# DJERRIWARRH INVESTMENTS LIMITED

ABN 38 006 862 693

# APPENDIX 4E STATEMENT
# FOR THE YEAR ENDING 30 JUNE 2014

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- Results for announcement to the market
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These documents comprise the preliminary final report given to ASX under listing rule 4.3A

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2014 with the previous corresponding period being the year ended 30 June 2013.

This report is based on audited financial statements. A copy of the audit report can be found on page 40.

**Results for announcement to the market**

- The final dividend of 16 cents per share fully franked, the same as last year, will be paid on 22 August 2014 to ordinary shareholders on the register on 7 August 2014. 7 cents of the final dividend is sourced from 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 10 cents. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.

- Net Operating Result after tax was $42.4 million, 20.8% up from the previous corresponding period.

- Net Operating Result per share was 19.4 cents per share, up from 16.1 cents last year.

- Net Profit attributable to members was $42.9 million, 13.9% up from $37.7 million in the previous corresponding period.

- Revenue from operating activities was $39.6 million, 5.4% up from the previous corresponding period.

- The interim dividend for the 2014 financial year was 10 cents per share (the same as last year), fully franked, and it was paid to shareholders on 18 February 2014.

- The Dividend Reinvestment Plan remains suspended.

- Net tangible assets per share before any provision for deferred tax on the unrealised taxable gains on the long-term investment portfolio as at 30 June 2014 were $3.76 (before allowing for the final dividend), up from $3.50 (before allowing for the final dividend) at the end of the previous corresponding period.

- The 2014 AGM will be held at the RACV City Club, Melbourne, at 10.00 AM on Monday 6 October 2014.

**MEDIA RELEASE – FULL YEAR RESULT TO 30 JUNE 2014**

**DJERRIWARRH PROFIT UP 13.9%**

**Profit and Dividend**

Profit for the year to 30 June 2014 was $42.9 million, up 13.9% from $37.7 million in the corresponding period last year. The Net Operating Result, which is our preferred measure of the on-going investment, trading and option income from the Company's portfolios, was up 20.8% to $42.4 million compared with $35.1 million for the last year.

Income from option activity and the trading portfolio was $14.7 million, well ahead of the corresponding figure of $9.7 million last year. The increase was a result of the rise in the market combined with maintenance of option coverage over the portfolio at the upper end of the target range. Income from investments was also up as a result of the general move to higher dividend payments from companies Djerriwarrh invests in and demerger dividends from Amcor and Brambles.

Taxable realised gains, from the sale of holdings primarily associated with the Company's option activity, are also an important part of generating income and franking for distribution as franked dividends. This financial year $9.3 million of after tax realised gains were generated.

Djerriwarrh's final dividend has been maintained at 16 cents per share fully franked bringing total dividends for the year to 26 cents per share fully franked, the same as last year.

**Portfolio**

Djerriwarrh's portfolio return for the twelve months to 30 June 2014 was 15.6% whereas the S&P/ASX 200 Accumulation Index rose 17.4%. Djerriwarrh's performance numbers are after expenses and tax paid.

In a strong market environment, such an outcome reflects the investment approach of writing call options over thirty to forty percent of the portfolio and also the tax paid on realised gains when some of those options were exercised. However, the generation of franking credits from this activity are an important element of Djerriwarrh's strategy. This can add significantly to investor returns for those who can take advantage of these franking credits. Djerriwarrh's portfolio performance incorporating the benefits of franking credits paid delivered a return of 19.1% over the year, whereas the S&P/ASX 200 Accumulation Index return was 19.2% when franking credits are also included (refer to the attached performance table).

Call options exercised during the period covered a range of holdings, particularly higher yielding stocks including the major banks. A number of purchases were made over the year to replenish these bank holdings. Other major additions included Wesfarmers and Woolworths, as well as a number of new stocks to the portfolio including CSL, Twenty-First Century Fox, Qube Holdings, Aurizon Holdings, James Hardie and Japara Healthcare (through the IPO).

**Outlook**

Notwithstanding the patchy economic environment in Australia, company earnings have been generally reasonable, delivering improved dividends. This trend along with the low interest rate environment contributed to the market moving strongly higher over the year. However, volatility has also declined to very low levels. These factors are important in the pricing Djerriwarrh receives for writing call options.

Our assessment is that economic conditions will continue to be patchy with interest rate settings unlikely to change materially in the near term. Whilst this will not be the only factor influencing equity market sentiment it is expected the Company will continue to keep option coverage at the upper end of its desired range until there is some downward correction in the market or greater value is on offer.

Please direct any enquiries to:


| | |
|---|---|
| Ross Barker | Geoff Driver |
| Managing Director | General Manager |
| (03) 9225 2101 | (03) 9225 2102 |


**17 July 2014**

## MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

| **Acquisitions (above $5 million)** | **Cost ($'000)** |
|---|---|
| Westpac Banking Corporation | 40,690 |
| Australia and New Zealand Banking Group | 24,578 |
| National Australia Bank | 15,757 |
| Commonwealth Bank | 15,473 |
| Wesfarmers[(a)] | 13,028 |
| Woolworths | 9,944 |
| CSL | 7,524 |
| Twenty-First Century Fox | 7,514 |
| Qube Holdings | 6,220 |

| **Sales (above $5 million)*** | **Proceeds ($'000)** |
|---|---|
| Westpac Banking Corporation | 25,729 |
| Australia and New Zealand Banking Group | 23,033 |
| Commonwealth Bank of Australia | 19,795 |
| National Australia Bank | 16,877 |
| Sydney Airport | 12,723 |
| APA Group | 7,197 |
| Woodside Petroleum | 6,516 |
| Brambles | 6,293 |
| Wesfarmers PPS[(b)] | 5,378 |
| Transurban Group | 5,016 |

(a) Includes $5.4m from conversion of WES Partially Protected Securities (WESN).
(b) Conversion of WES Partially Protected Securities (WESN) to Wesfarmers Ordinary Shares.

* All sales other than Wesfarmers PPS are as a result of the exercise of call options

## TOP INVESTMENTS AS AT 30 JUNE 2014

***Includes investments held in both the Investment and Trading Portfolios***

**Valued at closing prices at 30 June 2014**

| | | | Total Value $ million | % of Portfolio |
|---|---|---|---|---|
| 1 | * | BHP Billiton | 89.4 | 10.3% |
| 2 | * | Westpac Banking Corporation | 65.4 | 7.5% |
| 3 | * | Telstra Corporation | 56.3 | 6.5% |
| 4 | * | Commonwealth Bank of Australia | 55.0 | 6.3% |
| 5 | * | Australia & New Zealand Banking Group | 51.7 | 5.9% |
| 6 | * | National Australia Bank | 51.7 | 5.9% |
| 7 | * | Oil Search | 40.7 | 4.7% |
| 8 | * | Woodside Petroleum | 33.8 | 3.9% |
| 9 | * | Wesfarmers | 29.7 | 3.4% |
| 10 | * | Rio Tinto | 26.5 | 3.0% |
| 11 | * | Santos | 22.8 | 2.6% |
| 12 | * | AMP | 22.1 | 2.5% |
| 13 | * | Woolworths | 21.6 | 2.5% |
| 14 | * | Brambles | 18.8 | 2.2% |
| 15 | * | Origin Energy | 18.0 | 2.1% |
| 16 | * | Transurban Group | 17.4 | 2.0% |
| 17 | * | Suncorp Group | 15.8 | 1.8% |
| 18 | * | AGL Energy | 14.5 | 1.7% |
| 19 | * | QBE Insurance Group | 14.2 | 1.6% |
| 20 | | Mirrabooka Investments | 12.4 | 1.4% |
| | | | 677.7 | |
| | | As % of Total Portfolio Value (excludes Cash) | 77.8% | |

