limited, Western Health, the Australian Accounting Standards Board, Telstra Sale Company, V/Line Passenger Corporation and Barristers Chambers Limited. 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. Member of the Audit Committee.

Ms Wood was appointed to the Board in July 2016. Ms Wood is the Chair of South 32 Limited and a Director of the Library Board of Victoria. She is a former Senior Executive of BHP. During her executive career with that company she served in a number of global roles including as Group Company Secretary, Chief People Officer and President, Corporate Affairs. She retired from BHP in 2014. Following her retirement she chaired the BHP Foundation until 2019. 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 Chairman of Trust for Nature (Victoria).

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 23 years 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 Chair of The Group of 100 (G100), the peak body for CFOs and a Director of the Anglican Foundation.

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 12 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. Prior to that Matthew was the Company Secretarial Manager for a funds management company based in the United Kingdom.

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 2019 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	11	11	23	21	-	2 [#]	1	1
RM Freeman	11	10	23	22	-	3 [#]	-	-
RJ Edgar	11	10	23	19	3	3	-	-
KJ Fagg	11	10	23	19	-	2 [#]	1	1
GB Goldsmith	11	11	23	22	-	1 [#]	1	1
AJM Williams	11	11	-	19 [#]	3	3	-	-
KJ Wood	11	10	-	18 [#]	3	3	-	-

[#] Attended meetings as non-members.

Retirement, Election and Continuation in Office of Directors

Mr GB Goldsmith, being eligible, will offer himself for re-election at the forthcoming 2019 Annual General Meeting.

Ms KJ Wood, being eligible, will offer herself for re-election at the forthcoming 2019 Annual General 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 2019 can be found on the Company's website at:

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.

Djerriwarrh does not pay directly any performance based remuneration. However, Mr Barker (until 31 December 2017) and Mr Freeman (from 1 January 2018) were made available as Managing Director of Djerriwarrh by Australian Investment Company Services Ltd (AICS). As part of their remuneration arrangements with AICS, Mr Barker received and Mr Freeman receives an 'at risk' component which is based on performance, as do other Executives (see Section d)).

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 2019 were as follows:

	Primary Fee \$	Post-employment Superannuation \$	Total Remuneration \$
J Paterson – Chairman (Non-Executive)			
2019	164,384	15,616	180,000
2018	162,100	15,400	177,500
RE Barker – Managing Director (Executive – retired 31 December 2017)			
2018	-	-	-
RJ Edgar – Director (Non-Executive)			
2019	82,192	7,808	90,000
2018	81,050	7,700	88,750
KJ Fagg – Director (Non-Executive)			
2019	82,192	7,808	90,000
2018	81,050	7,700	88,750
RM Freeman – Managing Director (Executive – appointed 1 January 2018)			
2019	-	-	-
2018	-	-	-
GB Goldsmith – Director (Non-Executive)			
2019	82,192	7,808	90,000
2018	81,050	7,700	88,750
AF Guy – Director (Non-Executive – retired 19 April 2018)			
2018	64,928	6,168	71,096
GJ Kraehe – Director (Non-Executive – retired 10 October 2017)			
2018	21,533	2,046	23,579
AJM Williams – Director (Non-Executive)			
2019	82,192	7,808	90,000
2018	81,050	7,700	88,750
KJ Wood – Director (Non-Executive)			
2019	82,192	7,808	90,000
2018	81,050	7,700	88,750

	Primary Fee \$	Post-employment Superannuation \$	Total Remuneration \$
Total remuneration: Directors			
2019	575,344	54,656	630,000
2018	653,811	62,114	715,925

(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.

Only one Director (the Chairman, Mr John Paterson) retains an entitlement to a retirement allowance.

The amount payable which will be paid when he retires, is set out below. This amount has been expensed in prior years as the retirement allowance accrued.

	Amount Payable on Retirement \$
J Paterson	44,468
	44,468

Holdings of Securities Issued by the Company

As at 30 June 2019 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 2018	Net Changes During the Year	Balance at 30 June 2019
J Paterson	396,998	151,887	548,885
RJ Edgar	26,199	1,530	27,729
KJ Fagg	3,174	-	3,174
RM Freeman	42,828	2,758	45,586
GB Goldsmith	89,650	5,774	95,424
AJM Williams	15,648	4,106	19,754
KJ Wood	45,414	1,637	47,051
GN Driver	50,542	1,536	52,078
AJB Porter	38,844	2,694	41,538
MJ Rowe	412	724	1,136

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 four Executives, RM Freeman, Managing Director; GN Driver, General Manager – Business Development and Investor Relations; AJB Porter, Chief Financial Officer; and MJ Rowe who is Company Secretary (30 June 2018: four Executives).

As noted in Section (a), 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 Annual Incentive Plans.

(e) Relationship with AICS

As noted above, the Company has no employees. Day-to-day operations and investment activities are carried out under the Board's direction by employees of Australian Investment Company Services Limited (AICS), a company which Djerriwarrh has a 25 per cent shareholding in, and has two Directors (Mr John Paterson, who also serves in his capacity as a Director of AICS' parent, Australian Foundation Investment Company Limited (AFIC), and Mr Graham Goldsmith).

The Remuneration Report of the AFIC parent includes full details of the basis upon which the Executives of AICS, who are identical to the Executives of Djerriwarrh, are remunerated. Djerriwarrh bears a portion of the cost of this remuneration through the fee which AICS charges.

Part of the incentive payments that the Executives are eligible for is based on the performance of Djerriwarrh. These incentive payments are all 'at risk' and are dependent upon Company and personal performance.

The incentive payments are designed to reflect the risks that the Company and its shareholders face and how the Company has responded to those risks. In particular:

- the key performance indicators chosen to determine performance-related pay are those that the Company considers most relevant to its objectives of improving shareholder wealth over the medium to long term; and
- the focus is on performance over the medium to long term with only a small proportion of incentive being dependent on a single year's performance.

In addition, Executives agree to invest a portion of the annual cash incentive (after tax) in Djerriwarrh shares and to hold these shares for a minimum of two years.

As well as personal objectives (20 per cent of target incentive), which include advice to the Board, succession planning, management of staff, risk management, promotion of the corporate culture and satisfaction of key internal stakeholders, a portion of any incentive is awarded based on:

1. Company performance (43 per cent of target incentive, 20 per cent of which is dependent on Djerriwarrh's performance). This includes:
 - (a) Relative Total Shareholder Return (TSR) which is the movement in share price plus the dividends paid by the Company assumed to be reinvested. TSR performance is measured against the S&P/ASX 200 Accumulation Index over one, three, five, eight and 10 year periods.
 - (b) Growth in net operating result per share: measured against CPI.
 - (c) Management expense ratio (MER): measured against prior years' results.
2. Investment performance (37 per cent of target incentive, 20 per cent of which is dependent on Djerriwarrh's performance). This includes:
 - (a) Relative investment return: measure of the return on the portfolio invested (including cash) over the previous one, three, five, eight and 10-years, relative to the S&P/ASX 200 Accumulation Index.
 - (b) Gross return (GR): measure of the movement in the net asset backing of the Company (per share) plus the dividends assumed to be reinvested grossed up for franking credits over the previous one, three, five, eight and 10 years. This return is compared to the S&P/ASX 200 Accumulation Index grossed up for franking credits.

The Board monitors these measures to ensure that they remain consistent and aligned with the objectives of the Company.

Details of the incentives paid during the year, and the outcomes of the relevant measures, including Djerriwarrh's performance against the targets, are available in the AFIC Annual Report, available on its website afi.com.au.

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
15 July 2019

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Djerriwarrh Investments Limited for the year ended 30 June 2019, 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.


Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
15 July 2019

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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 \$'000	Capital ¹ \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the year	37,630	(3,300)	34,330	36,006	(4,561)	31,445
Other comprehensive income						
<i>Items that will not be recycled through the Income Statement</i>						
Gains for the period	-	10,050	10,050	-	28,718	28,718
Tax on above	-	(3,238)	(3,238)	-	(8,985)	(8,985)
<i>Items that may be recycled through the Income Statement</i>						
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.

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 \$'000	2018 \$'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:

	2019 \$'000	2018 \$'000
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.

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 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 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.

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 Djerrivarrh'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 Djerrivarrh'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 and Non-equity Investments

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

	2019 \$'000	2018 \$'000
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 per cent paid 27 August 2018 (2018: 10 cents fully franked at 30 per cent paid 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 per cent, paid 21 February 2019 (2018: 10 cents fully franked at 30 per cent 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 per cent. 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		
Balance of the 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.

