



25 August 2016

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

Dear Sir / Madam

Please find attached the 2016 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 2016

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The investment goals of Djerrriwarrh are:

- ▶ To provide attractive total returns including capital growth over the medium to long term.
- ▶ To pay an enhanced level of dividends.

YEAR IN SUMMARY

PROFIT FOR THE YEAR

\$40.7m

▼ Down 13.2% from 2015

TOTAL SHAREHOLDER RETURN

-7.7%

Share price plus dividend

NET OPERATING RESULT

\$42.2m

▼ Down 7.3% from 2015

MANAGEMENT EXPENSE RATIO

0.46%

0.41% in 2015

FULLY FRANKED DIVIDEND

14¢ **24¢**
Final Total

▼ Down 2 cents from 2015

TOTAL PORTFOLIO

\$749.8m
Including cash at 30 June

\$863.2 million in 2015

TOTAL PORTFOLIO RETURN

-1.1% Including franking*

S&P/ASX 200 Accumulation Index +2.2%*

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

DIRECTORS' REPORT

This report in relation to the financial year to 30 June 2016 is presented by the Directors of Djerriwarrh Investments Limited ("the Company") in accordance with a resolution of Directors.

5 YEAR SUMMARY

	2016	2015	2014	2013	2012
Net profit after tax (\$ million)	40.7	46.9	42.9	37.7	44.1
Net operating result after tax (\$ million)	42.2	45.5	42.4	35.1	37.9
Investments at market value (\$ million) ^(a)	748.9	821.3	871.4	765.0	729.0
Dividends per share (cents) ^(b)	24.0	26.0	26.0	26.0	26.0
Net asset backing (cents) ^(c)	309.0	352.0	376.0	350.0	317.0
Number of shareholders (30 June)	18,934	18,990	19,035	19,005	18,779

Notes

(a) Excludes cash.

(b) All dividends were fully franked. For 2016 the dividend carried attributable LIC gains of 7.1 cents per share. For 2015 and 2014 it was 10.0 cents per share and for 2013 it was 14.3 cents per share. There were no attributable LIC gains attached to the dividend for 2012.

(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

About the Company

Djerriwarrh Investments Limited is a listed investment company investing in predominantly Australian 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 has been in operation since December 1989. The Company was listed in June 1995.

Investment Aims

The Company aims to provide shareholders with attractive investment returns through access to an enhanced stream of fully franked dividends and growth in capital invested.

In this regard the primary goals are:

- to provide attractive total return including capital growth over the medium to long term; and
- to pay an enhanced level of dividends.

Approach to Investing

The investment philosophy is built on taking a medium to longer term view of value, which means the Company tends to buy and hold individual stocks for the long term based on selection criteria which, in summary, comprises a focus on:

- formulation and execution of the business strategy of the companies in which we invest and their underlying business value; and
- key financial indicators, including prospective price earnings relative to projected growth, sustainability of earnings and dividend yield (including franking) and Balance Sheet position including gearing, interest cover and cash flow.

At the same time we concentrate on stocks where there is an active options market. This is intended to give scope for the writing of options with the level of the portfolio 'covered' by call options typically ranging between 20 to 50 per cent of the total portfolio at

any one time. From time to time a small amount of put options may also be utilised. 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.

Djerriwarrh 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.

Our Structure

The Company has a 'closed end' structure, which means that the number of shares on issue is fixed and set by the Board from time to time. As a result, Djerriwarrh does not issue new shares or cancel them as investors enter and leave. This allows the Company to concentrate on the performance of the funds invested over the longer term without having to consider any inflow or outflow of monies. The nature of the listed investment company structure and a continued focus on the efficiency of the business also ensure administration costs and management fees are maintained at extremely competitive levels. In the financial year for 2015/16, this was 0.46 per cent of the portfolio's average market value.

By investing in Djerriwarrh, shareholders have access to:

- a diversified portfolio of about 80 of Australia's major companies and to a Board and Investment Committee with extensive investment skills and practical business experience; and
- capabilities in option trading that are not readily available to retail investors to generate additional income, providing the opportunity for a higher fully franked dividend yield than is typically available in the Australian market.

The portfolio and option positions are continually monitored with the Investment Committee meeting regularly to review all option trades and to approve investment decisions.

Investing in Djerriwarrh

As a listed investment company, Djerriwarrh shares can be bought or sold through the Australian Securities Exchange (ASX) (code: DJW). The Company does not charge entry or exit fees when shareholders acquire or dispose of their holdings although transaction costs will be borne when buying or selling through a stockbroker.

Transparency

We take an active approach to keeping shareholders informed about the Company's activities and performance, including yearly and half-yearly results announcements, regular shareholder briefings and access to all Company announcements, including net tangible asset announcements, through the Australian Securities Exchange and the Company's website djerri.com.au

REVIEW OF OPERATIONS AND ACTIVITIES

Profit Performance

Profit for the year to 30 June 2016 was \$40.7 million, down 13.2 per cent from \$46.9 million in the corresponding period last year. Last year's profit figure included a non-cash dividend of \$5.6 million received as a result of the demerger of South32 from BHP Billiton. Excluding this figure the profit was down 1.5 per cent.

The net operating result, which is our preferred measure of the ongoing investment, trading and option income from the Company's portfolios, was down 7.3 per cent to \$42.2 million compared with \$45.5 million for the last year.

Djerriwarrh's option activities benefited from heightened volatility and increased option coverage during the year. As a result, income from option writing was \$16.1 million in contrast to the \$14.1 million generated last financial year. Dividend income was down to \$36.8 million from \$42.2 million last year, reflecting the absence of any demerger dividends.

Dividend

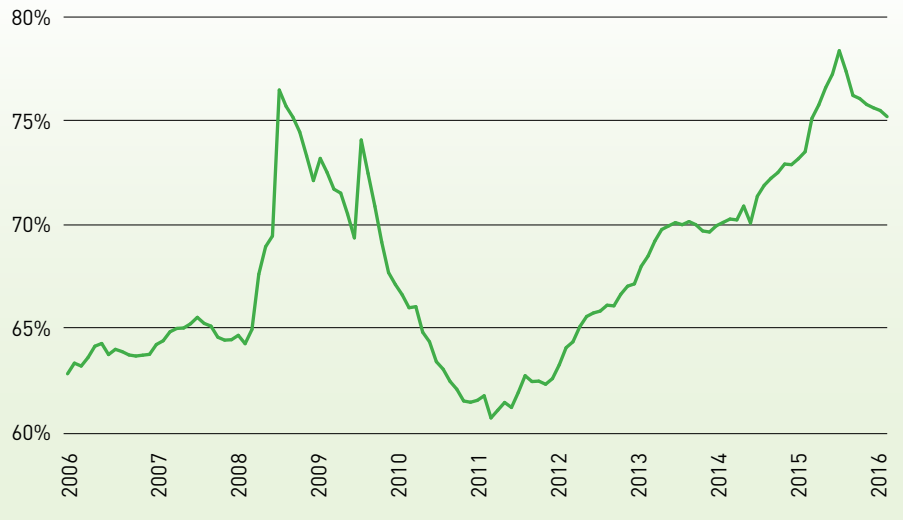
Djerriwarrh's final dividend is 14 cents per share fully franked, which is down from 16 cents per share fully franked last year. This brings the total dividends for the year to 24 cents per share fully franked, down from 26 cents fully franked last year.

5 cents of the final dividend is sourced from capital gains, on which the Company has paid tax. The amount of the pre tax attributable gain, known as a 'LIC capital gain', is therefore 7.14 cents per share. This enables some shareholders to claim a tax deduction in their tax return. Further details are provided on the dividend statements. The Dividend Reinvestment Plan remains suspended.