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

Djerriwarrh
AUSTRALIAN EQUITIES, ENHANCED YIELD

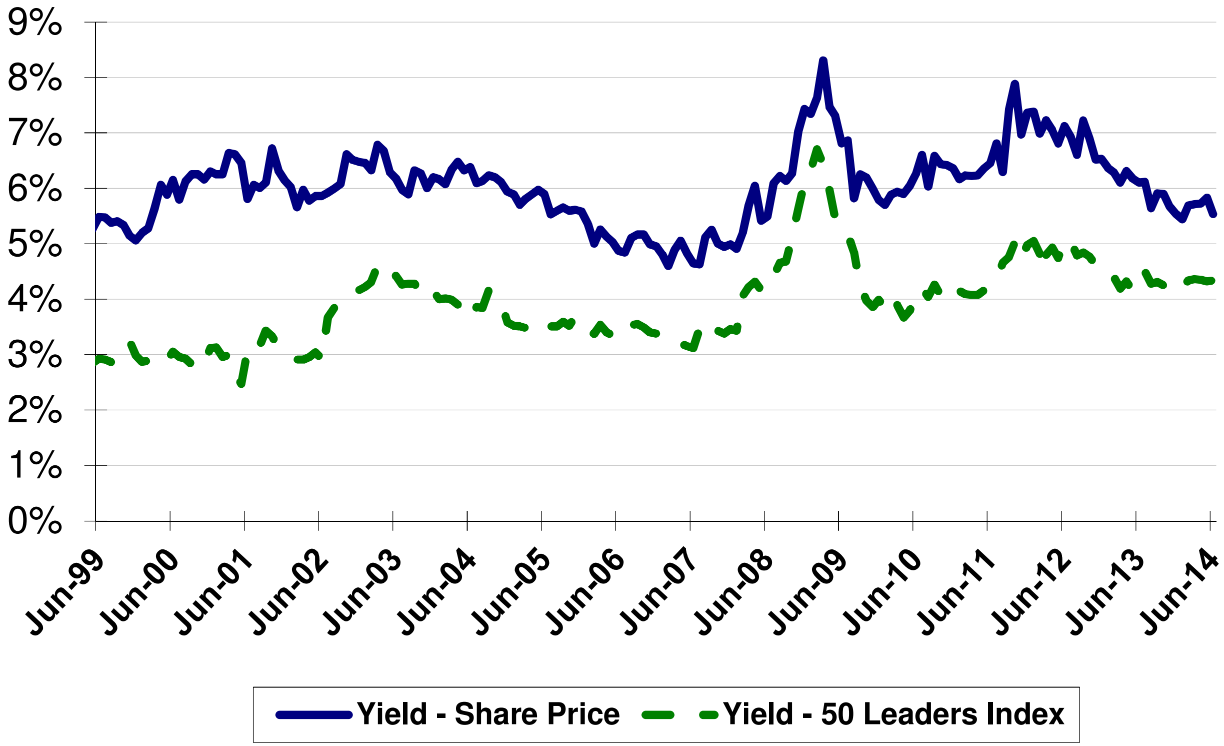
## PORTFOLIO PERFORMANCE TO 30 JUNE 2014

| | ANNUALISED RETURNS | | | |
|---|---|---|---|---|
| **PERFORMANCE MEASURES** | **1 YEAR** | **3 YEARS** | **5 YEARS** | **10 YEARS** |
| ***PORTFOLIO RETURN - NET ASSET BACKING INCLUDING DIVIDENDS REINVESTED*** | ***15.6%*** | ***9.6%*** | ***10.3%*** | ***8.2%*** |
| **S&P/ASX 200 ACCUMULATION INDEX** | 17.4% | 10.4% | 11.2% | 9.0% |

| | | | | |
|---|---|---|---|---|
| ***NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED**** | ***19.1%*** | ***13.1%*** | ***13.7%*** | ***11.3%*** |
| **S&P/ASX 200 GROSS ACCUMULATION INDEX*** | 19.2% | 12.1% | 12.8% | 10.4% |

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

## Djerriwarrh Share Price Yield vs. Market Yield




The chart above highlights the relative dividend yield on Djerriwarrh shares (which is fully franked) in comparison to the dividend yield on the S&P/ASX 200 Index (which is currently only 80% franked) since the Company was listed.

# INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Dividends and distributions | | 38,525 | 34,541 |
| Revenue from deposits and bank bills | | 1,110 | 3,061 |
| **Total revenue** | | **39,635** | **37,602** |
| Net gains on trading portfolio | | 370 | 2,518 |
| Income from options written portfolio | | 14,365 | 7,147 |
| **Income from operating activities** | | **54,370** | **47,267** |
| Finance costs | | (4,956) | (6,612) |
| Administration expenses | | (3,654) | (3,486) |
| Share of net profit from Associate | | 114 | 166 |
| **Operating result before income tax expense** | **4** | **45,874** | **37,335** |
| Income tax expense* | **5** | (3,502) | (2,264) |
| **Net operating result for the year** | | **42,372** | **35,071** |
| **Net gains/(losses) on investments** | | | |
| Net gains/(losses) on open options positions | | 663 | (566) |
| Deferred tax (expense)/credit on open options positions* | **5** | (199) | 170 |
| Net gains on puttable instruments and non-equity investments | | 104 | 4,279 |
| Tax expense on net gains on puttable instruments and non-equity investments* | **5** | (31) | (1,284) |
| | | 537 | 2,599 |
| **Profit for the year** | | **42,909** | **37,670** |
| | | **Cents** | **Cents** |
| Basic earnings per share | **22** | 19.63 | 17.25 |

| | | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| * Total Tax Expense | **5** | 3,732 | 3,378 |

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

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

| | **Year to 30 June 2014** | | | Year to 30 June 2013 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Capital** | **Total** | Revenue | Capital | Total |
| | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 |
| **Profit for the Year** | **42,372** | **537** | **42,909** | **35,071** | **2,599** | **37,670** |
| **Other Comprehensive Income ("OCI")** | | | | | | |
| *Items that will not be recycled through the Income Statement* | | | | | | |
| Unrealised gains for the period on securities in the portfolio at 30 June | - | 73,409 | **73,409** | - | 81,805 | **81,805** |
| Deferred tax expense on above | - | (22,254) | **(22,254)** | - | (24,967) | **(24,967)** |
| Plus gains for the period on securities realised | - | 7,616 | **7,616** | - | 30,049 | **30,049** |
| Tax expense on above | - | (2,309) | **(2,309)** | - | (9,171) | **(9,171)** |
| *Items that may be recycled through the Income Statement* | | | | | | |
| Net movement in fair value of swap contracts[4] | - | 428 | **428** | - | 959 | **959** |
| **Total Other Comprehensive Income[1, 3]** | **-** | **56,890** | **56,890** | **-** | **78,675** | **78,675** |
| **Total comprehensive income [2]** | **42,372** | **57,427** | **99,799** | **35,071** | **81,274** | **116,345** |

[1] These are the net capital gains/(losses) not recorded through the Income Statement. Capital includes the unrealised gains or losses on open options positions.

[2] This is the company's Net Return for the year, which includes the Net Operating Result plus the net realised and unrealised gains or losses on the Company's investment portfolio and net gains/losses on open options positions.

[3] Total tax movement in Other Comprehensive Income : 2014 : $(24.6)m; 2013 : $(34.1)m.