Notes to the Financial Statements continued

A5. Earnings Per Share

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

	2019	2018
	Number	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
	\$'000	\$'000
Basic net operating result per share	37,630	36,006
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	2018
	\$'000	\$'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 Djerrivarrh's investments and its operations, including financial reporting. Djerrivarrh 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, 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

Djerrivarrh 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:

	2019 \$'000	2018 \$'000
<i>(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable</i>		
Operating result before income tax expense	39,707	39,515
Tax at the rate of 30 per cent (2018: 30 per cent)	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 per cent (2018 – 30 per cent)	(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

Notes to the Financial Statements continued

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, 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 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):

	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 per cent and 10 per cent 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 (including property trusts)	12.81	18.20
Telecommunications	3.34	2.10
Healthcare	8.18	7.06
Other – consumer discretionary, info technology and utilities	5.76	3.95
Cash	3.58	0.27

Securities representing over 5 per cent 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 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 \$50 million worth of short term borrowings, as outlined below.

Counter Party	Value	Interest Rate	Start Date	Finish Date
Westpac	\$15 million	2.3125%	October 2015	October 2020
Commonwealth Bank	\$10 million	2.0375%	April 2016	October 2019
Commonwealth Bank	\$10 million	2.195%	April 2016	October 2020
Commonwealth Bank	\$15 million	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 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.

Notes to the Financial Statements continued

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 \$'000	6–12 Months \$'000	Greater Than 1 Year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
30 June 2019					
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

	Less Than 6 Months \$'000	6–12 Months \$'000	Greater Than 1 Year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
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	\$15 million	2.3125%	October 2015	October 2020
Commonwealth Bank	\$10 million	2.0375%	April 2016	October 2019
Commonwealth Bank	\$10 million	2.195%	April 2016	October 2020
Commonwealth Bank	\$15 million	2.385%	December 2016	October 2021

The Company has entered into four 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.

Notes to the Financial Statements continued

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 \$'000	2018 \$'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 per cent (2018: 1.78 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.

	2019 \$'000	2018 \$'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.

Notes to the Financial Statements continued

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 and 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

	2019 \$'000	2018 \$'000
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

	2019 \$'000	2018 \$'000
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 and 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:		
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 Djerrivarrh's ability to claim the deduction.

E3. Reconciliation of Profit Before Tax

The Board considers Djerrivarrh's operating result after tax to be a key measure of Djerrivarrh's performance. This amount excludes the impact of unrealised gains/losses on options and any gains or losses on Djerrivarrh's investment portfolio. It reconciles to Djerrivarrh'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 Djerrivarrh. Djerrivarrh 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 Djerrivarrh'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 Djerrivarrh's performance is evaluated on an overall basis.

Segment Information Provided to the Board

The internal reporting provided to the Board for Djerrivarrh'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 Djerrivarrh'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.

Djerrivarrh is domiciled in Australia and most of Djerrivarrh's income is derived from Australian entities or entities that maintain a listing in Australia. Djerrivarrh has a diversified portfolio of investments, with no investment (including the unrealised gain or loss on options) comprising more than 10 per cent of Djerrivarrh'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 Djerrivarrh have the power to amend and reissue the Financial Report.

Djerrivarrh 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

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

Djerrivarrh 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. Djerrivarrh 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 Djerrriwarrh approximates their carrying value.

Rounding of Amounts

Djerrriwarrh 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 LICs, 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.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (1) the financial statements and notes set out on pages 20 to 39 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 2019 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 2019. 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
15 July 2019



Independent auditor's report

To the members of Djerriwarrh Investments Limited

Report on the audit of the financial report

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 2019 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 financial report comprises:

- the balance sheet as at 30 June 2019
- 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 income 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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

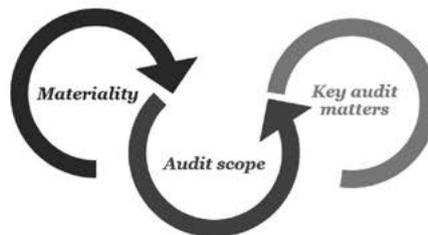
Liability limited by a scheme approved under Professional Standards Legislation.



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.

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, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Company 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 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 the determinant of the Company's value.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable net asset related thresholds.

Audit Scope

- Our audit focused on assessing the financial statements for risks of material misstatement in account balances or disclosures, and designing and performing audit procedures to obtain reasonable assurance that the financial statements as a whole were free of material misstatement due to fraud or error. This included identifying areas of higher risk, based on quantitative and qualitative assessments of the Company's operations and activities.
- 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 affiliate, 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 Australian 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.



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. We communicated the key audit matters to the Board Audit Committee.

Key audit matter	How our audit addressed the key audit matter
<p><i>Existence and valuation of Investment Portfolio</i> Refer to note A2</p> <p>\$807.9m</p> <p>The Investment Portfolio consists of listed Australian equities.</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>	<p>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 2019 balance.</p> <p>2) Obtained the 2019 purchases and sales listing and</p> <ul style="list-style-type: none"> • agreed a sample of purchases and sales to original contracts; and • agreed a sample of original contracts to the purchases and sales listing. <p>3) Agreed all the investment quantity holdings at 30 June 2019 to third party sources.</p> <p>4) Agreed all listed equities investment prices to third party market pricing sources.</p>



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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.

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: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 14 to 16 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Djerriwarrh Investments Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over a thin horizontal line.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Nadia Carlin', written over a thin horizontal line.

Nadia Carlin
Partner

Melbourne
15 July 2019

OTHER INFORMATION

Information About Shareholders

At 2 August 2019 there were 17,535 holdings of ordinary shares. These holdings were distributed in the following categories.

Size of Holding	Shareholdings
1 to 1,000	2,093
1,001 to 5,000	5,758
5,001 to 10,000	4,090
10,001 to 100,000	5,405
100,001 and over	89
Total	17,535

20 largest shareholdings	8.88%
Average shareholding	12,700

There were 404 shareholdings of less than a marketable parcel of \$500 (141 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 2 August 2019 are listed below:

Shareholder	Holding	% Total
Australian Foundation Investment Company Limited	7,505,346	3.37
Bruce Teele	2,327,124	1.04
Miss Margaret Frances Erskine	1,880,000	0.84
HSBC Custody Nominees (Australia) Limited	1,020,200	0.46
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	760,172	0.34
Ms Roslyn Webster + Mr Jon Webster <RJW Super Fund A/C>	551,604	0.25
John Paterson	548,885	0.25
Invia Custodian Pty Limited <Foundation A/C>	500,000	0.22
Australian Executor Trustees Limited <No 1 Account>	457,660	0.21
Navigator Australia Ltd <MLC Investment Sett A/C>	422,062	0.19
P N B W Pty Ltd <F & JA Arrowsmith Family A/C>	420,156	0.19
Mr Ian Stanley Fraser + Mr Andrew Tweedie + Mr Andrew Stanley Fraser <Joe White Bequest Cap A/C>	396,360	0.18
Ross Barker	391,971	0.18
Gumala Investments Pty Ltd <General Gumala Foundatn A/C>	390,000	0.18
Mr Timothy John Mcquaid + Mr Gregory Drew Boyle <Est Nida Dorothy Johnson A/C>	378,907	0.17
Miss Grace Johnson	378,906	0.17
Mr Mason Johnson	378,906	0.17
Baker Custodian Corporation	375,000	0.17
Brownell Superannuation Pty Ltd <Brownell Super Fund A/C>	375,000	0.17
Mrs Margaret Mary Wilson	328,000	0.15

Other Information continued

Substantial Shareholders

The Company has not been notified of any substantial shareholders.

Transactions in Securities

During the year ended 30 June 2019, the Company recorded 3,134 transactions in securities (including options). \$1,590,618 (including GST) in brokerage was paid or accrued for the year.