Dividend Outlook

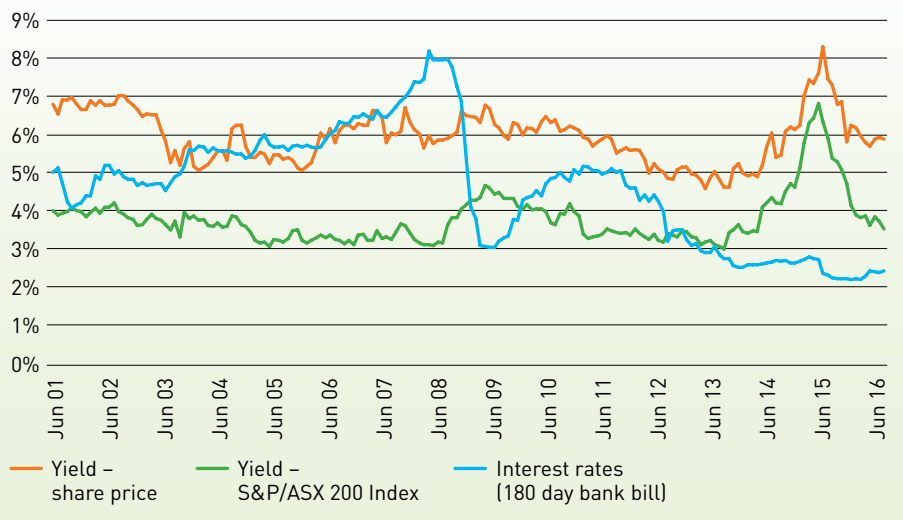
Djerriwarrh held its dividend constant at 26 cents per share fully franked for nine years. Even in the face of the GFC, as companies cut their dividends, Djerriwarrh was able to use realised gains to supplement income from dividends received and option premium. In recent years, however, capital growth in large cap stocks, where Djerriwarrh's option activities are focused, has been relatively flat. In particular, given this general lack of capital growth in the market over the last 12 months, there

Figure 1: S&P/ASX 200 – Dividend payout ratio



Source: FactSet

Figure 2: Yield history



Source: FactSet

were no taxable realised gains produced this year, whereas last year \$25.8 million of after tax realised gains were generated.

In this context, the Board has undertaken a detailed review of the potential to maintain the current dividend going forward in what we assume will continue to be an environment of lower growth, lower dividend income and lower capital returns. Some important features that bear on this are:

- the recent large cuts in resource company dividends, which we do not expect to be reversed in the foreseeable future;
- the cut in dividend by one of the four big banks and, due to their relative high payout ratios, uncertainty as to the future dividend levels among the other major banks;
- high payout ratios generally amongst ASX listed companies (Figure 1), which may be wound back to some degree in coming years;
- earnings from options being high at present due to high volatility, a feature that may not be sustained at this level in future years; and
- extremely low interest rates.

It is the Board's current expectation that the total dividend for the 2016/17 financial year will be approximately 20 cents per share, an interim dividend of 10 cents per share (the same as last year) and a final dividend of 10 cents per share. This forecast remains subject to economic and market conditions.

Based on this expected dividend, the yield on our current asset backing would be 6.5 per cent and grossed up for franking credits would be 9.2 per cent (assuming a shareholder can take full advantage of the franking credits). Based on our share price of \$4.16, these figures would respectively be 4.8 per cent and 6.9 per cent grossed up. This is still an enhanced yield high compared with other alternative investments, particularly in this low interest rate environment.

Figure 2 (on the previous page) outlines the history of the yield on Djerriwarrh's share price to the yield on the ASX 200 (neither include the benefit of franking). In addition, the position relative to the interest rate environment is also included.

Franking Position

Figure 3 illustrates that the Company's annual dividends are sourced from the operating result and from other income, which is mainly taxable realised gains generated from the sale of holdings primarily associated with the Company's option activity. These taxable realised gains also contribute to the generation of franking credits.

Figure 3 also highlights the trend over recent years where realised gains have been an important contributor to the dividend. However, as mentioned earlier under the Dividend Outlook, the flat market over an extended period has made it much harder to generate these capital gains.

Importantly, we currently have a good store of franking credits and are confident that, barring major market and economic disruption, we can continue to sustain full franking on the rebased dividend in the foreseeable future. The balance of the franking account after providing for the payment of the final dividend would allow for the payment of a further \$71.3 million of fully franked dividends. This financial year fully franked dividends paid totalled \$56.8 million.

Market Comments

Returns in the Australian equity market this year were remarkably divergent. The 20 largest companies as a group were down 7 per cent, with banks down just over 10 per cent. During the year many of these companies faced headwinds such as low economic growth and greater competitive pressures. In contrast, very low interest rates continued to drive income yielding stocks such as real estate trusts and utilities considerably higher. These two sectors were each up over 20 per cent. The Mid 50 and Small Ordinaries indexes, which included companies with more positive growth opportunities, were well sought after by

investors and these sectors were both up around 15 per cent. Heightened global risk factors also drove the gold sector considerably higher even though the rest of the resources and energy sectors were strongly down. As a result the outcomes for investors depended very much on particular sector exposures in the market.

Portfolio Performance

Djerriwarrh's total portfolio return, including dividends paid and the full benefit of franking credits, was negative 1.1 per cent. This compares with the S&P/ASX 200 Accumulation Index return, which was positive 2.2 per cent including franking, and the S&P/ASX 20 Leaders Accumulation Index, which was negative 5.0 per cent when franking is included.

The portfolio performance also reflected the Company's underweight position in REITs and gold stocks, areas of the market Djerriwarrh does not typically invest in. Energy and resource holdings were reduced during the year, but they still impacted relative performance given the marked decline in these sectors over the period.

Furthermore, Djerriwarrh has not been a large investor in the mid and small companies given they typically do not have active option markets and generally have a lower dividend yield than larger companies.

The 10-year return for the portfolio including franking was 6.8 per cent per annum against the benchmark return including franking of 6.4 per cent per annum.

Option Activity

The increase in volatility combined with a falling to flat market over the year assisted the income generated from call option activity. Djerriwarrh was able to keep option coverage at the upper end of the Company's indicative range across a number of holdings whilst generating good call option premium as a result of high volatility in a market. In this environment there was less likelihood of call options being exercised or the need to buy back options to keep the holding.

The Company has started the new financial year with high option coverage across a number of companies in the portfolio.

Figure 3: Operating result as a component of the dividend

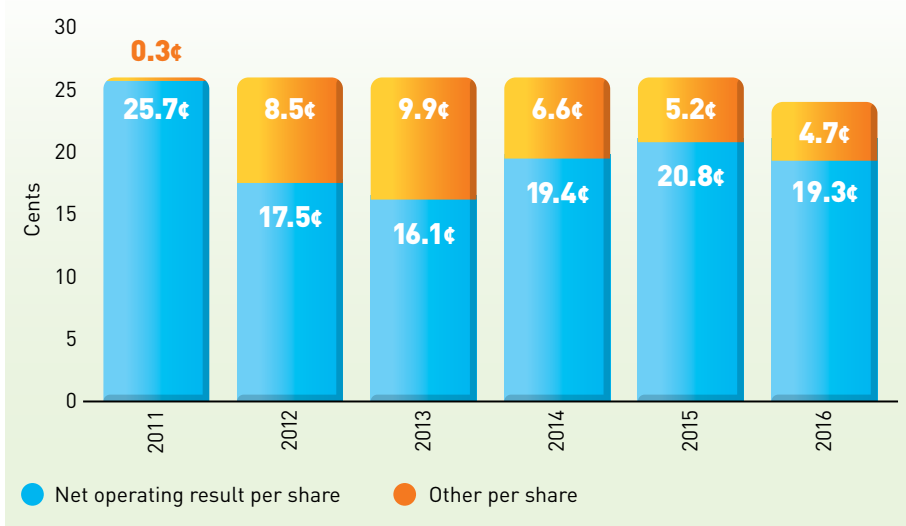
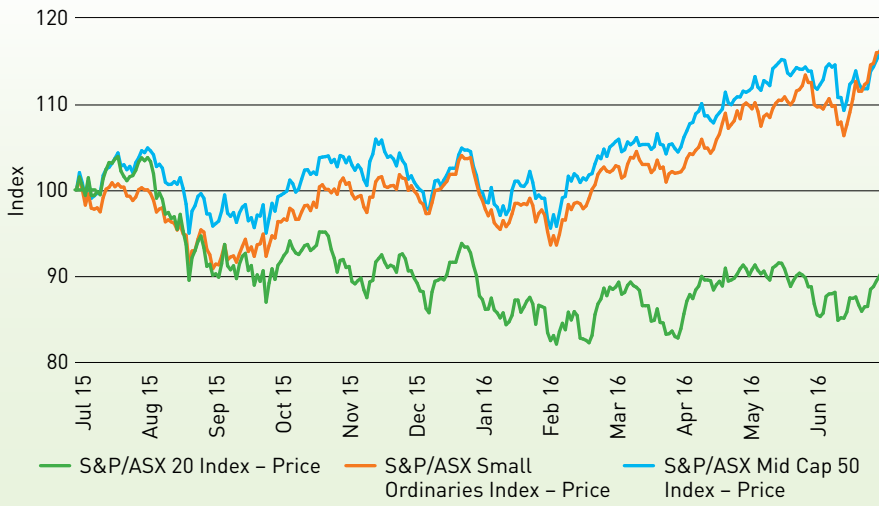
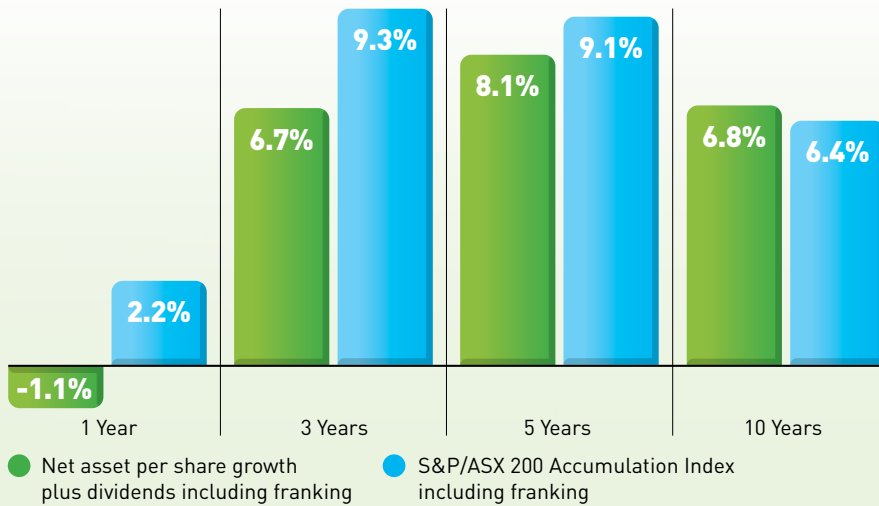