[4] 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 2014

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash | 6 | 18,354 | 91,386 |
| Receivables | 7 | 24,448 | 11,191 |
| Trading portfolio | 8 | - | 6,366 |
| **Total current assets** | | **42,802** | **108,943** |
| | | | |
| **Non-current assets** | | | |
| Investment portfolio | 9 | 876,944 | 766,843 |
| Shares in associate | | 864 | 784 |
| **Total non-current assets** | | **877,808** | **767,627** |
| | | | |
| **Total assets** | | **920,610** | **876,570** |
| | | | |
| **Current liabilities** | | | |
| Payables | 11 | 1,675 | 955 |
| Tax payable | | 13,683 | 25,209 |
| Borrowings – bank debt | 6 | 75,000 | 75,000 |
| Interest-rate hedging contracts | 12 | 1,939 | 2,367 |
| Options written portfolio | 13 | 5,575 | 8,240 |
| **Total current liabilities** | | **97,872** | **111,771** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 10 | 399 | 335 |
| Deferred tax liabilities - investment portfolio | 14 | 23,196 | 8,287 |
| **Total non-current liabilities** | | **23,595** | **8,622** |
| | | | |
| **Total liabilities** | | **121,467** | **120,393** |
| | | | |
| **Net Assets** | | **799,143** | **756,177** |
| | | | |
| **Shareholders' equity** | | | |
| Share Capital | 15 | 634,225 | 634,225 |
| Revaluation Reserve | 17 | 100,901 | 53,656 |
| Realised Capital Gains Reserve | 18 | 15,658 | 28,227 |
| Interest-rate Hedging Reserve | 12 | (1,939) | (2,367) |
| Retained Profits | 19 | 50,298 | 42,436 |
| **Total shareholders' equity** | | **799,143** | **756,177** |

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

| **Year Ended 30 June 2014** | **Note** | **Share Capital $'000** | **Revaluation Reserve $'000** | **Realised Capital Gains $'000** | **Interest-Rate Hedging $'000** | **Retained Profits $'000** | **Total $'000** |
|---|---|---|---|---|---|---|---|
| **Total equity at the beginning of the year** | | **634,225** | **53,656** | **28,227** | **(2,367)** | **42,436** | **756,177** |
| Dividends paid | **21** | - | - | (21,859) | - | (34,974) | **(56,833)** |
| **Total transactions with share-holders** | | **-** | **-** | **(21,859)** | **-** | **(34,974)** | **(56,833)** |
| Profit for the year | | - | 73 | - | - | 42,836 | **42,909** |
| ***Other Comprehensive Income (net of tax)*** | | | | | | | |
| Net unrealised gains for the period for stocks held at 30 June | | - | 51,155 | - | - | - | **51,155** |
| Net gains for the period on securities realised | | - | 5,307 | - | - | - | **5,307** |
| Transfer to Realisation Reserve of cumulative gains on investments realised | **18** | - | (9,290) | 9,290 | - | - | **-** |
| Net movement in fair value of swap contracts | | - | - | - | 428 | - | **428** |
| Other Comprehensive Income for the year | | - | 47,172 | 9,290 | 428 | - | **56,890** |
| **Total equity at the end of the year** | | **634,225** | **100,901** | **15,658** | **(1,939)** | **50,298** | **799,143** |

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014 (2013 COMPARATIVES)

| **Year Ended 30 June 2013** | **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** | | **628,797** | **(17,359)** | **19,259** | **(3,326)** | **63,628** | **690,999** |
| Dividends paid | **21** | - | - | - | - | (56,595) | **(56,595)** |
| Shares issued - Dividend Reinvestment Plan | **15** | 5,441 | - | - | - | - | **5,441** |
| Other Share Capital Adjustments | **15** | (13) | - | - | - | - | **(13)** |
| **Total transactions with share-holders** | | **5,428** | **-** | **-** | **-** | **(56,595)** | **(51,167)** |
| Profit for the year | | - | 2,995 | - | - | 34,675 | **37,670** |
| ***Other Comprehensive Income (net of tax)*** | | | | | | | |
| Net unrealised gains for the period for stocks held at 30 June | | - | 56,838 | - | - | - | **56,838** |
| Net gains for the period on securities realised | | - | 20,878 | - | - | - | **20,878** |
| Transfer to Realisation Reserve of cumulative gains on investments realised | **18** | - | (8,968) | 8,968 | - | - | **-** |
| Tax charge recognised in prior years on scrip-for-scrip takeovers | | - | (728) | - | - | 728 | **-** |
| Net movement in fair value of swap contracts | | - | - | - | 959 | - | **959** |
| Other Comprehensive Income for the year | | - | 68,020 | 8,968 | 959 | 728 | **78,675** |
| **Total equity at the end of the year** | | **634,225** | **53,656** | **28,227** | **(2,367)** | **42,436** | **756,177** |

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

| | Note | 2014 $'000 INFLOWS/ (OUTFLOWS) | 2013 $'000 INFLOWS/ (OUTFLOWS) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Sales from trading portfolio | | 9,346 | 20,322 |
| Purchases for trading portfolio | | (69) | (692) |
| Interest received | | 1,431 | 2,988 |
| Proceeds from entering into options in options written portfolio | | 23,025 | 26,975 |
| Payment to close out options in options written portfolio | | (10,652) | (14,333) |
| Dividends and distributions received | | 31,949 | 29,885 |
| | | 55,030 | 65,145 |
| Administration expenses | | (3,724) | (3,490) |
| Finance costs paid | | (4,540) | (6,531) |
| Income taxes paid | | (791) | (1,588) |
| **Net cash inflow/(outflow) from operating activities** | **26** | **45,975** | **53,536** |
| **Cash flows from investing activities** | | | |
| Sales from investment portfolio | | 177,430 | 353,029 |
| Purchases for investment portfolio | | (215,560) | (273,182) |
| Tax paid on capital gains | | (24,044) | - |
| **Net cash inflow/(outflow) from investing activities** | | **(62,174)** | **79,847** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | (25,000) |
| Share issue transaction costs | | - | (13) |
| Dividends paid | | (56,833) | (51,154) |
| **Net cash inflow/(outflow) from financing activities** | | **(56,833)** | **(76,167)** |
| Net increase/(decrease) in cash held | | (73,032) | 57,216 |
| Cash at the beginning of the year | | 91,386 | 34,170 |
| **Cash at the end of the year** | **6** | **18,354** | **91,386** |

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

### 1. Summary of significant 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 as per the Directors Declaration and is presented in the Australian currency. The Company has the power to amend and reissue the financial report.

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

| Phrase | AASB Terminology |
|---|---|
| Market Value | Fair Value for Actively Traded Securities |
| Cash | Cash & Cash Equivalents |
| Share Capital | Contributed Equity |
| Hybrids | Equity instruments that are not ordinary securities |
| Options | Derivatives written over equity instruments that are valued at fair value through Profit & Loss |

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS). The Company is a 'for profit' entity.

The Company 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 2014 ("the inoperative standards"), except for AASB 9 which was adopted on 7 December 2009. The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt other inoperative standards at the date at which their adoption becomes mandatory.

#### a) Basis of accounting

The financial statements are prepared using the valuation methods described below for holdings of securities, including options. All other items have been treated in accordance with the historical cost convention.

#### b) Associate Accounting Policy

Associates are entities over which the Company has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% 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% shareholding. AICS provides investment and administrative services to the Company and to other Listed Investment Companies, including its Parent, Australian Foundation Investment Company ("AFIC") which holds the other 75%.

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.

### c) Holdings of securities

*(i) Balance sheet classification*

The Company has three discrete portfolios of securities : the investment portfolio, the options written portfolio and the trading portfolio. The purchase and the sale of securities are accounted for at the date of trade.