Holding of Securities

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 Australian Securities Exchange 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 2018 '000	Number Held 2019 '000	Market Value 2019 \$'000
ABC	Adelaide Brighton	0	1,145	4,626
ALQ*	ALS	412	737	5,193
ALX*	Atlas Arteria	750	1,935	14,515
AMC*	Amcor	978	1,107	17,169
AMH	AMCIL	10,599	10,599	9,274
AMP	AMP	1,602	1,602	3,396
ANN*	Ansell	151	131	3,415
ANZ*	Australia and New Zealand Banking Group	1,352	1,507	41,668
APA*	APA Group	131	726	7,600
AUB	AUB Group	598	637	6,650
AWC*	Alumina	2,775	4,450	10,254
BHP*	BHP Group	1,299	1,436	55,589
BKW*	Brickworks	190	124	1,997
BLD	Boral	961	450	2,304
BXB*	Brambles	1,998	1,233	15,641
CAR*	Carsales.com	248	555	7,322
CBA*	Commonwealth Bank of Australia	867	935	73,471
COL*	Coles Group	0	854	10,947
CPU*	Computershare	247	562	8,989
CSL*	CSL	152	189	40,060
DLX	DuluxGroup	259	169	1,575
GMG*	Goodman Group	275	430	6,161
IAG*	Insurance Australia Group	682	1,015	7,980
IRE*	IRESS	551	628	8,342
JHX*	James Hardie Industries	691	700	12,920
LNK	Link Administration Holdings	300	300	1,500
MFT	Mainfreight	250	250	9,738
MIR	Mirrabooka Investments	4,108	4,108	9,982
MPL*	Medibank Private	0	375	1,080
MQG*	Macquarie Group	197	243	29,954

Code	Company Name	Number Held 2018 '000	Number Held 2019 '000	Market Value 2019 \$'000
NAB*	National Australia Bank	1,394	1,808	47,472
ORA*	Orora	1,128	760	2,370
ORG*	Origin Energy	673	938	6,726
ORI*	Orica	238	363	7,087
OSH*	Oil Search	1,871	2,206	15,405
OZL*	OZ Minerals	0	121	1,151
PPT*	Perpetual	97	39	1,611
QBE*	QBE Insurance Group	590	505	5,899
QUB*	Qube Holdings	5,016	1,905	5,631
REH	Reece	137	240	2,342
RHC*	Ramsay Health Care	79	172	11,604
RIO*	Rio Tinto	206	59	6,119
RWC*	Reliance Worldwide Corporation	750	1,920	6,697
S32*	South32	1,835	2,585	8,114
SCG*	Scentre Group	2,280	2,741	10,395
SEK*	Seek	420	445	9,159
SHL*	Sonic Healthcare	395	445	11,610
SUN*	Suncorp Group	1,025	894	11,953
SYD*	Sydney Airport	1,979	2,550	19,699
TCL*	Transurban Group	1,285	1,026	14,894
TLS*	Telstra Corporation	5,030	5,130	19,388
TPM	TPG Telecom	538	80	515
TWE*	Treasury Wine Estates	264	264	3,871
WBC*	Westpac Banking Corporation	2,015	2,043	56,790
WES*	Wesfarmers	594	576	20,456
WLL	Wellcom Group	400	400	2,180
WOR*	WorleyParsons	205	235	3,335
WOW*	Woolworths Group	501	666	21,487
WPL*	Woodside Petroleum	461	636	22,736
Total				786,009

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

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 buy-back)	13,595
Rio Tinto* (also includes \$6.2 million from participation in the off-market buy-back)	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

Sub-underwriting

During the year the Company did not participate as a sub-underwriter of any issues of securities.

Issues of Securities

Issue	Type	Price	Remarks
21 February 2019	DRP	\$3.03	5 per cent discount
27 August 2018	DRP	\$3.29	2.5 per cent discount
21 February 2018	DRP	\$3.33	5 per cent discount
25 August 2017	DRP	\$3.44	5 per cent discount
21 February 2017	DRP	\$3.53	5 per cent discount
24 August 2012	DRP	\$3.66	2.5 per cent discount
17 February 2012	DRP	\$3.59	2.5 per cent discount
24 August 2011	DRP	\$3.47	2.5 per cent discount
18 February 2011	DRP	\$4.05	2.5 per cent discount
24 August 2010	DRP	\$3.89	5 per cent discount
19 February 2010	DRP	\$4.16	5 per cent discount
25 August 2009	DRP	\$4.02	5 per cent discount
20 February 2009	DRP	\$3.07	5 per cent 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
R Mark Freeman, Managing Director
Robert J Edgar
Kathryn J Fagg AO
Graham B Goldsmith
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/au/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 1.30pm
Date Tuesday 8 October 2019
Venue ZINC Federation Square
Location Corner of Swanston Street and Flinders Street
Melbourne

Adelaide Shareholder Meeting

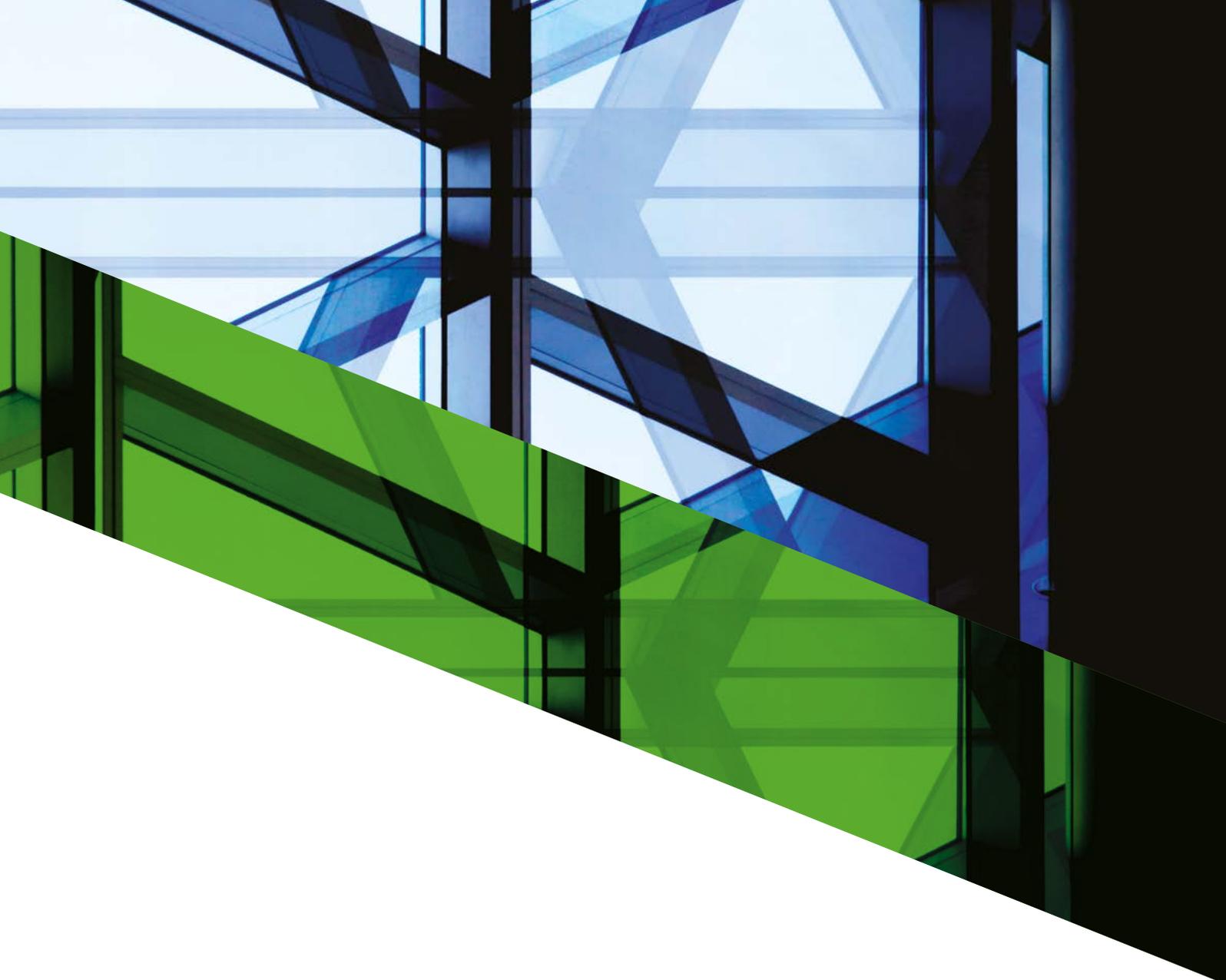
Time 2.30pm
Date Monday 14 October 2019
Venue Adelaide Convention Centre
Location Panorama Rooms, North Terrace
Adelaide

Sydney Shareholder Meeting

Time 2.30pm
Date Friday 18 October 2019
Venue Wesley Conference Centre
Location 220 Pitt Street
Sydney

Brisbane Shareholder Meeting

Time 2.30pm
Date Monday 28 October 2019
Venue Hilton Hotel
Location 190 Elizabeth Street
Brisbane





Djerriwarrh

AUSTRALIAN EQUITIES, ENHANCED YIELD

Annual Review 2019

30

YEARS OF
INVESTING FOR
ENHANCED
INCOME

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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.