Figure 4: Contrast in sector performance in the Australian market



Source: FactSet

Figure 5: Portfolio performance to 30 June 2016 including franking



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

The franking benefit assumes a shareholder can take full advantage of the franking credits.

Figure 6: S&P/ASX 200 Index and market volatility

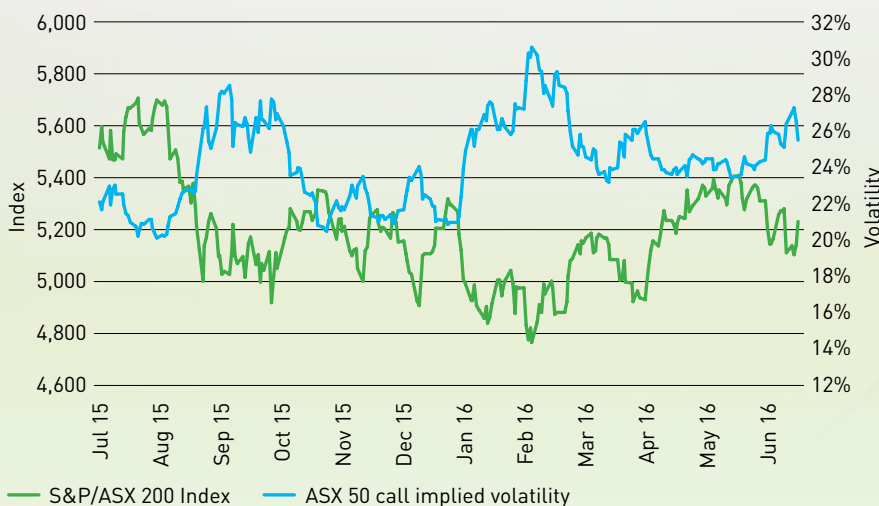
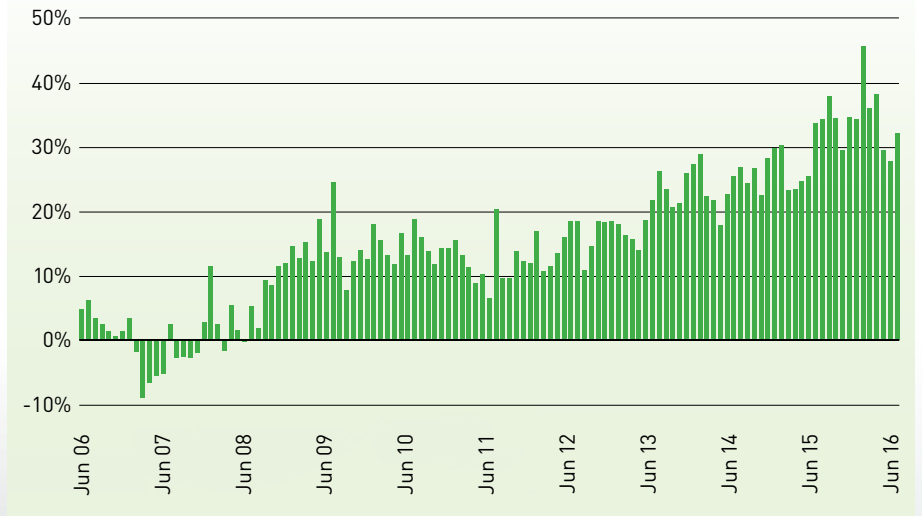




Figure 7: Share price premium/discount to net asset backing



Portfolio Activity

During the period Djerriwarrh has been repositioning the portfolio by increasing exposure to companies in attractive industries, such as healthcare, whilst at the same time reducing holdings in the banks and resources sector, including energy. This included further purchases in existing holdings in Healthscope, Macquarie Group and Qube Holdings (via participation in its rights issue). The Company also increased its underlying exposure to international economies by increased investment in companies with substantial overseas operations such as Amcor, Brambles, CSL, James Hardie Industries, Macquarie Group, Mainfreight and Westfield Corporation.

Djerriwarrh also added over 20 new stocks to the portfolio, many of which are in the small and mid cap area of the market. The strategy behind this was twofold. Firstly, to gain exposure to growing sectors in the Australian economy given many large companies are facing a more subdued growth outlook. Secondly, it is envisaged these stocks are likely to produce increasing dividends and capital growth over time given their exposure to expanding areas of the Australian economy. In some cases call option markets are also available to enhance income from these smaller companies when appropriate.

Of the new stocks added, the largest of these include Challenger, Mainfreight (details of both were provided in the Half-Year Review) and Vocus Communications.

Vocus Communications provides a range of telecommunications services including fibre connection, data centre storage and internet undersea cable capacity from Australia and New Zealand to the United States. These services are provided to Internet Service Providers (ISPs) on a wholesale basis and direct to corporate customers. In 2015 Vocus merged with Amcom, and with M2 Group in 2016. Following these acquisitions Vocus also provides ISP services directly to small business and consumer customers. It is also currently in the process of acquiring Nextgen, one of Australia's largest national fibre networks connecting capital cities to regional and remote areas, completing its vertical integration as a full service telecommunications business.

To fund these purchases, sales included BHP Billiton, Asciano (whilst under a takeover offer), 21st Century Fox, Oil Search and Sims Metal.

Total purchases for the year totalled \$150.9 million whereas sales equalled \$146.8 million.

Djerriwarrh utilises debt to take advantage of returns from the investment opportunities on offer. At present, the Company has \$76.5 million of debt. Djerriwarrh's cash position at 30 June 2016 was \$1.0 million, compared with \$42.0 million at 30 June 2015.

Share Price

The share price has continued to trade at a significant premium to the net asset backing as investors focus on dividend yield in the current low interest rate environment. At 30 June 2016 the premium was 32 per cent.

Outlook

A number of issues are weighing on the Australian equity market at present, which means investors remain cautious. Global economic and political factors, including the recent vote by the United Kingdom to leave the European Union, are creating nervousness. More directly in Australia, below average GDP growth, the mixed outlook globally, including China, and the current political uncertainty following the recent federal election are not positive for investor sentiment. It also makes many companies less confident about investing for growth.

For Djerriwarrh, whilst volatility in the short term arising from these heightened concerns benefits option writing activities, we are also looking for companies that can grow their businesses and dividends over time in a positive environment. In this context we believe the recent adjustments to the portfolio and dividend leave the Company better placed to navigate what is expected to be a difficult environment over the medium term.

Directorship Matters

Ms Karen Wood was appointed to the Board on 1 July 2016.

Ms Wood has had a distinguished career. Her initial training was in education and the law. She has worked in a variety of organisations in legal, educational, corporate governance, human resource management and executive leadership roles. Most recently she was involved in a number of Senior Executive positions within the BHP Billiton Group for 14 years, including eight years on the Group Management Committee.

Ms Wood is currently Chairman of the BHP Billiton Foundation, a Director of the Robert Salzer Foundation, a member of the committee of the Melbourne Cricket Club and a Director of the Melbourne Cricket Club Foundation Limited. She has also been involved in various government advisory panels and consulting groups.

We are delighted to welcome Ms Wood to the Board. As well as bringing her particular expertise in legal and corporate governance matters, she also has a breadth of experience in senior executive leadership and in strategic and policy issues. We look forward to the contribution she will bring to the Board in its deliberations.

Capital Changes

There were no capital changes during the year. The Company's Dividend Reinvestment Plan remains suspended.

Dividends

A final fully franked dividend of 14 cents per share has been declared.