The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis.

The options written portfolio contains predominantly exchange traded options contracts that are entered into as described in Note 13.

The trading portfolio comprises securities held for short term trading purposes.

Securities within the investment portfolio (with the exception of puttable instruments and convertible notes that are classified as debt) are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition, whereas securities held within the trading portfolio are classified as 'mandatorily measured at fair value through profit or loss in accordance with AASB 9'.

The designation of securities within the investment portfolio as 'financial assets measured at fair value through other comprehensive income' is consistent with the Directors' view of these assets as being held for the long-term for both capital growth and for the provision to the Company of dividends and distribution income rather than to make a profit from the sale of such securities, which is the purpose of securities held within the trading portfolio. Puttable instruments and convertible notes classified as debt are required to be classified at "fair value through profit or loss" although the Directors also view these assets as being held for the long-term for both capital growth and for the provision to the Company of distribution income and their being managed as part of the investment portfolio.

*(ii) Valuation of investment portfolio*

Securities, including listed securities and hybrids, are initially brought to account at market value, which is the cost of acquisition, and are revalued to market values (or fair value using a variety of relevant methodologies if there is no active market) continuously. Increments and decrements on equity instruments are recognised as Other Comprehensive Income and taken to the Revaluation Reserve.

Gains and losses on puttable instruments and convertible notes that are classified as debt are recognised in profit or loss. However, they are subsequently transferred from Retained Earnings to the Revaluation Reserve.

Where disposal of an investment occurs any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Realisation Reserve. The amounts of such transfers are noted in the Statement of Changes in Equity, and are done primarily to isolate the realised gains out of which the Company can pay a 'Listed Investment Company' or 'LIC' gain as part of its dividend, which conveys certain taxation benefits to many of the Company's shareholders.

*(iii) Valuation of trading portfolio*

Securities, including listed and unlisted shares and options, are initially brought to account at market value, which is the cost of acquisition, or proceeds in the case of options written, and are revalued to market values continuously.

Increments and decrements on the value of securities in the trading portfolio are taken to Profit or Loss through the Income Statement.

*(iv) Valuation of options written portfolio*

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.

*(v) Income from holdings of securities*

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the relevant portion is treated as proceeds from a sale. If the distributions are capital returns on ordinary shares the amount of the distribution is treated as an adjustment to the carrying value of the shares.

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

**d) Taxation**

The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by any unused tax losses and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities (excluding 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.

Deferred taxes are recognised for the unrealised gain or loss on securities valued at fair value through the Income Statement – i.e. the trading portfolio, puttable instruments and convertible notes classified as debt and the options written portfolio.

A deferred tax asset or liability has to be made for any taxes that could arise on disposal of securities in the investment portfolio, even though there is no intention to dispose of them. Where the Company 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.

**e) Cash flows**

For the purpose of the cash flow statement, 'cash' includes cash and deposits held at call.

**f) Fair value of financial assets and liabilities**

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

The fair value for assets that are actively traded on market is defined by AIFRS as 'last bid price'.

**g) Directors' retirement allowances**

The Company recognises as 'amounts payable' Directors' retirement allowances that have been crystallised. No further amounts will be expensed as retirement allowances.

### h) Interest-rate swaps

The Company has hedged a proportion of its short term borrowings against changes in interest rates by entering into interest rate swap agreements. Interest-rate swaps are shown at 'fair value' on the Balance Sheet representing the cost of unwinding the swap. For that portion of the Company's swap agreements that are effective hedges (which is 100%), the fair value of the unused portion of the swap agreement is recognised in equity. Otherwise the fair value is recognised in Net Profit. A portion of the accumulated amounts in equity are recycled in the income statement as the interest on the borrowings becomes due and payable and the hedge is used. The amount recognised is accounted for as finance costs during the period along with the interest on the borrowings. The net amount receivable or payable under interest rate swap agreements is also recognised at this time and is included in 'other receivables' or 'other payables' at each balance date.

### i) Rounding of amounts

The Company is of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### j) Split between Revenue and Capital in Other Comprehensive Income

'Capital' relates to realised or unrealised gains or losses (and the tax thereon) on securities within the Investment Portfolio and excludes income in the form of distributions and dividends which are recorded as 'Revenue'. 'Capital' also includes movements in the fair value of the Company's swap contracts. All other items, including expenses, are recorded as Net Operating Result, which is categorised under 'Revenue'.

### k) 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.

## 2. Critical Accounting Estimates and Judgements

The preparation of financial reports in conformity with AIFRS requires the use of certain critical accounting estimates. This requires the Board and management to exercise their judgement in the process of applying the Company's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB112 Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax (CGT) on the unrealised gain in the Investment Portfolio at current tax rates.

As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 14. In addition, the tax liability that arises on disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal and the availability of future gains against which to set off the losses.

Apart from this, there are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

## 3. Financial Reporting by segments

### (a) Description of segments

The Board makes the strategic resource allocations for the Company. The Company 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 the Company'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 the Company's performance is evaluated on an overall basis.

The Company invests in equity securities and other instruments to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends, option premiums and trading income and enhancement of capital invested.

### (b) Segment information provided to the Board

The internal reporting provided to the Board for the Company'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 capital gains tax on investments (as reported in the Company's Net Tangible Asset announcements to the ASX).

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

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| **Net Operating Result after income tax expense** | **42,372** | **35,071** |
| Add back income tax expense | 3,502 | 2,264 |
| Net gains on puttable instruments and non-equity investments | 104 | 4,279 |
| Net gains/(losses) on open options positions | 663 | (566) |
| **Profit for the year before tax** | **46,641** | **41,048** |

In addition, the Investment Committee regularly reviews the net asset backing per share both before and after provision for deferred tax on the unrealised gains in the Company's long-term investment portfolio. Deferred tax is calculated as set out in notes 1(d) and 2. The relevant amounts as at 30 June 2014 and 30 June 2013 were as follows:

| Net tangible asset backing per share | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Before Tax | **3.76** | **3.50** |
| After Tax | 3.66 | 3.46 |

**(c) 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.

The Company is domiciled in Australia and all of the Company's income is derived from Australian entities or entities that maintain a listing in Australia. The Company has a diversified portfolio of investments, with no investment comprising more than 10% of the Company's income, including realised income from the options written portfolio (2013 : One investment - Westpac (11.9%))

## 4. Operating result before income tax expense

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Dividends and distributions | | |
| • securities held in investment portfolio | 38,400 | 34,144 |
| • securities held in trading portfolio | 125 | 397 |
| | 38,525 | 34,541 |
| Interest income | | |
| • income from cash investments | 1,110 | 3,061 |
| | 1,110 | 3,061 |
| Net gains | | |
| • net realised gains from trading portfolio | 370 | 1,649 |
| • realised gains on options written portfolio | 14,365 | 7,147 |
| • unrealised gains from trading portfolio | - | 869 |
| | 14,735 | 9,665 |
| **Income from operating activities** | **54,370** | **47,267** |
| Finance costs | (4,956) | (6,612) |
| Administration fees paid to AICS | (2,234) | (2,221) |
| Share of net profit from Associate | 114 | 166 |
| Other administration expenses | (1,420) | (1,265) |
| **Operating result before income tax expense** | **45,874** | **37,335** |

Further information relating to remuneration of auditors is set out in Note 25, Directors and Executives in Note 23.