This year marks the 30th anniversary of the establishment of Djerriwarrh Investments in 1989.

Year in Summary

Profit for the Year

\$34.3m

Up 9.2% from 2018

Total Portfolio Return

9.1% Including franking*

S&P/ASX 200 Accumulation Index
+ 13.4% including franking*

Net Operating Result

\$37.6m

Up 4.5% from 2018

Total Shareholder Return

8.4%

Share price plus dividend

Fully Franked Dividend

10¢ 20¢

Final

Total

Same as 2018

Management Expense Ratio

0.43%

0.44% in 2018

Portfolio Dividend Yield

8.6% Including franking*

S&P/ASX 200 Index yield
5.2% (grossed up for franking credits)

Total Portfolio

\$815.2m

Including cash at 30 June
\$760.5 million in 2018

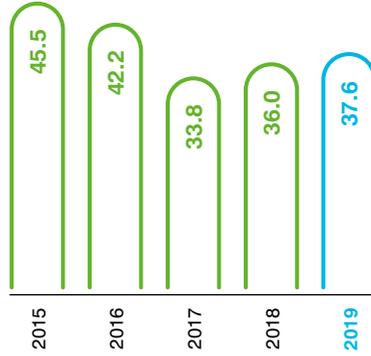
* Assumes a shareholder can take full advantage of the franking credits.

5 Year Summary

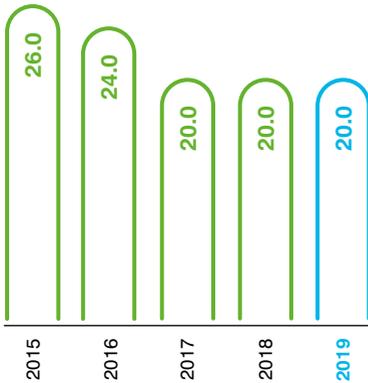
Net Profit After Tax (\$ Million)



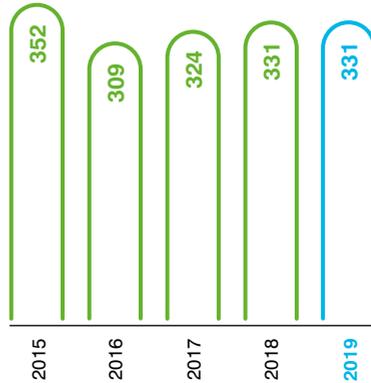
Net Operating Result After Tax (\$ Million)



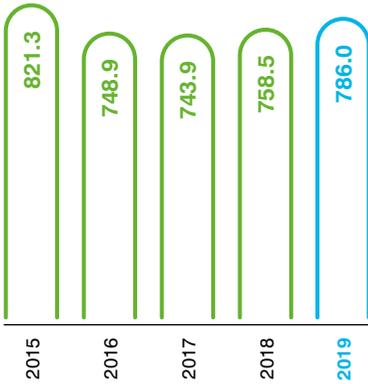
Dividends Per Share (Cents)^(b)



Net Asset Backing Per Share (Cents)^(c)



Investments at Market Value (\$ Million)^(a)



Number of Shareholders (30 June)



Notes

- (a) Excludes cash.
- (b) All dividends were fully franked. For 2019 the final dividend carried attributable LIC gain of 4.29 cents per share and the interim dividend carried on attributable LIC gain of 7.14 cents per share. For 2018 the dividend carried attributable LIC gain of 14.28 cents per share, for 2017 it was 7.14 cents per share, for 2016 it was also 7.14 cents per share and for 2015 it was 10.0 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.

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.

As a result, 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.

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

How Djerriwarrh Invests – What We Look For in Companies



- 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 timeframe.

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 portfolios. 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. 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

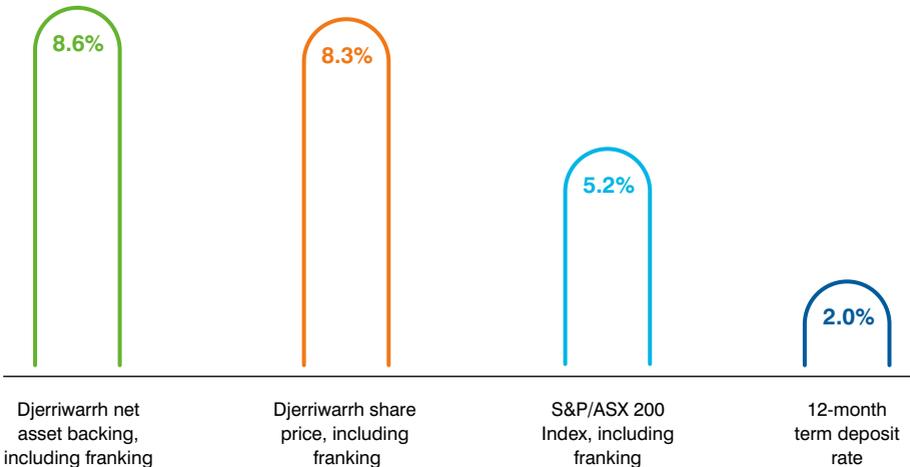
Profit for the year was \$34.3 million, up 9.2 per cent from \$31.4 million in the corresponding period last year. The demerger of Coles from Wesfarmers produced an accounting demerger dividend of \$1.3 million and there was an uplift in income from holdings in BHP (including a special dividend), Alumina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

Figure 1: Relative Yield of an Investment in Djerriwarrh at 30 June 2019



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.

Dividend

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.

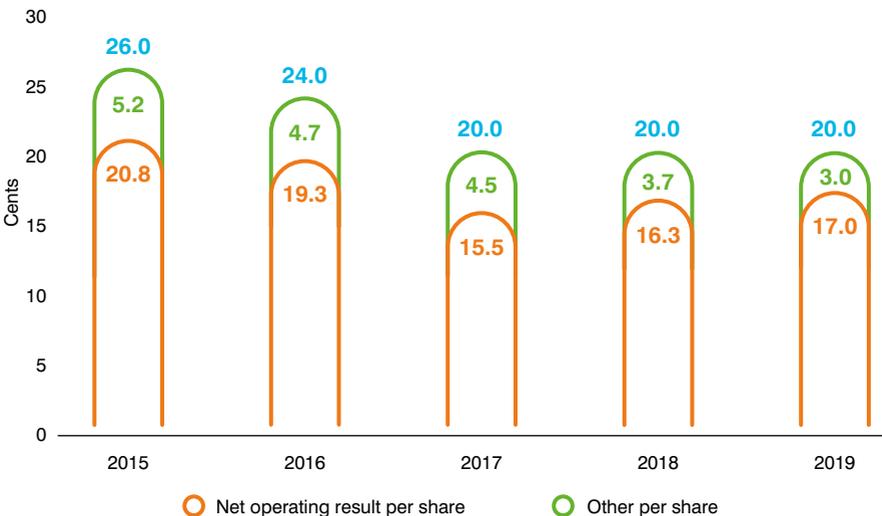
Three cents of the final dividend are sourced from taxable capital gains, on which the Company has paid or will pay tax. The amount of the pre-tax attributable gain on this portion of the dividend, known as an 'LIC capital gain', is therefore 4.29 cents. The interim dividend also carried a LIC capital gain of 7.14 cents. These LIC capital gains allows some shareholders to claim a tax deduction in their tax return.

Figure 1 outlines the relative dividend yield on the Company's net asset backing and shares, including franking, compared with

the S&P/ASX 200 Index, with franking and the return available for a retail term deposit with the major banks at 30 June 2019. The yield on net asset backing is important as it highlights the dividend achieved through the underlying investment activity of the Company, including the relative income benefit of the option strategies.

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 (other per share in Figure 2). These taxable realised gains also contribute to the generation of franking credits. Over recent years there has been less reliance on utilising realised capital gains for the dividend, particularly following the reduction of the dividend in 2017.

Figure 2: Sources of the Dividend Paid



Review of Operations and Activities continued

During the financial year, Djerriwarrh participated in the BHP and Rio Tinto off-market share buy-backs. This participation generated franking credits for the Company, resulting in a sound franking account balance at year-end.