The dividends paid during the year ended 30 June 2016 were as follows:

	\$'000
Final dividend for the year ended 30 June 2015 of 16 cents fully franked at 30 per cent paid 21 August 2015	34,974
Interim dividend for the year ended 30 June 2016 of 10 cents per share fully franked at 30 per cent, paid 16 February 2016	21,859
	56,833

Listed Investment Company Capital Gains

Listed investment companies (LIC) that 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 a 'LIC capital gain attributable part'. The purpose of this is to put shareholders in listed investment companies on a similar footing with holders of managed investment trusts with respect to capital gains tax on the sale of underlying investments.

Tax legislation sets out the definition of a LIC, which Djerriwarrh satisfies. Furthermore, from time to time the Company sells securities out of the investment portfolio held for more than one year, which may result in capital gains being made and tax being paid. The Company is therefore on occasion in a position to be able to make available to shareholders a LIC capital gain attributable part with our dividends. In respect of this year's final dividend of 14.0 cents per share for the year ended 30 June 2016, it carries with it a 7.14 cents per share LIC capital gain attributable part (2015: 10 cents). The amount that shareholders may be able to claim as a tax deduction depends on their individual situation. Further details are provided in the dividend statements.

Financial Condition

The Company's financing consists primarily of shareholders' funds. The Company also has agreements with the Commonwealth Bank of Australia and Westpac Bank for cash advance facilities of \$150 million (see Note D2). As at 30 June 2016, \$76.5 million had been drawn down on existing facilities (2015: \$75 million). The Company's total borrowings of \$76.5 million at balance date represented 11.0 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 that 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.

Corporate Governance Statement

A copy of the Company's Corporate Governance Statement for the financial year ended 30 June 2016 can be found on the Company's website at:

djerri.com.au/Corporate-Governance.aspx

TOP 20 INVESTMENTS

As at 30 June 2016

Includes investments held in both the investment and trading portfolios.

Valued at closing prices at 30 June 2016

	Total Value \$ Million	% of Portfolio
1 Commonwealth Bank of Australia*	60.7	8.1
2 Westpac Banking Corporation*	51.2	6.8
3 National Australia Bank*	41.6	5.6
4 Australia and New Zealand Banking Group*	36.8	4.9
5 Telstra Corporation*	33.6	4.5
6 BHP Billiton*	33.3	4.4
7 CSL*	29.3	3.9
8 Wesfarmers*	23.8	3.2
9 Brambles*	20.1	2.7
10 Oil Search*	19.3	2.6
11 Rio Tinto*	18.4	2.5
12 Woodside Petroleum*	13.4	1.8
13 Mirrabooka Investments	12.4	1.7
14 Amcor*	12.4	1.7
15 QBE Insurance Group*	12.1	1.6
16 AMP*	12.0	1.6
17 Healthscope*	11.9	1.6
18 Seek*	11.8	1.6
19 James Hardie Industries*	11.8	1.6
20 Qube Holdings*	11.4	1.5
Total	477.3	
As a percentage of total portfolio value (excludes cash)		63.7%

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

BOARD AND MANAGEMENT

Directors

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

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

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

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

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

Dr Edgar joined the Board on 26 March 2015. Dr Edgar's initial training was in economics. He spent the majority of his business career at Australia 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, Asciano Limited and Linfox Armaguard Pty Ltd. He also serves as the Chairman of the Prince Henry's Institute of Medical Research and was a former Chairman of Federation Centres Limited. He was also previously a Non-Executive Director of NuFarm Limited and three Asian Banks connected with the ANZ Group.

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

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

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

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

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

Mr Guy is a Company Director who was appointed to the Board in December 1989. He is a Director of an ANZ responsible entity and trustee, ANZ Specialist Asset Management Limited and Chairman of Victoria Legal Aid.

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

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

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

Ms Williams was appointed to the Board in May 2010. Ms Williams is a Director of Victorian Funds Management Corporation, Equity Trustees Limited, Guild Group, Cooper Energy, Port of Melbourne Corporation and Defence Health. She is also a Non-Executive Director of Barristers Chambers Limited and Foreign Investment Review Board (FIRB). She was formerly a Director of Airservices Australia, State Trustees Limited, Western Health, the Australian Accounting Standards Board, Telstra Sale Company and V/Line Passenger Corporation. She previously held senior management positions in the financial services sector including NM Rothschild and Sons (Australia) Limited and JP Morgan Australia.

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

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

Senior Executives

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

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

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

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

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

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

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

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

BOARD AND MANAGEMENT continued

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 2016 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	9	9	29	26	-	1 ¹	1	1
RE Barker	9	7	29	26	-	3 ¹	-	-
RJ Edgar ⁴	9	8	-	6 ¹	1	1	-	-
KJ Fagg ⁵	9	9	-	24 ¹	-	-	-	-
GB Goldsmith	9	9	29	26	-	-	-	-
AF Guy	9	8	29	24	3	3	1	1
GJ Kraehe ³	9	8	4	18	3	2	1	1
BB Teele ⁶	2	2	10	7	-	-	1	1
AJM Williams	9	9	15	22 ²	3	3	-	-

1. Attended meetings as non-members.

2. AJM Williams attended meetings as a non-member from 26 November 2015.

3. GJ Kraehe appointed to the Investment Committee on 12 May 2016.

4. RJ Edgar appointed to the Audit Committee on 12 May 2016.

5. KJ Fagg appointed to the Nomination Committee on 12 May 2016.

6. BB Teele retired as a Director on 6 October 2015.

Retirement, Election and Continuation in Office of Directors

Mr GB Goldsmith, being eligible, will offer himself for re-election at the forthcoming 2016 Annual General Meeting (AGM).

Ms AJM Williams, being eligible, will offer herself for re-election at the forthcoming 2016 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.

REMUNERATION REPORT

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

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

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

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

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

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

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

REMUNERATION REPORT continued

(b) Remuneration of Directors

Details of the nature and amounts of each Director's remuneration in respect of the year to 30 June 2016 were as follows:

	Primary Fee \$	Post Employment Superannuation \$	Total Remuneration \$
J Paterson – Chairman (Non-Executive) (appointed Chairman 7 October 2013)			
2016	155,251	14,749	170,000
2015	155,251	14,749	170,000
RE Barker – Managing Director (Executive)			
2016	-	-	-
2015	-	-	-
PC Barnett – Director (Non-Executive) (retired 6 October 2014)			
2016	-	-	-
2015	17,138	5,509	22,647
RJ Edgar – Director (Non-Executive) (appointed 26 March 2015)			
2016	77,626	7,374	85,000
2015	20,658	1,963	22,621
KJ Fagg – Director (Non-Executive)			
2016	77,626	7,374	85,000
2015	77,626	7,374	85,000
GB Goldsmith – Director (Non-Executive)			
2016	77,626	7,374	85,000
2015	77,626	7,374	85,000
AF Guy – Director (Non-Executive)			
2016	77,626	7,374	85,000
2015	77,626	7,374	85,000
GJ Kraehe – Director (Non-Executive)			
2016	77,626	7,374	85,000
2015	77,626	7,374	85,000
BB Teele – Director (Non-Executive) (retired 5 October 2015)			
2016	20,461	1,944	22,405
2015	77,626	7,374	85,000
AJM Williams – Director (Non-Executive)			
2016	77,626	7,374	85,000
2015	77,626	7,374	85,000
Total Remuneration: Directors			
2016	641,468	60,937	702,405
2015	658,803	66,465	725,268

(c) Directors' Retirement Allowances

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

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

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

During the year ended 30 June 2016, \$229,000 was paid to Mr Teele as a retirement allowance, such amounts having been accrued as at 30 June 2004, in accordance with the above.

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

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

Holdings of Securities Issued by the Company

As at 30 June 2016, 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 2015	Net Changes	Balance at 30 June 2016
J Paterson	244,310	-	244,310
RE Barker	379,995	3,500	383,495
RJ Edgar	0	-	0
KJ Fagg	3,000	-	3,000
GB Goldsmith	20,000	-	20,000
AF Guy	220,450	-	220,450
GJ Kraehe	38,523	-	38,523
BB Teele (retired 5 October 2015)	1,855,800	n/a	n/a
AJM Williams	8,904	-	8,904
GN Driver	24,869	1,674	26,543
RM Freeman	41,065	-	41,065
SM Pordage (resigned 29 April 2016)	2,349	n/a	n/a
AJB Porter	6,072	1,938	8,010

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

(d) Executives

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

The Company has five Executives, RE Barker, Managing Director, GN Driver, General Manager – Business Development and Investor Relations, RM Freeman, Chief Investment Officer, AJB Porter, Chief Financial Officer, and MJ Rowe who is Company Secretary (and was appointed on 11 July 2016) (2015: five Executives, including SM Pordage who resigned as Company Secretary with effect from 29 April 2016).

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

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 Auditor's Independence Declaration is set out on page 17.