## 5. Tax expense

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

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Operating result before income tax expense** | **45,874** | **37,335** |
| Tax at the Australian tax rate of 30% (2013 – 30%) | 13,762 | 11,200 |
| Tax offset for franked dividends | (9,105) | (9,269) |
| Tax effect of sundry items not taxable in calculating taxable income | (755) | 730 |
| | **3,902** | **2,661** |
| Over provision in prior years | (400) | (397) |
| Income tax expense on operating result before net gains on investments | **3,502** | **2,264** |
| | | |
| **Net gains on investments** | **767** | **3,713** |
| Tax at the Australian tax rate of 30% (2013 – 30%) | 230 | 1,114 |
| Tax expense on net gains on investments | **230** | **1,114** |
| | | |
| **Total tax expense** | **3,732** | **3,378** |

### (b) Tax expense composition

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Charge for tax payable relating to the current year | 4,037 | 1,909 |
| Over provision in prior years | (400) | (397) |
| Increase in tax – puttable instruments & non-equity investments | 31 | 1,284 |
| Increase in deferred tax liabilities – other | 64 | 582 |
| | **3,732** | **3,378** |

### (c) Amounts recognised directly through Other Comprehensive Income

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Increase in deferred tax liabilities relating to capital gains tax on the movement in unrealised gains or losses in the investment portfolio | 24,563 | 34,138 |
| | **24,563** | **34,138** |

## 6. Current assets and liabilities – cash

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Cash at bank and in hand | 18,354 | 14,386 |
| Fixed Term Deposits | - | 77,000 |
| | 18,354 | 91,386 |

Cash holdings yielded an average floating interest rate of 3.25% (2013: 4.3%).

### (a) Credit risk exposure

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" commercial banks or their wholly-owned subsidiaries, all rated 'AA-' by S&P.

### (b) Standby arrangements and credit facilities

The Company was party to agreements under which Commonwealth Bank of Australia and Westpac Bank would extend cash advance facilities. $50 million of the facility with Commonwealth Bank is a 5 year facility (expires 30 June 2016). Another $50 million of the Commonwealth Bank facility is a 3 year facility (expires 30 October 2014). The remainder are twelve month facilities at different expiry dates. Note that after the year-end, $10 million of facility previously offered by the Commonwealth Bank was changed to Westpac Bank.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Commonwealth Bank of Australia –cash advance facility | 135,000 | 125,000 |
| Amount drawn down at 30 June | 60,000 | 70,000 |
| Undrawn facilities at 30 June | 75,000 | 55,000 |
| Westpac Bank- cash advance facility | 15,000 | 25,000 |
| Amount drawn down at 30 June | 15,000 | 5,000 |
| Undrawn facilities at 30 June | 0 | 20,000 |
| Total short-term loan facilities | 150,000 | 150,000 |
| Total drawn down at 30 June | 75,000 | 75,000 |
| Total undrawn facilities at 30 June | 75,000 | 75,000 |

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.

The current debt facilities are as follows :

| Facility Provider | Amount | Expiry Date |
|---|---|---|
| Commonwealth Bank | $50 million | 30 October 2014 |
| Commonwealth Bank | $25 million | 31 December 2014 |
| Westpac Bank | $15 million | 31 December 2014 |
| Westpac Bank | $10 million | 30 June 2015 |
| Commonwealth Bank | $50 million | 30 June 2016 |
| **Total Facilities** | **$150 million** | |

## 7. Current assets – receivables

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Dividends and distributions receivable | 6,128 | 5,418 |
| Outstanding settlements – Investment & options written portfolio | 18,266 | 4,244 |
| Outstanding settlements – Trading portfolio | - | 1,118 |
| Other receivables/pre-payments | 54 | 411 |
| | 24,448 | 11,191 |

Receivables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

## 8. Current assets – trading portfolio

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Listed securities at market value : | | |
| - shares and trust units | - | 6,366 |
| | - | 6,366 |

## 9. Non-current assets – investment portfolio

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Equity instruments | | |
| - shares/trust and stapled securities market value | 874,180 | 764,169 |
| - unlisted securities at fair value | 34 | 48 |
| Puttable instruments and convertible notes classified as debt | 2,730 | 2,626 |
| | 876,944 | 766,843 |

For a detailed list of the fair value of the securities in the investment portfolio measured at fair value through Other Comprehensive Income, see Note 28.

## 10. Deferred tax liabilities

The Company's net deferred tax liabilities arise from temporary differences in the recognition of items for taxation and accounting purposes, as described in Note 1 d). The key components are:

| | | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| (a) | Trading portfolio | - | 198 |
| (b) | Tax on unrealised gains in the options written portfolio | 480 | 281 |
| (c) | Provisions and expenses charged to the accounting profit which are not yet tax deductible | (173) | (198) |
| (d) | Interest and dividend income receivable which is not assessable for tax until receipt | 92 | 54 |
| | | 399 | 335 |

**Movements:**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Opening asset balance at 1 July | 335 | (247) |
| Charged to Income Statement | 64 | 582 |
| | 399 | 335 |

Any deferred tax asset arising from provisions and expenses charged but not yet tax deductible will be obtained when the relevant items become tax deductible, provided that the Company derives sufficient assessable income to enable the benefit from the deductions to be taken in that year and there are no intervening changes in tax legislation adversely affecting the Company's ability to claim the tax deduction.

The portion of deferred tax liability likely to be reversed within the next 12 months is $572,000 (2013: $533,000). This relates primarily to items described in items (a), (b) and (d) above.

## 11. Current liabilities – payables

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Outstanding settlements – Investment & options written portfolio | 433 | - |
| Directors' retirement benefits | 547 | 661 |
| Other payables | 695 | 294 |
| | 1,675 | 955 |

Payables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

| | | |
|---|---|---|
| Opening Balance for Directors' retirement benefits | 661 | 661 |
| Paid during the year | (114) | - |
| | 547 | 661 |

## 12. Interest-rate swaps

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Opening Balance at 1 July | (2,367) | (3,326) |
| Movement for year (net of tax) | 428 | 959 |
| Fair value of interest-rate swap agreements | (1,939) | (2,367) |

The Company has entered into two interest-rate hedging contracts at a rate of 5.520% and 3.3225% with the Commonwealth Bank of Australia and Westpac, under which the Company will pay a fixed interest rate on $75 million worth of short-term borrowings which have a floating interest rate. These have been designated as effective hedges and any movements in their fair value will be shown as an adjustment against equity. These swaps commenced in March 2011 and February 2013. Both have five-year effective lives. The reserve and the corresponding asset/liability are measured as the fair value of the interest-rate swaps net of associated tax. It is currently anticipated that the swaps will be held to maturity and consequently that they will have no impact, under current Accounting Standards, on the Income Statement.

## 13. Options written portfolio

The Company enters into option contracts in the options written portfolio for the purpose of enhancing returns via the premiums that it earns from the writing of these contracts. It is separate from both the trading portfolio and the investment portfolio, and the options are held as "liabilities measured at fair value through profit or loss". Where the Company sells a call option it is obligated to deliver securities at an agreed price if the taker exercises the option. Whereas if the Company sells a put option it is obligated to buy the underlying shares at an agreed price if the taker exercises the option. Exchange Traded Options are valued using observable market data which is obtained via an independent third-party data provider. During the year, the Company only wrote options in the options written portfolio against stock that was held in its investment portfolio.

As at balance date there were no put options outstanding (2013 : $9.6 million exposure). At balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of $289.4 million (2013: $260.6 million). The total income for the year of $14.4 million (2013 : $7.1 million) plus the unrealised gain on the open options position of $0.7 million (2013 : $0.6 million loss), both before tax, resulted in a net pre-tax 'profit' of $15.1 million (2013 : $6.6 million).