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 20 Leaders Accumulation Index up 14.3 per cent for the year, whereas the combined Small and Mid-Cap Accumulation Index was up 2.8 per cent over the 12 months to 30 June 2019 (Figure 3).

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 per cent whereas the Index yield on an equivalent basis was 5.2 per cent.

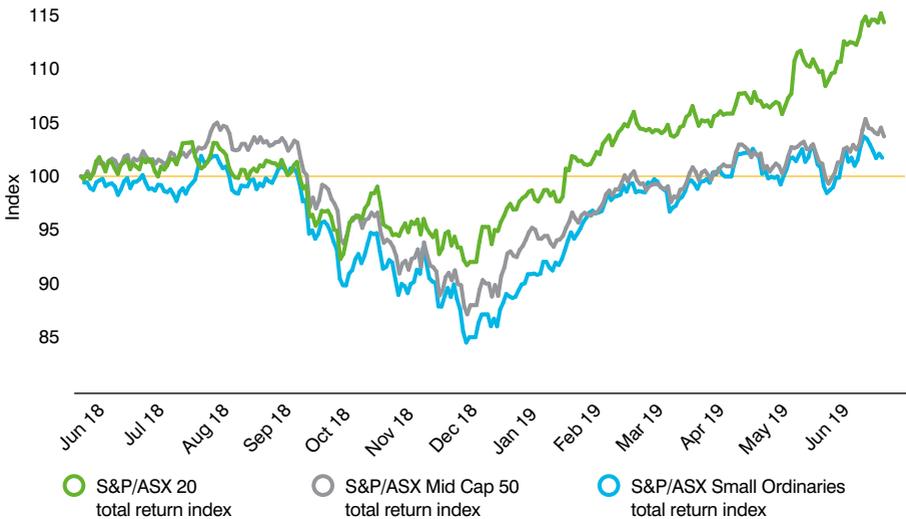
In a strongly rising market, where it becomes more challenging to maintain exposure to key holdings because of option activity that contributes to this yield, Djerriwarrh's total portfolio return, including franking, for the 12 months to 30 June 2019 was 9.1 per cent. The S&P/ASX 200 Accumulation Index return, including franking, over the corresponding period was 13.4 per cent. For the 10 years to 30 June 2019, the total portfolio return, including franking, was 10.7 per cent per annum, whereas the S&P/ASX 200 Accumulation Index over the same period, including franking, was 11.7 per cent per annum (Figure 4 on page 10).



Net Operating
Result Up

4.5%

Figure 3: Performance of S&P/ASX 20 Companies Relative to the Mid Cap and Small Indices



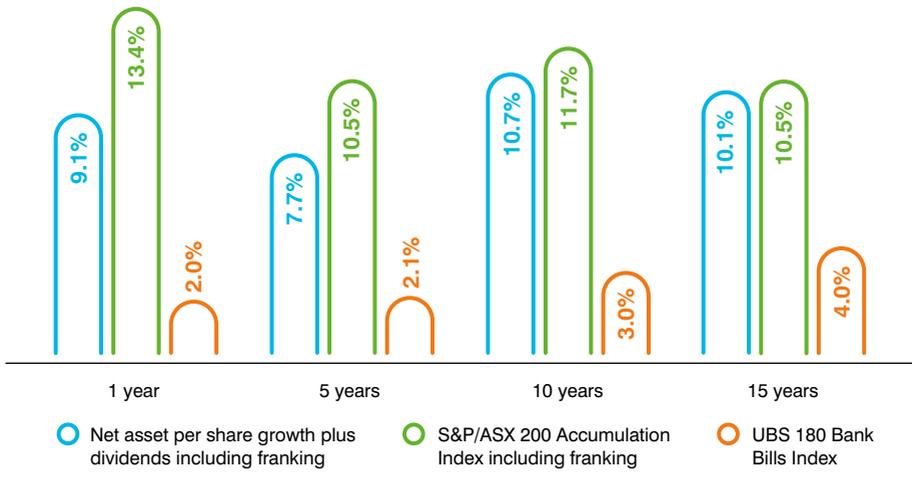
Source: FactSet

Review of Operations and Activities continued

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 per cent 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.

Figure 4: Portfolio Performance to 30 June 2019 – Per Annum Returns*, Including the Benefit of Franking Credits



* Assumes an investor can take full advantage of the 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.

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. The fall 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.



Review of Operations and Activities continued

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:

- Adelaide Brighton is an Australian manufacturer of cement, lime and pre-packaged dry blended products. The company operates manufacturing and distribution facilities in South Australia, the Northern Territory, Victoria and New South Wales.
- OZ Minerals engages in the mining of copper, gold, silver, exploration and development of mining projects. The company owns and operates Prominent Hill – a high-quality copper-gold mine, and Carrapateena – a copper-gold project at an advanced development stage – both in South Australia.
- Medibank Private engages in the underwriting and distribution of private health insurance policies through Medibank and ahm brands. It operates through Health Insurance, and Medibank Health segments. The Health Insurance segment offers private health insurance products including hospital cover and ancillary cover, as stand-alone products and packaged products. The Medibank

Health segment offers a range of activities including contracting with government and corporate customers to provide health management services, as well as providing a range of telehealth services in Australia.

Djerriwarrh utilises debt to take advantage of returns from the investment opportunities on offer. At 30 June 2019, the Company had \$110.5 million of debt with a cash or near cash position of \$57.1 million.

Share Price

The Djerriwarrh share price premium (Figure 5) had fallen to a discount during the course of the year, although by the end of the year it had moved back to a slight premium as investors responded to further declines in interest rates and the attractiveness of Djerriwarrh's fully franked income.

Moving Forward

Djerriwarrh typically has call options written over 30 per cent to 50 per cent of the portfolio. Average coverage of the portfolio for the year was 45 per cent, and was 51 per cent at the end of June, even after the exercise of some call options (Figure 6). 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 (Figure 7 on page 14), Djerriwarrh will look to keep option coverage towards the upper end of the range.

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

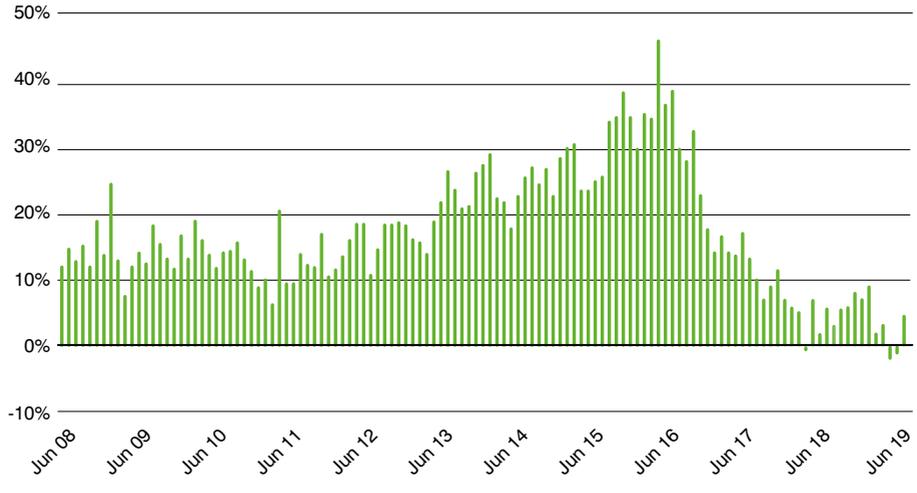
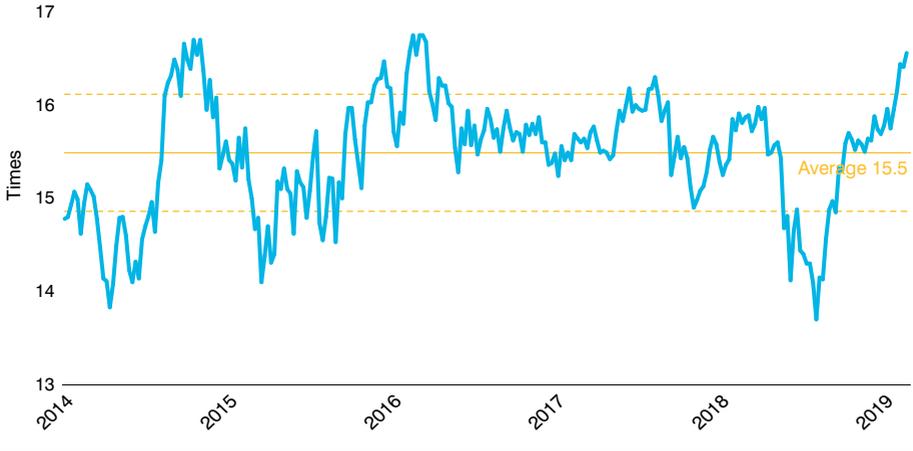


Figure 6: Option Coverage



Review of Operations and Activities continued

Figure 7: Price Earnings Ratio of the S&P ASX 200 Index



Source: FactSet

Figure 8: Australian Market Volatility Relative to the Movement in the S&P ASX 200 Index



Source: FactSet

Whilst market volatility which is important to Djerriwarrh's option activities remains low (Figure 8), 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. Markets at this point are not factoring this in at all at present.