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



John Paterson
Chairman

Melbourne
18 July 2016

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Djerriwarrh Investments Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Charles Christie', is written over a faint, larger version of the signature.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
18 July 2016

PricewaterhouseCoopers, ABN 52 780 433 757
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FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Dividends and distributions	A3	36,794	42,210
Revenue from deposits and bank bills		164	1,305
Other revenue		41	21
Total revenue		36,999	43,536
Net gains on trading portfolio	A3	2,057	287
Income from options written portfolio	A3	16,074	14,099
Income from operating activities		55,130	57,922
Finance costs	B4, D2	(4,488)	(4,850)
Administration expenses	B1	(3,894)	(3,808)
Share of net profit from associate		262	145
Operating result before income tax expense		47,010	49,409
Income tax expense*	B2, E2	(4,806)	(3,903)
Net operating result for the year		42,204	45,506
Net gains/(losses) on open options positions		(2,123)	2,032
Deferred tax (expense)/credit on open options positions*	B2, E2	637	(610)
		(1,486)	1,422
Profit for the year		40,718	46,928
		Cents	Cents
Basic earnings per share	A5	18.63	21.47
		2016	2015
		\$'000	\$'000
* Total tax expense	B2, E2	4,169	4,513

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Year to 30 June 2016			Year to 30 June 2015		
	Revenue ¹ \$'000	Capital ¹ \$'000	Total \$'000	Revenue \$'000	Capital \$'000	\$'000 Total
Profit for the year	42,249	(1,531)	40,718	45,552	1,376	46,928
Other comprehensive income						
<i>Items that will not be recycled through the Income Statement</i>						
Gains/(losses) for the period	-	(76,994)	(76,994)	-	(33,287)	(33,287)
Deferred tax on above	-	23,054	23,054	-	8,333	8,333
<i>Items that may be recycled through the Income Statement</i>						
Net movement in fair value of swap contracts ²	-	311	311	-	518	518
Total other comprehensive income	-	(53,629)	(53,629)	-	(24,436)	(24,436)
Total comprehensive income	42,249	(55,160)	(12,911)	45,552	(23,060)	22,492

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 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash	D1	954	41,967
Receivables		6,417	6,683
Trading portfolio		4,575	-
Total current assets		11,946	48,650
Non-current assets			
Investment portfolio	A2	752,655	827,351
Deferred tax assets – investment portfolio	B2	19,295	-
Shares in associate		1,148	965
Total non-current assets		773,098	828,316
Total assets		785,044	876,966
Current liabilities			
Payables		2,865	11,918
Tax payable		627	12,820
Borrowings – bank debt	D2	76,500	75,000
Interest rate hedging contracts	B4	1,110	1,421
Options sold	A2	8,351	6,100
Total current liabilities		89,453	107,259
Non-current liabilities			
Deferred tax liabilities	E2	533	1,109
Deferred tax liabilities – investment portfolio	B2	-	3,796
Total non-current liabilities		533	4,905
Total liabilities		89,986	112,164
Net assets		695,058	764,802
Shareholders' equity			
Share capital	A1, D6	634,225	634,225
Revaluation reserve	A1, D3	1,677	50,126
Realised capital gains reserve	A1, D4	5,295	26,132
Interest rate hedging reserve		(1,110)	(1,421)
Retained profits	A1, D5	54,971	55,740
Total shareholders' equity		695,058	764,802

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

2016	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Interest Rate Hedging \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		634,225	50,126	26,132	(1,421)	55,740	764,802
Dividends paid	A4	-	-	(15,301)	-	(41,532)	(56,833)
Total transactions with shareholders		-	-	(15,301)	-	(41,532)	(56,833)
Profit for the year		-	(45)	-	-	40,763	40,718
Other comprehensive income (net of tax)							
Net loss for the period on investments ¹		-	(53,940)	-	-	-	(53,940)
Net movement in fair value of swap contracts		-	-	-	311	-	311
Other comprehensive income for the year		-	(53,940)	-	311	-	(53,629)
Transfer to realised capital gains reserve of cumulative losses on investments sold		-	5,536	(5,536)	-	-	-
Total equity at the end of the year		634,225	1,677	5,295	(1,110)	54,971	695,058

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

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

2015 comparative

2015	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	100,901	15,658	(1,939)	50,298	799,143
Dividends paid	A4	-	-	(15,301)	-	(41,532)	(56,833)
Total transactions with shareholders		-	-	(15,301)	-	(41,532)	(56,833)
Profit for the year		-	(46)	-	-	46,974	46,928
Other comprehensive income (net of tax)							
Net loss for the period on investments ¹		-	(24,954)	-	-	-	(24,954)
Net movement in fair value of swap contracts		-	-	-	518	-	518
Other comprehensive income for the year		-	(24,954)	-	518	-	(24,436)
Transfer to realised capital gains reserve of cumulative gains on investments sold		-	(25,775)	25,775	-	-	-
Total equity at the end of the year		634,225	50,126	26,132	(1,421)	55,740	764,802

1. Consists of an unrealised loss on investments held at the year-end of \$50.7 million (after tax) plus cumulative gains on investments sold during the year of \$25.8 million (after tax).

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

CASH FLOW STATEMENT

For the year ended 30 June 2016

	Note	2016 \$'000 Inflows/ (Outflows)	2015 \$'000 Inflows/ (Outflows)
Cash flows from operating activities			
Sales from trading portfolio		14,590	3,598
Purchases for trading portfolio		(12,822)	(2,846)
Interest received		164	1,305
Proceeds from entering into options in options written portfolio		28,798	23,326
Payment to close out options in options written portfolio		(12,591)	(6,654)
Dividends and distributions received		30,685	39,647
		48,824	58,376
Other receipts		41	21
Administration expenses		(4,123)	(3,837)
Finance costs paid		(4,507)	(5,351)
Income taxes paid		(5,832)	(6,011)
Net cash inflow/(outflow) from operating activities	E1	34,403	43,198
Cash flows from investing activities			
Sales from investment portfolio		148,734	294,774
Purchases for investment portfolio		(157,755)	(247,841)
Tax paid on capital gains		(11,062)	(9,685)
Net cash inflow/(outflow) from investing activities		(20,083)	37,248
Cash flows from financing activities			
Drawing down of cash advance facilities		1,500	-
Dividends paid		(56,833)	(56,833)
Net cash inflow/(outflow) from financing activities		(55,333)	(56,833)
Net increase/(decrease) in cash held		(41,013)	23,613
Cash at the beginning of the year		41,967	18,354
Cash at the end of the year	D1	954	41,967

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

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

NOTES TO THE FINANCIAL STATEMENTS

A. Understanding Djerriwarrh's Financial Performance

A1. How Djerriwarrh Manages its Capital

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

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

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

	2016 \$'000	2015 \$'000
Share capital	634,225	634,225
Revaluation reserve	1,677	50,126
Realised capital gains reserve	5,295	26,132
Retained profits	54,971	55,740
	696,168	766,223

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 that 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:

	2016 \$'000	2015 \$'000
Equity instruments (at market value)	752,655	824,686
Puttable instruments and convertible notes that are classified as debt	-	2,665
	752,655	827,351

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

Call options	(7,930)	(5,908)
Put options	(421)	(192)
	(8,351)	(6,100)

If all call options were exercised, this would lead to the sale of \$325.3 million worth of securities at an agreed price – the 'exposure' (2015: \$384.0 million). If all put options were exercised, this would lead to the purchase of \$13.4 million of securities at an agreed price (2015: \$4.4 million).

\$82.8 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2015: \$106.6 million). These shares are lodged with ASX Clear under the terms of ASX Clear Pty Ltd, which require participants in the exchange traded option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

How Investments Are Shown in the Financial Statements

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

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

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

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

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

Net Tangible Asset Backing Per Share

The Investment Committee regularly reviews the net asset backing per share both before and after provision for deferred tax on the unrealised gains or losses in Djerriwarrh's long term investment portfolio. Deferred tax is calculated as set out in Note B2. The relevant amounts as at 30 June 2016 and 30 June 2015 were as follows:

	30 June 2016	30 June 2015
	\$	\$
Net tangible asset backing per share		
Before tax	3.09	3.52
After tax	3.18	3.50

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 realisation reserve.

Options

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

Puttable Instruments and Convertible Notes

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

Securities Sold and How They Are Measured

During the period \$142.9 million (2015: \$276.2 million) of equity securities were sold. The cumulative loss on the sale of securities was \$5.5 million for the period after tax (2015: \$25.8 million gain). This has been transferred from the revaluation reserve to the realisation 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 realisation reserve and the amounts noted in the Statement of Changes in Equity. This means the Company is able to identify the realised gains out of which it can pay a LIC gain as part of the dividend, which conveys certain taxation benefits to many of Djerriwarrh's shareholders.