As at balance date these contracts were predominantly exchange-traded options and were entered into within the constraints and controls imposed by the Australian Securities Exchange Limited. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily. The Investment Committee meets regularly to consider, review and approve the option transactions of the Company and related matters. $130.6 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2013: $110.3 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.

## 14. Deferred tax liabilities – investment portfolio

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Deferred tax liabilities on unrealised gains in the investment portfolio | 23,196 | 8,287 |

Refer Note 2 for further detail on the nature of the deferred tax assets and liabilities on the investment portfolio.

| | | |
|---|---|---|
| Opening balance at 1 July | 8,287 | (2,375) |
| Charged to income statement for tax on fair value movement of puttable instruments & non-equity investments | 31 | 1,284 |
| Tax on Realised Gains or Losses | (9,685) | (24,760) |
| Charged to OCI for ordinary securities | 24,563 | 34,138 |
| Closing balance at 30 June | 23,196 | 8,287 |

## 15. Shareholders' equity – share capital

Movements in share capital of the Company during the past two years were as follows:

| Date | Details | Notes | Number of shares '000 | Issue price $ | Paid-up Capital $'000 |
|---|---|---|---|---|---|
| 1/07/2012 | Balance | | 217,103 | | 628,797 |
| 24/08/2012 | Dividend Reinvestment Plan | i | 1,487 | 3.66 | 5,441 |
| Various | Costs of issue | | - | | (13) |
| 30/06/2013 | Balance | | 218,590 | | 634,225 |
| 30/06/2014 | Balance | | 218,590 | | 634,225 |

There are no shares that have not been fully paid, all shares rank *pari passu* and have no par value.

i. The Company has a Dividend Reinvestment Plan (DRP) under which shareholders elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares was based on the average selling price of shares traded on the Australian Securities Exchange in the five days after the shares begin trading on an ex-dividend basis. The DRP is currently suspended.

Note : The Company introduced an on-market Buy-Back Program in December 2000. During the 2014 financial year the Company bought back no shares (2013: Nil). The facility remains open.

## 16. Capital Management

The Company's objectives in managing capital are to continue to provide shareholders with attractive investment returns through access to a steady stream of fully-franked dividends alongside enhancement of capital invested, with goals of paying an enhanced level of dividends and providing attractive total returns over the medium to long term.

The Company recognises that its capital will fluctuate in accordance with market conditions, and may adjust the amount of dividends paid, issue new shares from time to time or buy-back its own shares or sell assets to reduce debt.

The Company's capital consists of its shareholders equity less the fair value of the interest-rate swaps, plus any net borrowings. The change in this capital is as noted in notes 6 b), 15, 17, 18 and 19.

## 17. Revaluation Reserve

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Opening balance at 1 July | 53,656 | (17,359) |
| Gains/(losses) on investment portfolio | | |
| – equity instruments | 81,025 | 111,854 |
| – puttable instruments & non-equity investments (transferred from retained earnings ) | 104 | 4,279 |
| Transfer of taxation charge previously accounted for on scrip-for-scrip takeovers | - | (728) |
| Provision for tax on unrealised gains | (24,594) | (35,422) |
| Cumulative taxable realised (gains)/losses (net of tax) | (9,290) | (8,968) |
| | 100,901 | 53,656 |

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note 1 c)(ii).

## 18. Realised Capital Gains Reserve

| | 2014 $'000 | | | 2013 $'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 | 58,787 | (30,560) | 28,227 | 1,874 | 17,385 | 19,259 |
| Dividends paid | (21,859) | - | (21,859) | - | - | - |
| Cumulative taxable realised (losses)/gains for period | 33,809 | (14,834) | 18,975 | 81,673 | (47,945) | 33,728 |
| Tax on realised gains/(losses) | (9,685) | - | (9,685) | (24,760) | - | (24,760) |
| | 61,052 | (45,394) | 15,658 | 58,787 | (30,560) | 28,227 |

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio as described in accounting policy note 1 c)(ii).

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.

## 19. Retained Profits

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Opening balance at 1 July | 42,436 | 63,628 |
| Dividends paid | (34,974) | (56,595) |
| Statutory Profit for the year | 42,909 | 37,670 |
| Transfer from revaluation reserve re. charge for previous scrip-for-scrip takeovers | - | 728 |
| Transfer to revaluation reserve (net of tax) | (73) | (2,995) |
| | 50,298 | 42,436 |

This reserve relates to past profits.

## 20. Financial Instruments

### (a) Financial Risk Management

Accounting Standards identify three types of risk associated with financial instruments (i.e. the Company's investments, receivables, payables and borrowings):

<u>Credit risk</u>

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk is managed as set out below with respect to cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are over-due.

*Cash & Cash Equivalents*

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" commercial banks or their wholly-owned subsidiaries. The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

*Receivables*

Receivables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

The credit risk exposure of the Company in relation to receivables is the carrying amount.

*Trading & Investment Portfolios*

Credit risk exposures of the Company arise in relation to converting and convertible notes and other interest-bearing securities that are not equity securities to the extent of their carrying values, in the event of a shortfall on winding-up of the issuing companies.

Credit risk exposure also arises in relation to options bought by the Company, if any, to the extent of their carrying value.

<u>Liquidity risk</u>

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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

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

The Company's inward operating cash-flows depend upon the level of distributions received. Should these drop by a material amount, the Company would amend its outward cash-flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is manageable by the Board and management. Furthermore, the assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary. The current financial liabilities are shown in Notes 6 b) & 11. The table below analyses the Company'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.

| **30 June 2014** | Less than 6 months | 6-12 months | Greater than 1 year | Total contractual cash flows | Carrying Amount (assets) / liabilities |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | |
| Payables | 1,675 | - | - | 1,675 | 1,675 |
| Borrowings | 75,000 | - | - | 75,000 | 75,000 |
| | 76,675 | - | - | 76,675 | 76,675 |
| **Derivatives** | | | | | |
| Options written * | - | - | - | - | 5,575 |
| Interest rate swaps | 745 | 745 | 1,311 | 2,801 | 1,939 |
| | 745 | 745 | 1,311 | 2,801 | 7,514 |

| **30 June 2013** | | | | | |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Non-derivatives*** | | | | | |
| Payables | 955 | - | - | 955 | 955 |
| Borrowings | 75,000 | - | - | 75,000 | 75,000 |
| | 75,955 | - | - | 75,955 | 75,955 |

| | Less than 6 months | 6-12 months | Greater than 1 year | Total contractual cash flows | Carrying Amount (assets) / liabilities |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Options written * | 9,585 | - | - | 9,585 | 8,240 |
| Interest rate swaps | 742 | 742 | 2,784 | 4,268 | 2,367 |
| | 10,327 | 742 | 2,784 | 13,853 | 10,607 |

* In the case of call options written 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).

Market risk

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

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

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's other comprehensive income of $30.6 million and $61.2 million respectively, at a tax rate of 30% (2013 : $26.7 million & $53.5 million) and a reduction in profit after tax of $96,000 and $191,000 respectively, at a tax rate of 30% (2013 : $92,000 and $184,000 respectively). A market fall of 5% and 10% across the Trading Portfolio & Options Written Portfolio would lead to an increase in profit after-tax of $195,000 and $390,000 respectively (2013 : $66,000 and $131,000). The Revaluation Reserve at 30 June 2014 was $100.9 million (2013 : $53.7 million). It would require a fall in the value of the Investment Portfolio of 16% after tax to fully deplete this.