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.

Top 20 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 the Portfolio
1 Commonwealth Bank*	73.5	9.3
2 Westpac Banking Corp*	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*	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 Group*	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
Total	562.9	

As a percentage of total portfolio value (excludes cash)

71.6%

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

Income Statement

For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
Dividends and distributions	39,668	34,297
Revenue from deposits and bank bills	215	169
Total revenue	39,883	34,466
Net gains/(losses) on trading portfolio	(427)	70
Income from options written portfolio	6,376	11,693
Income from operating activities	45,832	46,229
Finance costs	(2,816)	(3,220)
Administration expenses	(3,309)	(3,494)
Operating result before income tax	39,707	39,515
Income tax	(2,077)	(3,509)
Net operating result	37,630	36,006
Net capital gains/(losses) on options		
Net gains/(losses) on open options positions	(4,714)	(6,515)
Tax expense on above	1,414	1,954
	(3,300)	(4,561)
Profit for the year	34,330	31,445
	Cents	Cents
Net operating result per share	16.95	16.34
Profit for the year per share	15.47	14.27

Balance Sheet

As at 30 June 2019

	2019 \$'000	2018 \$'000
Current assets		
Cash	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	807,905	770,067
Deferred tax assets	2,738	1,416
Shares in associate	1,158	717
Total non-current assets	811,801	772,200
Total assets	869,558	853,817
Current liabilities		
Payables	412	471
Borrowings – cash advance facilities	110,500	109,500
Interest rate hedging contracts	674	210
Options written portfolio	21,896	11,571
Total current liabilities	133,482	121,752
Non-current liabilities		
Deferred tax liabilities – investment portfolio	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	647,761	642,268
Revaluation reserve	64,863	60,297
Realised capital gains reserve	(51,114)	(31,223)
Retained profits	68,782	56,589
Interest rate hedging reserve	(674)	(210)
Total shareholders' equity	729,618	727,721

Summarised Statement of Changes in Equity

For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
Total equity at the beginning of the year	727,721	714,883
Dividends paid	(44,274)	(43,947)
Shares issued – Dividend Reinvestment Plan	5,515	5,401
Cost of share issues	(22)	(21)
Total transactions with shareholders	(38,781)	(38,567)
Profit for the year	34,330	31,445
Revaluation of investment portfolio	10,050	28,718
Provision for tax on revaluation	(3,238)	(8,985)
Net revaluation of investment portfolio	6,812	19,733
Net movement in fair value for interest rate swaps	(464)	227
Total comprehensive income for the year	40,678	51,405
Realised gains/(losses) on securities sold	3,370	70
Tax expense on realised gains or losses on securities sold	(1,124)	(22)
Net realised gains/(losses) on securities sold	2,246	48
Transfer from revaluation reserve to realised gains reserve	(2,246)	(48)
Total equity at the end of the year	729,618	727,721

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

Holdings of Securities

As at 30 June 2019

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 Australian Securities Exchange 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 2018 '000	Number Held 2019 '000	Market Value 2019 \$'000
ABC	Adelaide Brighton	0	1,145	4,626
ALQ*	ALS	412	737	5,193
ALX*	Atlas Arteria	750	1,935	14,515
AMC*	Amcor	978	1,107	17,169
AMH	AMCIL	10,599	10,599	9,274
AMP	AMP	1,602	1,602	3,396
ANN*	Ansell	151	131	3,415
ANZ*	Australia and New Zealand Banking Group	1,352	1,507	41,668
APA*	APA Group	131	726	7,600
AUB	AUB Group	598	637	6,650
AWC*	Alumina	2,775	4,450	10,254
BHP*	BHP Group	1,299	1,436	55,589
BKW*	Brickworks	190	124	1,997
BLD	Boral	961	450	2,304
BXB*	Brambles	1,998	1,233	15,641
CAR*	Carsales.com	248	555	7,322
CBA*	Commonwealth Bank of Australia	867	935	73,471

Code	Company Name	Number Held 2018 '000	Number Held 2019 '000	Market Value 2019 \$'000
COL*	Coles Group	0	854	10,947
CPU*	Computershare	247	562	8,989
CSL*	CSL	152	189	40,060
DLX	DuluxGroup	259	169	1,575
GMG*	Goodman Group	275	430	6,161
IAG*	Insurance Australia Group	682	1,015	7,980
IRE*	IRESS	551	628	8,342
JHX*	James Hardie Industries	691	700	12,920
LNK	Link Administration Holdings	300	300	1,500
MFT	Mainfreight	250	250	9,738
MIR	Mirrabooka Investments	4,108	4,108	9,982
MPL*	Medibank Private	0	375	1,080
MQG*	Macquarie Group	197	243	29,954
NAB*	National Australia Bank	1,394	1,808	47,472
ORA*	Orora	1,128	760	2,370
ORG*	Origin Energy	673	938	6,726
ORI*	Orica	238	363	7,087
OSH*	Oil Search	1,871	2,206	15,405
OZL*	OZ Minerals	0	121	1,151
PPT*	Perpetual	97	39	1,611
QBE*	QBE Insurance Group	590	505	5,899
QUB*	Qube Holdings	5,016	1,905	5,631
REH	Reece	137	240	2,342
RHC*	Ramsay Health Care	79	172	11,604
RIO*	Rio Tinto	206	59	6,119
RWC*	Reliance Worldwide Corporation	750	1,920	6,697
S32*	South32	1,835	2,585	8,114
SCG*	Scentre Group	2,280	2,741	10,395

Holdings of Securities continued

As at 30 June 2019

Code	Company Name	Number Held 2018 '000	Number Held 2019 '000	Market Value 2019 \$'000
SEK*	Seek	420	445	9,159
SHL*	Sonic Healthcare	395	445	11,610
SUN*	Suncorp Group	1,025	894	11,953
SYD*	Sydney Airport	1,979	2,550	19,699
TCL*	Transurban Group	1,285	1,026	14,894
TLS*	Telstra Corporation	5,030	5,130	19,388
TPM	TPG Telecom	538	80	515
TWE*	Treasury Wine Estates	264	264	3,871
WBC*	Westpac Banking Corporation	2,015	2,043	56,790
WES*	Wesfarmers	594	576	20,456
WLL	Wellcom Group	400	400	2,180
WOR*	WorleyParsons	205	235	3,335
WOW*	Woolworths Group	501	666	21,487
WPL*	Woodside Petroleum	461	636	22,736
Total				786,009

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

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 buy-back)	13,595
Rio Tinto* (also includes \$6.2 million from participation in the off-market buy-back)	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

Company Particulars

Djerriwarrh Investments Limited (DJW)
ABN 38 006 862 693

Directors

John Paterson, Chairman
R Mark Freeman, Managing Director
Robert J Edgar
Kathryn J Fagg AO
Graham B Goldsmith
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/au/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 1.30pm
Date Tuesday 8 October 2019
Venue ZINC Federation Square
Location Corner of Swanston Street and Flinders Street
Melbourne

Adelaide Shareholder Meeting

Time 2.30pm
Date Monday 14 October 2019
Venue Adelaide Convention Centre
Location Panorama Rooms, North Terrace
Adelaide