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

NOTES TO THE FINANCIAL STATEMENTS continued

A3. Operating Income

The total income received from Djerriwarrh's investments in 2016 is set out below.

	2016 \$'000	2015 \$'000
Dividends and distributions		
Dividends from securities held in investment portfolio at 30 June	32,951	37,607
Dividends from investment securities sold during the year	3,838	4,603
Dividends from securities held in trading portfolio at 30 June	-	-
Dividends from trading securities sold during the year	5	-
	36,794	42,210

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.

	2016 \$'000	2015 \$'000
Net gains		
Net realised gains from trading portfolio	2,015	352
Realised gains on options written portfolio	16,074	14,099
Unrealised gains from trading portfolio	107	-
Gains/(losses) on non-equity investments	(65)	(65)
	18,131	14,386

Including the realised gain on options written above, plus the unrealised loss on open options, a total of \$14.0 million before tax was recorded through the Income Statement from options in the options written portfolio (2015: \$16.1 million).

A4. Dividends Paid

The dividends paid and payable for the year ended 30 June 2016 are shown below:

	2016 \$'000	2015 \$'000
(a) Dividends Paid During the Year		
Final dividend for the year ended 30 June 2015 of 16 cents fully franked at 30 per cent paid 21 August 2015 (2015: 16 cents fully franked at 30 per cent paid on 22 August 2014)	34,974	34,974
Interim dividend for the year ended 30 June 2016 of 10 cents per share fully franked at 30 per cent, paid 16 February 2016 (2015: 10 cents fully franked at 30 per cent paid 17 February 2015)	21,859	21,859
	56,833	56,833

(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	43,671	49,937
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(13,116)	(14,989)
Net available	30,555	34,948

	2016 \$'000	2015 \$'000
These franking account balances would allow Djerrivarrh to frank additional dividend payments up to an amount of:	71,295	81,545

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

(c) Dividends Declared After Balance Date

Since the end of the year Directors have declared a final dividend of 14 cents per share fully franked at 30 per cent. The aggregate amount of the final dividend for the year to 30 June 2016 to be paid on 26 August 2016, but not recognised as a liability at the end of the financial year is:

	30,603	
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(d) Listed Investment Company Capital Gain Account

Balance of the LIC capital gain account	56,906	71,468
This equates to an attributable amount	81,294	102,097

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. \$10.9 million of the capital gain (\$15.6 million of the attributable amount) will be paid out as part of the final dividend on 26 August 2016.

A5. Earnings Per Share

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

	2016	2015
Basic earnings per share	Number	Number
Weighted average number of ordinary shares used as the denominator	218,589,718	218,589,718
	\$'000	\$'000
Profit for the year	40,718	46,928
	Cents	Cents
Basic earnings per share	18.63	21.47
Basic net operating result per share	\$'000	\$'000
Net operating result	42,204	45,506
	Cents	Cents
Basic net operating result per share	19.31	20.82

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:

	2016 \$'000	2015 \$'000
Administration fees paid to AICS	(2,412)	(2,274)
Share of net profit from AICS as an associate	262	145
Other administration expenses	(1,482)	(1,534)

NOTES TO THE FINANCIAL STATEMENTS continued

Administration Fees Paid to AICS

Australian Investment Company Services Limited (AICS) undertakes the day-to-day administration of Djerriwarrh's investments and its operations, including financial reporting. Djerriwarrh has a 25 per cent shareholding in AICS and has two Directors on the AICS Board who are involved in approving the annual expenses budget of the Company, 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 \$
2016			
Directors	641,468	60,937	702,405
2015			
Directors	658,803	66,465	725,268

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

Detailed remuneration disclosures are provided in the Remuneration Report.

The Company does not make loans to Directors.

B2. Tax

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

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

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

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

Tax Expense

The income tax expense for the period is shown below:

	2016 \$'000	2015 \$'000
<i>(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable</i>		
Operating result before income tax expense	47,010	49,409
Tax at the Australian tax rate of 30 per cent (2015 – 30 per cent)	14,103	14,823
Tax offset for franked dividends	(9,127)	(9,171)
Tax effect of sundry items not taxable in calculating taxable income	(37)	(1,677)
	4,939	3,975
Over provision in prior years	(133)	(72)
Income tax expense on operating result before net gains on investments	4,806	3,903
Net gains/(losses) on open options positions	(2,123)	2,032
Tax at the Australian tax rate of 30 per cent (2015 – 30 per cent)	(637)	610
Tax expense/(credit) on net gains on open options positions	(637)	610
Total tax expense	4,169	4,513

Deferred Tax – Investment Portfolio

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

	2016 \$'000	2015 \$'000
Deferred tax liabilities/(assets) on unrealised gains in the investment portfolio	(19,295)	3,796
Opening balance at 1 July	3,796	23,196
Charged to Income Statement for puttable instruments/non-equity investments	(20)	(19)
Tax on realised gains	(17)	(11,048)
Charged to OCI for ordinary securities on gains or losses for the period	(23,054)	(8,333)
	(19,295)	3,796

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 that 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 lead to the following reductions (after tax):

	2016 \$'000		2015 \$'000	
	5%	10%	5%	10%
Profit after tax	-	-	(93)	(187)
Other comprehensive income	(26,343)	(52,686)	(28,864)	(57,728)

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

	2016 \$'000		2015 \$'000	
	5%	10%	5%	10%
Profit after tax	132	264	214	427
Other comprehensive income	-	-	-	-

The revaluation reserve at 30 June 2016 was \$1.7 million (2015: \$50.1 million). It would require a fall in the value of the investment portfolio of 0.3 per cent after tax to fully deplete this (2015: 9 per cent).

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.

NOTES TO THE FINANCIAL STATEMENTS continued

Djerriwarrh's investment exposures by sector is as below:

	2016 %	2015 %
Energy	6.19	9.42
Materials	14.26	16.97
Industrials	9.70	7.75
Consumer staples	6.89	5.58
Banks	25.62	27.94
Other financials (including property trusts)	16.79	11.77
Telecommunications	6.35	5.74
Healthcare	10.10	5.82
Other – consumer discretionary, information technology and utilities	3.97	4.15
Cash	0.13	4.86

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

	2016 %
Commonwealth Bank	8.1
Westpac	6.8
National Australia Bank	5.6

	2015 %
Commonwealth Bank	8.4
BHP Billiton	8.2
National Australia Bank	7.2
Westpac	7.1
ANZ Bank	6.6
Telstra	5.4

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

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

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

Interest Rate Risk

Djerriwarrh is not currently materially exposed to interest rate risk as all its cash investments and borrowings are short term for a fixed interest rate, but it has entered into interest rate hedging contracts with the Commonwealth Bank of Australia and Westpac Bank, under which Djerriwarrh will pay a fixed interest rate on \$75 million worth of short term borrowings, \$50 million of which commenced in October 2015 and \$25 million of which commenced in February 2013. This locked in a longer term fixed rate for a substantial proportion of Djerriwarrh's debt and will expire respectively in October 2019/October 2020 and February 2018. Should interest rates move to the extent that the Board feels that the swaps are uneconomical, they may be unwound and the cost of unwinding them would be reflected through the Income Statement. Interest rate risk on hybrid securities held by Djerriwarrh is reflected in their market value. The hedge was fully effective for the year.

Credit Risk

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

Cash

All cash investments not held in a transactional account are invested in short term deposits with Australia's 'big four' commercial banks or their wholly-owned subsidiaries or in cash management trusts managed by those subsidiaries. In the unlikely event of a bank default or default on the underlying securities in the cash trust, there is a risk of losing the cash deposits and any accrued unpaid interest.

Receivables

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

Trading and Investment Portfolios

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

Liquidity Risk

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

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

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

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

	Less Than 6 Months \$'000	6-12 Months \$'000	Greater Than 1 Year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
30 June 2016					
Non-derivatives					
Payables	2,865	-	-	2,865	2,865
Borrowings	76,500	-	-	76,500	76,500
	79,365	-	-	79,365	79,365
Derivatives					
Options written*	13,444	-	-	13,444	8,351
Interest rate swaps	220	220	391	831	1,110
	13,664	220	391	14,275	9,461
30 June 2015					
Non-derivatives					
Payables	11,918	-	-	11,918	11,918
Borrowings	75,000	-	-	75,000	75,000
	86,918	-	-	86,918	86,918
Derivatives					
Options written*	4,434	-	-	4,434	6,100
Interest rate swaps	989	497	475	1,961	1,421
	5,423	497	475	6,395	7,521

* In the case of call options, there are no contractual cash flows because 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 the purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow).