The Company 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 and risk can be managed by reducing exposure where necessary. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Company's investment by sector is as below:

| | **2014** | **2013** |
|---|---|---|
| Energy | 13.54% | 13.25% |
| Materials | 17.98% | 17.84% |
| Industrials | 8.25% | 7.37% |
| Consumer Staples | 7.35% | 6.14% |
| Banks | 25.15% | 21.96% |
| Other Financials (incl Property Trusts) | 11.56% | 10.95% |
| Telecommunications | 6.49% | 6.06% |

| | 2014 | 2013 |
|---|---|---|
| Other - Health Care, Info Technology, Utilities | 7.62% | 5.76% |
| Cash | 2.06% | 10.67% |

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

| | 2014 |
|---|---|
| BHP Billiton | 10.3% |
| Westpac Bank | 7.5% |
| Telstra | 6.5% |
| Commonwealth Bank | 6.3% |
| ANZ Bank | 5.9% |
| National Australia Bank | 5.9% |
| | **2013** |
| BHP Billiton | 10.3% |
| Commonwealth Bank | 6.8% |
| Telstra | 6.8% |
| National Australia Bank | 6.4% |
| Westpac | 5.7% |
| ANZ Bank | 5.7% |

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

Interest Rate risk

The Company is not currently materially exposed to interest rate risk as all its cash investments and borrowings are short-term for a fixed interest rate and it has entered into interest-rate hedging contracts with the Commonwealth Bank of Australia and Westpac Bank, under which the Company will pay a fixed interest rate on $75 million worth of short-term borrowings, which commenced in March 2011 & February 2013. This locks in a longer-term fixed rate for a substantial proportion of the Company's debt. Should interest-rates move to the extent that the Board feel that the swaps are uneconomical, they will be unwound and the cost of unwinding them would be reflected through the Income Statement. Interest rate risk on any hybrid securities held by the Company is reflected in their market value. The hedges were fully effective for the year. The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars. 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. During the year (and the comparative period) options were only written against securities that are held in the trading or investment portfolio.

**(b) Fair Value measurements**

Accounting standards require the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liabilities that are not based on observable market data (unobservable inputs) (level 3).

| 30 June 2014 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets at fair value through other comprehensive income** | | | | |
| Investment Portfolio (Equity) | 874,180 | 34 | - | 874,214 |
| **Financial assets at fair value through profit or loss** | | | | |
| Investment Portfolio (Puttables & convertible notes classified as debt) | 2,730 | - | - | 2,730 |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Options written | - | (5,575) | - | (5,575) |
| **Derivatives used for hedging** | | | | |
| | - | (1,939) | - | (1,939) |
| Total | 876,910 | (7,480) | - | 869,430 |

| 30 June 2013 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial assets at fair value through other comprehensive income** | | | | |
| Investment Portfolio (Equity) | 764,169 | 48 | - | 764,217 |
| **Financial assets at fair value through profit or loss** | | | | |
| Trading Portfolio | 6,366 | - | - | 6,366 |
| Investment Portfolio (Puttables & convertible notes classified as debt) | 2,626 | - | - | 2,626 |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Options written | - | (8,240) | - | (8,240) |
| **Derivatives used for hedging** | | | | |
| | - | (2,367) | - | (2,367) |
| Total | 773,161 | (10,559) | - | 762,602 |

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over the counter derivatives) is determined using valuation techniques. The Company uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. These instruments are included in level 2 and comprise call options written by the Company and the Company's investment in Hexima Ltd, currently unlisted. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3 (currently none).

**(c) Numerical disclosures – Investment Portfolio**
The fair value of each investment held at fair value through other comprehensive income (investment portfolio) is disclosed in note 28.

Dividend and distribution income for the period on those investments held at period end was $36.1 million (2013 : $28.1 million), and dividend and distribution income for those investments sold during the period was $2.4 million (2013 : $5.9 million). Certain securities within the investment portfolio were disposed of during the period, whether during the normal course of the Company's activities as a Listed Investment Company or as the result of take-overs or acquisitions. The fair value of the investments sold during this period was $185.7 million (2013 : $300.1 million). The cumulative gain on these disposals (which excludes the realised gain on puttable instruments) was $9.3 million for the period after tax (2013 : $1.2 million), which has been transferred from the revaluation reserve to the realisation reserve (refer to statement of changes in equity). No puttable instruments have also been sold from the portfolio (2013 : $30.4 million).

The Company has two classes of investments in the investment portfolio - i) assets defined under AASB 9 as 'equity investments', the fair value of which is valued through other comprehensive income and at 30 June 2014 was $874.2 million (30 June 2013 : $764.2 million) and ii) puttable instruments and convertible notes that cannot be classified as equity instruments under AASB 9 and are consequently accounted for at fair value through profit or loss. The fair value of these at 30 June 2014 was $2.7 million (30 June 2013 : $2.6 million).

## 21. Dividends

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **(a) Dividends paid during the year** | | |
| Final dividend for the year ended 30 June 2013 of 16 cents fully franked at 30% paid on 23 August 2013 (2013: 16 cents fully franked at 30% paid on 24 August 2012). | 34,974 | 34,736 |
| Interim dividend for the year ended 30 June 2014 of 10 cents per share fully franked at 30%, paid 18 February 2014 (2013: 10 cents fully franked at 30% paid 19 February 2013) | 21,859 | 21,859 |
| | 56,833 | 56,595 |
| **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 | 44,104 | 41,607 |
| Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year: | (14,989) | (14,989) |
| **Net available** | **29,115** | **26,618** |

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| These franking account balances would allow the Company to frank additional dividend payments up to an amount of: | 67,935 | 62,109 |

The Company's ability to continue to pay franked dividends is dependent upon the balance of the Company's franking account. This is replenished by the receipt of franked dividends from the trading and investment portfolios and the Company paying tax on income and realised capital gains (if any).

**(c) Dividends declared after balance date**

| | | |
|---|---|---|
| Since the end of the year Directors have declared a final dividend of 16 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2014 to be paid on 22 August 2014, but not recognised as a liability at the end of the financial year | 34,974 | |

**(d) Listed Investment Company capital gain account**

| | | |
|---|---|---|
| Balance of the Listed Investment Company (LIC) capital gain account | 59,563 | 56,311 |
| This would equate to an attributable amount of | 85,090 | 80,445 |

Distributed LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the dividend statement. LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains or the receipt of LIC distributions from LIC securities held in the portfolios.

**22. Earnings per share**

| **Basic Earnings per Share** | **2014 Number** | **2013 Number** |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator | 218,589,718 | 218,365,695 |
| | **$'000** | **$'000** |
| Profit for the year | 42,909 | 37,670 |
| | **Cents** | **Cents** |
| Basic earnings per share | 19.63 | 17.25 |

**Basic net operating result per Share**

| | **$'000** | **$'000** |
|---|---|---|
| Net operating result | 42,372 | 35,071 |
| | **Cents** | **Cents** |
| Basic net operating result per share | 19.38 | 16.06 |

## 23. Directors and Executives

The Remuneration for the Directors was as follows :

| | Short Term Benefits $ | Post-Employment Benefits $ | Total $ |
|---|---|---|---|
| 2014 | | | |
| Directors | 617,135 | 71,722 | 688,857 |
| 2013 | | | |
| Directors | 599,427 | 58,351 | 657,778 |