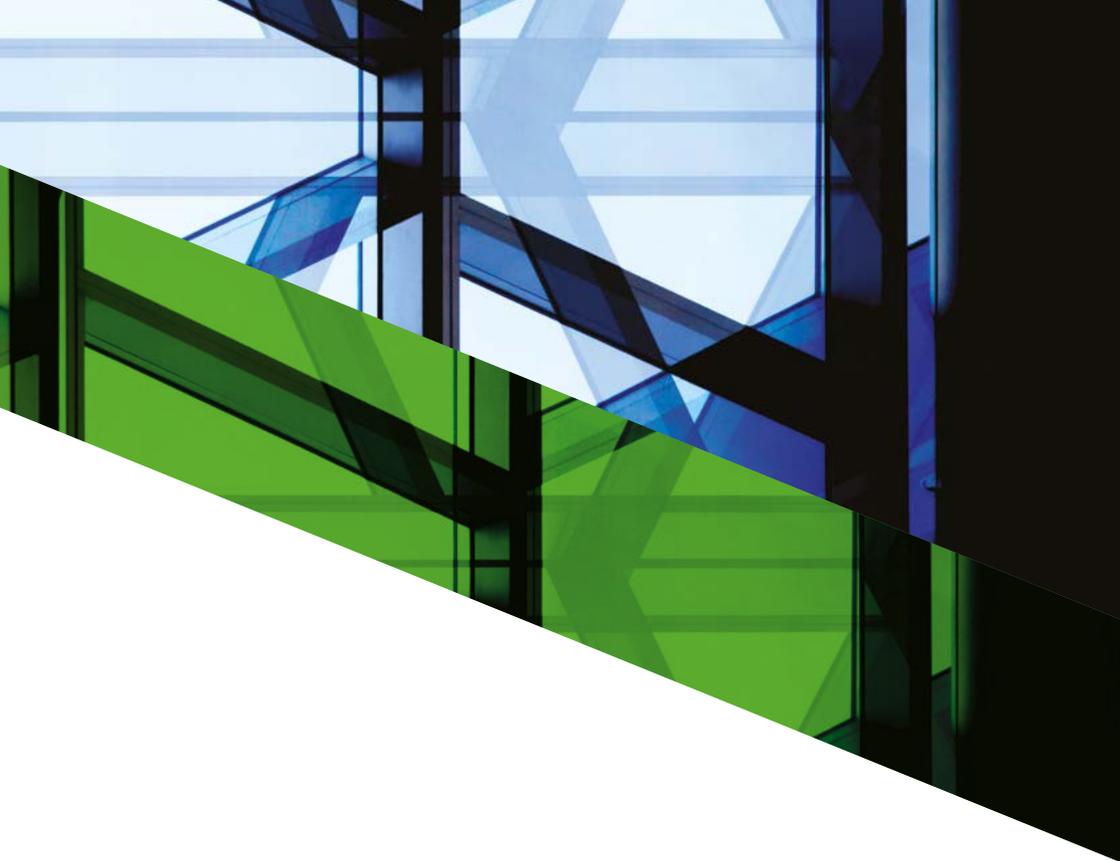
Sydney Shareholder Meeting

Time 2.30pm
Date Friday 18 October 2019
Venue Wesley Conference Centre
Location 220 Pitt Street
Sydney

Brisbane Shareholder Meeting

Time 2.30pm
Date Monday 28 October 2019
Venue Hilton Hotel
Location 190 Elizabeth Street
Brisbane

The Annual Report for 2019 is available on Djerriwarrh's website djerri.com.au or by contacting the Company on (03) 9650 9911.



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Printed on environmentally friendly paper

The Annual General Meeting of Djerriwarrh Investments Limited (ABN: 38 006 862 693, 'Company') will be held at:

Zinc at Federation Square, Corner of Flinders and Swanston Street, Melbourne, Victoria 3000 at 1.30pm (AEDT) on Tuesday 8 October 2019.

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 6 October 2019.



Djerriwarrh
AUSTRALIAN EQUITIES, ENHANCED YIELD

Notice of Annual General Meeting 2019

30

YEARS OF
INVESTING FOR
ENHANCED
INCOME

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 2019.

(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 2019 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 Mr Graham Goldsmith, 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 Ms Karen Wood, 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
26 August 2019

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 2019. 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 2019 Annual Report can view or download it from the Company's website at:

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 2019 Annual Report.

The vote on the proposed resolution is an advisory one.

Voting Exclusions on Item 2

Pursuant to sections 250BD and 250R of the *Corporations Act 2001* (Cth), votes may not be cast, and the Company will disregard any votes cast, on the resolution proposed in Item 2 ('Resolution 2'):

- by or on behalf of any member of the key management personnel of the Company, which includes the directors, (a 'KMP member') whose remuneration details are included in the Remuneration Report, or any of their closely related parties, regardless of the capacity in which the votes are cast; or

- by any person who is a KMP member as at the time Resolution 2 is voted on at the Annual General Meeting, or any of their closely related parties, as a proxy,

unless the votes are cast as a proxy for a person who is entitled to vote on Resolution 2:

- in accordance with a direction in the proxy appointment; or
- by the Chairman of the Annual General Meeting in accordance with an express authorisation in the proxy appointment to cast the votes even if Resolution 2 is connected directly or indirectly with the remuneration of a KMP member.

If the Chairman of the Annual General Meeting is appointed, or taken to be appointed, as a proxy, the shareholder can direct the Chairman to vote for or against, or to abstain from voting on, Resolution 2 by marking the appropriate box opposite Item 2 on the proxy form.

Pursuant to sections 250BD(2) and 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.

For the purposes of these voting exclusions:

- A 'closely related party' of a KMP member means (1) a spouse or child of the KMP member, (2) a child of the KMP member's spouse, (3) a dependant of the KMP member or of the KMP member's spouse, (4) anyone else who is one of the KMP member's family and may be expected to influence the KMP member, or be influenced by the KMP member, in the KMP member's dealings with the Company, or (5) a company the KMP member controls.
- The Company will also apply these voting exclusions to persons appointed as attorney by a shareholder to attend and vote at the Annual General Meeting under a power of attorney, as if they were appointed as a proxy.

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. to 4. Re-election of Directors

Mr Graham Goldsmith was re-elected as a Director by shareholders at the 2016 AGM and as such is required to seek re-election by shareholders at this AGM. Ms Karen Wood was elected as a Director by shareholders at the 2016 AGM and is eligible to seek re-election by shareholders at this AGM. Their biographical details are set out below:

Graham B Goldsmith
B Bus (Acctg), FCPA, FAICD. Independent Non-Executive Director. Member of the Investment and Nomination Committees. Non-Executive Director of the Company's associated entity, AICS.

Mr Goldsmith was appointed to the Board in April 2013. He is Chairman of SEEK Limited 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. He was also previously the Chancellor of Swinburne University of Technology and a former Non-Executive Director of Zhaopin Limited.

Karen J Wood
B Ed; LLB (Hons). Independent Non-Executive Director. Member of the Audit Committee

Ms Wood was appointed to the Board in July 2016. Ms Wood is the Chair of South32 Limited and a Director of the Library Board of Victoria. She is a former senior executive of BHP. During her executive career with that company she served in a number of global roles including as Group Company Secretary, Chief People Officer and President, Corporate Affairs. She retired from BHP in 2014. Following her retirement she chaired the BHP Foundation until 2019. She served on the Takeovers Panel from 2000 to 2012.

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 to 4**. The Chairman of the meeting intends to vote undirected proxies **in FAVOUR of Items 3 to 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

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 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**
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 **1.30pm (AEDT) on Sunday 6 October 2019**. 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 decides 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. In certain circumstances 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 even if the shareholder has not expressly appointed the Chairman of the meeting as their proxy. This will occur where:
 - an appointment of a proxy specifies the way the proxy is to vote on a particular; and
 - the appointed proxy is not the Chairman of the meeting; and
 - at the meeting, a poll is called on the resolution; and
 - either of the following apply:
 - if a record of attendance is made for the AGM – the proxy is not recorded as attending;
 - the proxy does not vote on the resolution.

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.