NOTES TO THE FINANCIAL STATEMENTS continued

B4. Interest Rate Swaps

	2016 \$'000	2015 \$'000
Opening balance at 1 July	(1,421)	(1,939)
Movement for year (net of tax)	311	518
Fair value of interest rate swap agreements	(1,110)	(1,421)

The Company has entered into five interest rate hedging contracts at rates of 2.20 per cent, 2.31 per cent, two at 2.04 per cent and another at 3.32 per cent with the Commonwealth Bank of Australia and Westpac, under which the Company will pay a fixed interest rate of \$75 million worth of short term borrowings, which have a floating interest rate. These have been designated as effective hedges and any movements in their fair value will be shown as an adjustment against equity. These swaps commenced in February 2013 and October 2015. Three have five-year effective lives and two have four-year effective lives. The reserve and the corresponding asset/liability are measured as the fair value of the interest rate swaps net of associated tax. It is currently anticipated that the swaps will be held to maturity and consequently that they will have no impact, under current accounting standards, on the Income Statement.

C. Unrecognised Items

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

C1. Contingencies

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

ADDITIONAL INFORMATION

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

- D. Balance Sheet reconciliations
- E. Income Statement reconciliations
- F. Other information

D. Balance Sheet Reconciliations

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

D1. Current Assets – Cash

	2016 \$'000	2015 \$'000
Cash at bank and in hand (including on-call)	954	41,967

D2. Credit Facilities

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

	2016 \$'000	2015 \$'000
Commonwealth Bank of Australia – cash advance facility	140,000	130,000
Amount drawn down at 30 June	76,500	75,000
Undrawn facilities at 30 June	63,500	55,000
Westpac Bank – cash advance facility	10,000	20,000
Amount drawn down at 30 June	0	0
Undrawn facilities at 30 June	10,000	20,000
Total short term loan facilities	150,000	150,000
Total drawn down at 30 June	76,500	75,000
Total undrawn facilities at 30 June	73,500	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 and hence are classified as current liabilities when drawn.

The current debt facilities are as follows:

Facility Provider	Amount	Expiry Date
Commonwealth Bank	\$30 million	31 December 2016
Commonwealth Bank	\$10 million	30 June 2017
Commonwealth Bank	\$50 million	30 October 2017
Commonwealth Bank	\$40 million	30 June 2018
Westpac Bank	\$10 million	30 June 2018
Commonwealth Bank	\$10 million	31 December 2018
Total facilities	\$150 million	

Cash holdings yielded an average floating interest rate of 1.94 per cent (2015: 2.78 per cent). All cash investments not held in a transactional account or an overnight 'at call' account are invested in short term deposits with Australia's 'big four' commercial banks or their wholly-owned subsidiaries, all rated 'AA-' by S&P, which have a maturity of three months or less, or in cash management trusts managed by those subsidiaries that invest predominantly in securities with an A1+ rating.

ADDITIONAL INFORMATION continued

D3. Revaluation Reserve

	2016 \$'000	2015 \$'000
Opening balance at 1 July	50,126	100,901
Gains/(losses) on investment portfolio		
– Equity instruments	(76,994)	(33,287)
– Puttable/debt instruments (transferred from retained profits)	(65)	(65)
Deferred tax on above	23,074	8,352
Cumulative taxable realised (gains)/losses (net of tax)	5,536	(25,775)
	1,677	50,126

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

	2016 \$'000		2015 \$'000		Total
	Taxable Realised Gains (Net of Tax)	Difference Between Tax and Accounting Costs	Taxable Realised Gains (Net of Tax)	Difference Between Tax and Accounting Costs	Total
Opening balance at 1 July	71,531	(45,399)	61,052	(45,394)	15,658
Dividends paid	(15,301)	-	(15,301)	-	(15,301)
Cumulative taxable realised (losses)/gains for period	11	(5,530)	36,828	(5)	36,823
Tax on realised gains/(losses)	(17)	-	(11,048)	-	(11,048)
	56,224	(50,929)	71,531	(45,399)	26,132

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

	2016 \$'000	2015 \$'000
Opening balance at 1 July	55,740	50,298
Dividends paid	(41,532)	(41,532)
Profit for the year	40,718	46,928
Transfer to revaluation reserve (puttable instruments and non-equity investments) (net of tax)	45	46
	54,971	55,740

This reserve relates to past profits.

D6. Share Capital

Date	Details	Number of Shares '000	Paid-up Capital \$'000
1/7/2014	Balance	218,590	634,225
30/6/2015	Balance	218,590	634,225
30/6/2016	Balance	218,590	634,225

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

	2016 \$'000	2015 \$'000
Profit for the year	40,718	46,928
Change in fair value of puttable instruments	45	46
Net decrease/(increase) in trading portfolio	(4,575)	-
Net profit from associate	(183)	(101)
Increase/(decrease) in options written portfolio	2,251	525
Dividends received as securities under DRP investments	(1,888)	(2,242)
Decrease/(increase) in current receivables	266	17,765
– Less increase/(decrease) in receivables for investment portfolio	(223)	(18,044)
Increase/(decrease) in deferred tax liabilities	(23,667)	(18,690)
– Less (increase)/decrease in deferred tax liability on investment portfolio	23,091	19,400
Increase/(decrease) in current payables	(9,053)	10,243
– Less decrease/(increase) in payables for investment portfolio	8,769	(10,406)
Increase/(decrease) in provision for tax payable	(12,193)	(863)
– Less CGT provision	(17)	(11,048)
– Add taxes paid on capital gains	11,062	9,685
Net cash flows from operating activities	34,403	43,198

E2. Tax Reconciliations

Tax Expense Composition

	2016 \$'000	2015 \$'000
Charge for tax payable relating to the current year	4,898	3,894
Over provision in prior years	(133)	(72)
Increase/(decrease) in deferred tax liabilities	(576)	710
Increase/(decrease) in deferred tax liabilities – investment portfolio	(20)	(19)
	4,169	4,513

Amounts Recognised Directly Through Other Comprehensive Income

	2016 \$'000	2015 \$'000
Net increase in deferred tax assets relating to capital gains tax on the movement in gains or losses in the investment portfolio	23,054	8,333
	23,054	8,333

ADDITIONAL INFORMATION continued

Deferred Tax Assets and Liabilities

The deferred tax balances are attributable to:

	2016 \$'000	2015 \$'000
(a) Tax on unrealised gains in the trading portfolio	32	-
(b) Tax on unrealised gains in the options written portfolio	453	1,089
(c) Provisions and expenses charged to the accounting profit that are not yet tax deductible	(101)	(165)
(d) Interest and dividend income receivable that is not assessable for tax until receipt	149	185
	533	1,109
Movements:		
Opening asset balance at 1 July	1,109	399
Credited/(charged) to Income Statement	(576)	710
Credited/(charged) to OCI	-	-
	533	1,109

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.

The portion of deferred tax liability likely to be reversed within the next 12 months is \$0.6 million (2015: \$1.3 million). This relates primarily to items described in items (b) and (d) above.

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:

	2016 \$'000	2015 \$'000
Operating result after income tax expense	42,204	45,506
Add back income tax expense	4,806	3,903
Net gains/(losses) on open options positions	(2,123)	2,032
Profit for the year before tax	44,887	51,441

F. Other Information

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

F1. Related Parties

All transactions 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:

	2016 \$	2015 \$
PricewaterhouseCoopers		
Audit or review of financial reports	152,381	147,034
Non-audit services		
Taxation compliance services	22,220	21,655
Total remuneration	174,601	168,689

F3. Segment Reporting

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

Description of Segments

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

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

Segment Information Provided to the Board

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

Other Segment Information

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

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

F4. Summary of Other Accounting Policies

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

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

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

Other terminology used in the report is defined as follows:

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

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

Djerriwarrh has not applied any Australian Accounting Standards or AASB Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2016 ('the inoperative standards') except for AASB 9, which was adopted on 7 December 2009. The impact of the inoperative standards has been assessed and the impact has been identified as not being material. Djerriwarrh only intends to adopt other inoperative standards at the date at which their adoption becomes mandatory.

ADDITIONAL INFORMATION continued

Basis of Accounting

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

Fair Value of Financial Assets and Liabilities

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

Rounding of Amounts

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

F5. Associate Accounting

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

The Company has one associate – 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, 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 19 to 38 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 2016 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 2016.