**Shareholdings :**
At balance date, shares issued by the Company and held directly, indirectly or beneficially by non-executive directors and executives of the Company, or by entities to which they were related were:

| **2014** | **Opening balance** | **Net changes** | **Closing balance** |
|---|---|---|---|
| J Paterson | 244,310 | - | 244,310 |
| RE Barker | 371,495 | 4,500 | 375,995 |
| PC Barnett | 40,000 | - | 40,000 |
| TA Campbell | 486,582 | - | n/a |
| KJ Fagg (appointed 29 May 2014) | n/a | - | 0 |
| GB Goldsmith | 20,000 | - | 20,000 |
| AF Guy | 220,450 | - | 220,450 |
| GJ Kraehe | 38,523 | - | 38,523 |
| BB Teele | 1,855,800 | - | 1,855,800 |
| AJM Williams | 8,904 | - | 8,904 |
| GN Driver | 21,635 | 1,628 | 23,263 |
| RM Freeman | 41,065 | - | 41,065 |
| SM Pordage | 1,168 | 1,140 | 2,308 |
| AJB Porter | 2,017 | 2,076 | 4,093 |
| | | | |
| **2013** | | | |
| BB Teele | 1,957,019 | (101,219) | 1,855,800 |
| RE Barker | 365,200 | 6,295 | 371,495 |
| PC Barnett | 40,000 | - | 40,000 |
| TA Campbell | 466,201 | 20,381 | 486,582 |
| GB Goldsmith | n/a | 20,000 | 20,000 |
| AF Guy | 211,217 | 9,233 | 220,450 |
| GJ Kraehe | 36,909 | 1,614 | 38,523 |
| J Paterson | 234,076 | 10,234 | 244,310 |
| AJM Williams | 8,531 | 373 | 8,904 |
| GN Driver | 20,000 | 1,635 | 21,635 |
| RM Freeman | 41,065 | - | 41,065 |
| SM Pordage | - | 1,168 | 1,168 |
| AJB Porter | - | 2,017 | 2,017 |

## 24. Related parties

All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| The Company has paid administrative fees to its associated entity, AICS, in which it has a 25% shareholding | | |
| Administration expenses paid during the year | 2,234 | 2,221 |

## 25. Remuneration of auditors

| | 2014 $ | 2013 $ |
|---|---|---|
| During the year the auditor earned the following remuneration: | | |
| **PricewaterhouseCoopers** | | |
| Audit or review of financial reports | 106,960 | 104,863 |
| Non-Audit Services | | |
| Taxation compliance services | 50,850 | 40,535 |
| Total remuneration | 157,810 | 145,398 |

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit related tax compliance services provided by the audit firm to ensure they do not compromise independence. Other non-audit services would not normally be provided by the external audit firm. However, if for special reasons such services were to be proposed, the Audit Committee would review the proposal to also ensure they did not affect the independence of the external audit function. The Company also conforms to legal requirements regarding audit partner rotation every 5 years.

## 26. Reconciliation of net cash flows from operating activities to profit

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Profit for the year | 42,909 | 37,670 |
| - Fair value movement in puttable instruments | (73) | (2,995) |
| - Net (increase)/decrease in trading portfolio | 6,366 | 10,039 |
| - Net profit from Associate | (80) | (113) |
| - Increase/(decrease) in options written portfolio | (2,665) | 6,061 |
| - Dividends received as securities under DRP investments | (4,431) | (1,195) |
| - Decrease/(increase) in current receivables | (13,257) | 19,113 |
| - Less increase/(decrease) in receivables for investment portfolio | 14,022 | (15,546) |
| - (Decrease)/increase in deferred tax liabilities | 14,973 | 11,244 |
| - Less decrease/(increase) in deferred tax liability on investment portfolio | (14,909) | (10,662) |
| - Increase/(decrease) in current payables | 720 | (983) |
| - Less (increase)/decrease in payables for investment portfolio | (433) | 998 |
| - Increase/(decrease) in provision for tax payable | (11,526) | 24,665 |
| - Add taxes paid on capital gains | 24,044 | - |
| - Add/(Less) capital gains tax through OCI | (9,685) | (24,760) |
| Net cash flows from operating activities | 45,975 | 53,536 |

## 27. Contingencies

At balance date Directors are not aware of any other material contingent liabilities or contingent assets other than those already disclosed elsewhere in the financial report.

## 28. Securities at Fair Value through Other Comprehensive Income at 30 June 2014

The below list are those of securities held in the investment portfolio that are valued at fair value through Other Comprehensive Income. They do not include securities in the trading portfolio, puttable instruments or convertible notes classified as debt in the investment portfolio (which are held at 'fair value through profit or loss') or the options written portfolio.

Individual holdings in the portfolio may change 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.

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| AGL Energy | 14,571* | 13,630* |
| Alumina | 5,019 | 3,662 |
| ALS | 3,425* | 980* |
| AMCIL | 10,281 | 9,115 |
| Amcor | 10,795* | 12,367* |
| AMP | 22,377* | 20,175* |
| ANZ Banking Group | 51,978* | 43,958* |
| APA Group | 12,161 | 17,161* |
| Asciano | 3,930* | - |
| ASX | 8,553* | 6,433* |
| Aurizon | 4,806* | - |
| BHP Billiton | 89,610* | 79,086* |
| Boral | 4,344* | 4,852* |
| Brambles | 18,934* | 24,380* |
| Caltex | 4,314* | - |
| Coca-Cola Amatil | 11,538* | 15,502* |
| Commonwealth Bank | 55,553* | 53,266* |
| Computershare | 7,261* | 10,751* |
| CSL | 7,420* | - |
| Equity Trustees | 2,550 | 1,006 |
| Fletcher Building | - | 4,427* |
| Hexima | 34 | 48 |
| Iluka | 2,927* | 4,096* |
| Incitec Pivot | 8,336* | 6,505* |
| Insurance Australia Group | 5,721* | 5,357* |
| James Hardie | 3,114* | - |
| Japara Healthcare | 4,818 | - |
| Mirrabooka Investments | 12,372 | 10,849 |
| National Australia Bank | 51,807* | 49,282* |
| Oil Search | 41,660* | 35,341* |

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Orica | 9,911* | 12,536* |
| Origin Energy | 18,164* | 14,072* |
| PanAust | - | 1,331 |
| Perpetual | 4,339* | 1,920 |
| QBE Insurance Group | 14,259* | 21,379* |
| Qube Holdings | 6,498* | - |
| Ramsay Healthcare | 1,820 | - |
| Recall | 3,451* | - |
| Resmed | 3,836* | - |
| Rio Tinto | 26,502* | 24,661* |
| SAI Global | 1,150* | - |
| Santos | 23,031* | 21,553* |
| Scentre Group | 3,296 | - |
| Seek | 2,695* | - |
| Sonic Healthcare | 7,972* | 5,924* |
| Suncorp | 15,916* | 15,350* |
| Sydney Airport | 3,221 | 14,284* |
| Telstra Corporation | 56,603* | 52,061* |
| Toll Holdings | 8,640* | 9,013* |
| TPG Telecoms | 1,433 | - |
| Transurban Group | 17,516* | 16,431* |
| Treasury Wine Estates | 2,641* | 1,098 |
| Trust Company | - | 2,031 |
| Twenty First Century Fox | 8,029 | - |
| Wesfarmers | 29,712* | 15,814* |
| Wesfarmers PPS | - | 5,266 |
| Westfield Corp | 1,056* | - |
| Westpac Banking Corp. | 65,712* | 43,951* |
| Woodside Petroleum | 34,038* | 34,891* |
| Woolworths | 21,693* | 15,109* |
| WorleyParsons | 871* | 3,313* |
| **Total** | **874,214** | **764,217** |

*Part or all of the security was subject to call options written by the Company.

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

## *Report on the financial report*

We have audited the accompanying financial report of Djerriwarrh Investments Limited (the company), which comprises the balance sheet as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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

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

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*Auditor's opinion*

In our opinion:

1. the financial report of Djerriwarrh Investments Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of Djerriwarrh Investments Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Charles Christie

Charles Christie
Partner

Melbourne
17 July 2014