EXPLANATORY NOTES continued

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

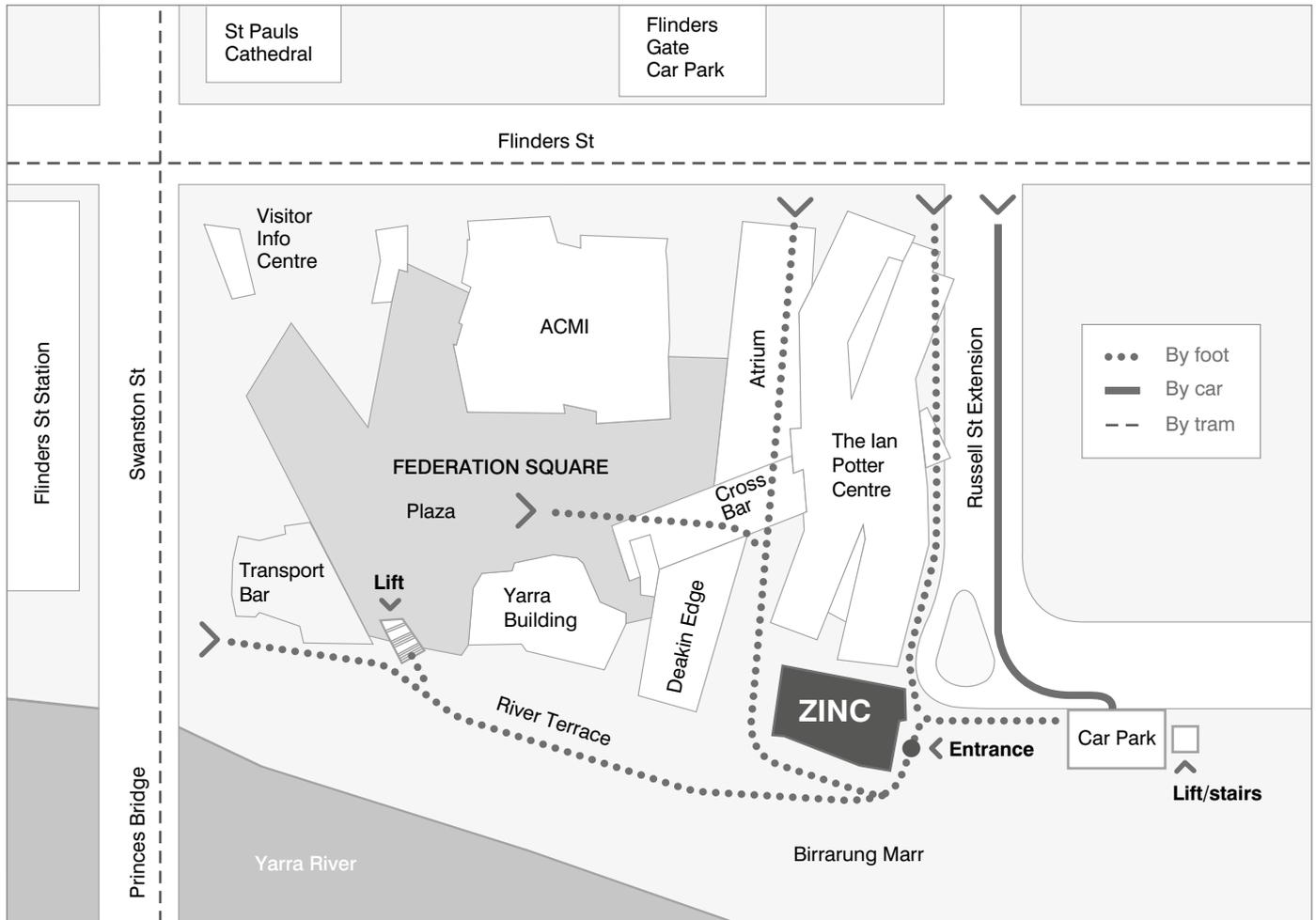
Questions from Shareholders

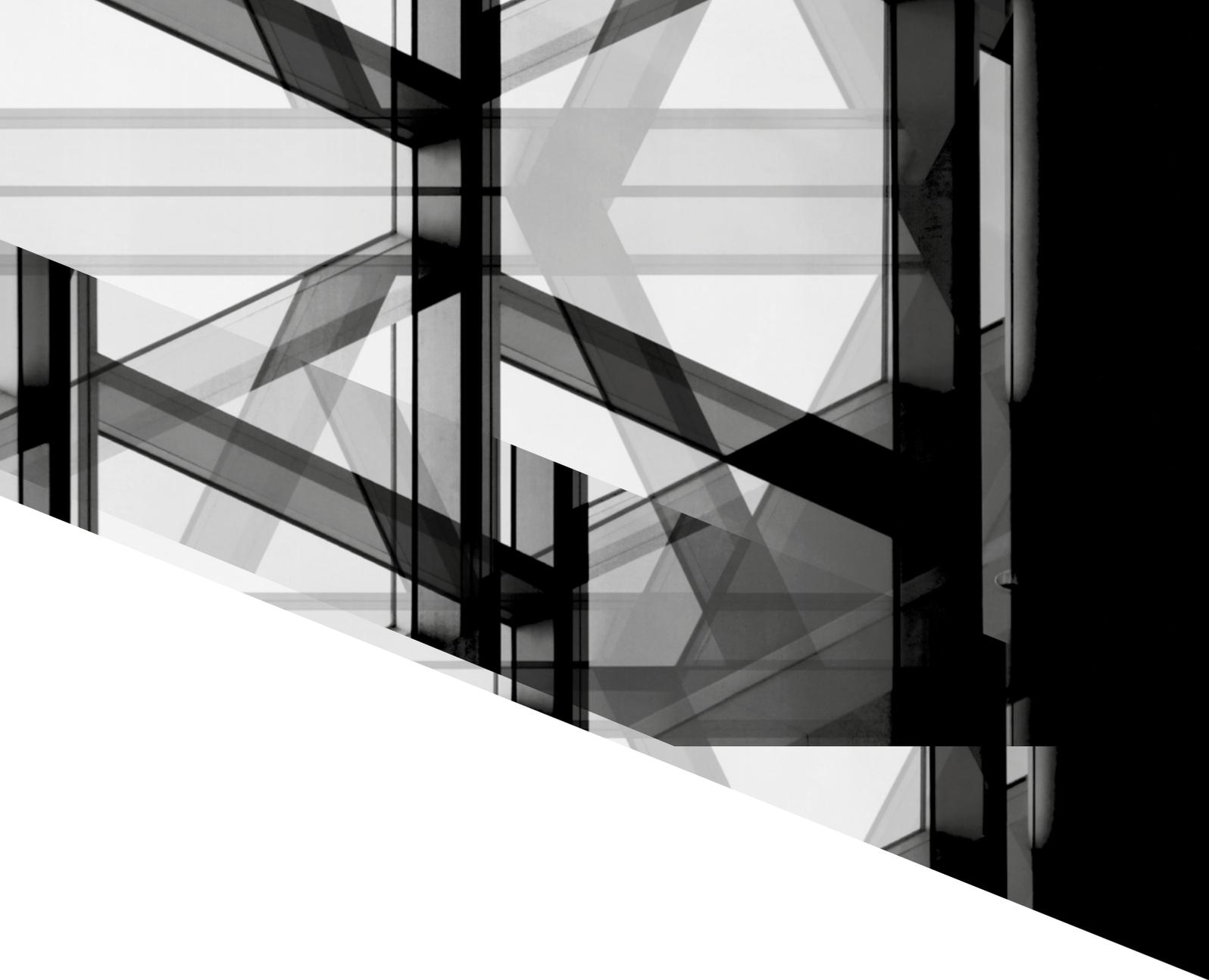
Shareholders who are unable to attend the meeting or who prefer to register questions in advance are invited to use the question form included with their proxy form or via email agm@djerrri.com.au. The deadline for receipt of questions to be considered at the AGM is 24 September 2019. During the course of the meeting, the Chairman will endeavour to address the themes most frequently raised in the submitted question forms. Please note that individual responses will not be sent to shareholders.

Annual General Meeting Venue

The Annual General Meeting of Djerriwarrh Investments Limited (ABN: 38 006 862 693, 'Company') will be held at:

ZINC At Federation Square, Corner of Flinders and Swanston Street, Melbourne, Victoria 3000 at 1.30pm (AEDT) on Tuesday 8 October 2019.





Djerriwarrh

AUSTRALIAN EQUITIES, ENHANCED YIELD

MR JOHN SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

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

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Appoint your proxy and view the Annual Report online

Go to 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: 999999

SRN/HIN: I999999999

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 1.30pm (AEDT) on Sunday 6 October 2019**

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 1.30pm (AEDT) on Sunday 6 October 2019, 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

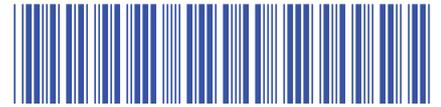
If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under 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 →**

MR JOHN SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

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.



I 1234567890

I N D

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a proxy to vote on your behalf

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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 **Zinc at Federation Square, Corner of Flinders and Swanston Street, Melbourne, Victoria at 1.30pm (AEDT) on Tuesday 8 October 2019** 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 - Mr Graham Goldsmith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Re-election of Director - Ms Karen Wood	<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 ____/____/____