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
18 July 2016



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 2016, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 F, 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

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's opinion

In our opinion:

- (a) 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note F.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
18 July 2016

OTHER INFORMATION

INFORMATION ABOUT SHAREHOLDERS

At 31 July 2016 there were 18,930 holdings of ordinary shares. These holdings were distributed in the following categories:

Size of Holding	Shareholdings (At 31 July 2016)
1 to 1,000	2,273
1,001 to 5,000	6,732
5,001 to 10,000	4,310
10,001 to 100,000	5,460
100,000 and over	155
Total	18,930
20 largest shareholding	9.26%
Average shareholding	11,547

There were 350 shareholdings of less than a marketable parcel of \$500 (125 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 1 August 2016 are listed below:

Shareholder	Shares Held	%
Australian Foundation Investment Company Limited	7,505,346	3.43
Bruce Teele	1,855,800	0.85
Miss Margaret Frances Erskine	1,750,000	0.80
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,247,719	0.57
Mrs Nida Dorothy Johnson	1,136,719	0.52
Navigator Australia Ltd <MLC Investment Sett A/C>	792,210	0.36
Gumala Investments Pty Ltd <General Gumala Foundation A/C>	730,000	0.33
Resthaven Incorporated	617,052	0.28
Terrence Campbell	486,582	0.22
Australian Executor Trustees Limited <No 1 Account>	467,210	0.21
Baker Custodian Corporation	450,000	0.21
PNBW Pty Ltd <F & JA Arrowsmith Family A/C>	420,156	0.19
Mr Ian Stanley Fraser + Mr John Bruce Hannaford + Mr Andrew Stanley Fraser <Joe White Bequest Cap A/C>	396,360	0.18
Ross Barker	383,495	0.18
Brownell Superannuation Pty Ltd <Brownell Super Fund A/C>	375,000	0.17
HSBC Custody Nominees (Australia) Limited	362,033	0.17
Laidlaw Family Investments Pty Ltd <Laidlaw Family Invest A/C>	351,884	0.16
Mrs Margaret Mary Wilson	328,000	0.15
Alan Forrester Pty Ltd	300,000	0.14
Penmore Pty Ltd	280,000	0.13

SUBSTANTIAL SHAREHOLDERS

The Company has not been notified of any substantial shareholders.

TRANSACTIONS IN SECURITIES

During the year ended 30 June 2016, the Company recorded 3,083 transactions in securities (including options). \$1,065,971 (including GST) in brokerage was paid or accrued for the year.

HOLDINGS OF SECURITIES

As at 30 June 2016

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

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

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

Code	Company Name	Number Held 2015 '000	Number Held 2016 '000	Market Value 2016 \$'000
AAC	Australian Agricultural Company	0	2,100	3,707
AAD	Ardent Leisure Group	0	900	1,692
AGL*	AGL Energy	606	354	6,763
AIO	Asciano	1,666	234	2,071
ALQ*	ALS	387	742	3,511
AMA	AMA Group	0	1,560	1,256
AMC*	Amcor	413	846	12,376
AMH	AMCIL	10,599	10,599	10,175
AMP*	AMP	2,197	2,342	12,024
ANZ*	Australia and New Zealand Banking Group	1,689	1,539	36,813
APA*	APA Group	546	546	4,965
ASX*	ASX	134	164	7,383
ASZ	ASG Group	0	2,900	2,639
AUB	AUB Group	0	365	3,687
AWC*	Alumina	3,718	3,518	4,521
AZJ*	Aurizon Holdings	855	810	3,770
BHP*	BHP Billiton	2,496	1,819	33,259
BLD*	Boral	603	603	3,683
BXB*	Brambles	1,655	1,651	20,080
CAR*	Carsales.com	190	105	1,286
CBA*	Commonwealth Bank of Australia	820	820	60,749
CCL*	Coca-Cola Amatil	695	670	5,505
CGF*	Challenger	0	602	5,159
CGL	The Citadel Group	0	190	1,027
CPU*	Computershare	437	142	1,297
CSL*	CSL	261	267	29,334
CSV	CSG	0	819	1,220
CTX*	Caltex Australia	165	172	5,472
CVO*	Cover-More Group	2,300	2,900	3,506
CVW	ClearView Wealth	0	3,117	2,962
CYB*	CYBG PLC	0	420	1,718
FNP	Freedom Foods Group	0	359	1,457
FPH*	Fisher & Paykel Healthcare Corporation	285	301	2,855
HSO*	Healthscope	1,827	4,312	11,867
#	Hexima	280	280	0
IAG*	Insurance Australia Group	1,170	1,487	8,066
IDX	Integral Diagnostics	0	1,405	2,037
ILU*	Iluka Resources	380	220	1,408
INM	Iron Mountain	0	38	1,992
IPL*	Incitec Pivot	2,484	2,931	8,667
IRE*	IRESS	0	175	1,903
JHC*	Japara Healthcare	2,270	2,483	6,270

Code	Company Name	Number Held 2015 '000	Number Held 2016 '000	Market Value 2016 \$'000
JHX*	James Hardie Industries	509	589	11,757
LIC	Lifestyle Communities	0	624	1,816
MFT	Mainfreight	0	370	5,887
MIR	Mirrabooka Investments	4,506	4,506	12,437
MPL*	Medibank Private	0	250	722
MQG*	Macquarie Group	28	107	7,164
MYX*	Mayne Pharma Group	0	2,737	4,894
NAB*	National Australia Bank	1,793	1,641	41,610
NVT*	Navitas	0	918	4,862
OFX	OzForex Group	0	970	2,251
ORA*	Orora	0	750	2,056
ORG*	Origin Energy	1,142	850	4,751
ORI*	Orica	509	493	6,057
OSH*	Oil Search	3,957	2,927	19,344
PBG	Pacific Brands	0	1,833	1,936
PPT*	Perpetual	62	114	4,693
QBE*	QBE Insurance Group	1,095	1,165	12,109
QUB*	Qube Holdings	2,831	5,185	11,428
REA*	REA Group	0	35	1,992
REG*	Regis Healthcare	0	400	1,857
RHC*	Ramsay Health Care	20	72	5,093
RIO*	Rio Tinto	408	408	18,422
RMD*	ResMed	425	515	4,193
S32*	South32	3,496	3,100	4,663
SCG*	Scentre Group	935	1,205	5,793
SEK*	SEEK	615	785	11,759
SHL*	Sonic Healthcare	500	346	7,302
STO*	Santos	1,587	767	3,463
SUN*	Suncorp Group	915	735	8,887
SYD*	Sydney Airport	874	632	4,294
TCL*	Transurban Group	896	768	8,986
TLS*	Telstra Corporation	7,253	6,125	33,604
TPM*	TPG Telecom	475	824	9,511
TWE*	Treasury Wine Estates	602	704	6,467
VCX*	Vicinity Centres (formerly Federation Centres)	2,100	1,100	3,628
VOC*	Vocus Communications	0	528	4,476
WBC*	Westpac Banking Corporation	1,831	1,748	51,152
WES*	Wesfarmers	573	598	23,821
WFD*	Westfield Corporation	605	910	9,562
WOW*	Woolworths	616	511	10,648
WPL*	Woodside Petroleum	632	502	13,400
Total				748,879

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

Unlisted stock.

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions (Above \$5 Million)	Cost \$'000
Healthscope	6,536
Macquarie Group	6,134
Amcor	6,037
Qube Holdings (includes participation in the 1 for 4.4 rights issues at \$2.05 per share)	6,010
Mainfreight	5,275
Challenger	5,172
Vocus Communications	5,042

Sales (Above \$5 Million)	Proceeds \$'000
BHP Billiton	11,267
Asciano	10,093
21st Century Fox (complete sale from portfolio)	9,797
Oil Search	6,627
Sims Metal Management (complete sale from portfolio)	6,174
Telstra Corporation	5,921
Veda Group (takeover by Equifax)	5,112

SUB-UNDERWRITING

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

Company	Underwritten By	Description	Amount Underwritten
Mayne Pharma Group Limited	Credit Suisse/UBS	\$888 million equity raising including: <ul style="list-style-type: none"> \$601 million 1 for 1.725 accelerated non-renounceable pro rata entitlement offer \$287 million institutional placement 	\$1,666,666
ALS Limited	JP Morgan/Morgans Corporate	\$325 million 5 for 21 accelerated non-renounceable pro rata entitlement offer	\$1,400,002
Commonwealth Bank of Australia	Morgan Stanley/UBS	\$5,060 million 1 for 23 accelerated renounceable pro rata entitlement offer with retail rights trading	\$3,999,996
Treasury Wine Estates Limited	Goldman Sachs	\$155 million 2 for 15 accelerated renounceable pro rata entitlement offer	\$1,153,846

ISSUES OF SECURITIES

The DRP was suspended for the 2013 interim dividend and remains suspended.

Issue	Type	Price	Remarks
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
Ross E Barker, Managing Director
Robert J Edgar
Kathryn J Fagg
Graham B Goldsmith
Andrew F Guy
Graham J Kraehe AO
Alice JM Williams
Karen J Wood

Company Secretaries

Matthew J Rowe
Andrew JB Porter

Auditor

PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation

Australia

Registered Office and Mailing Address

Level 21, 101 Collins Street
Melbourne Victoria 3000

Contact Details

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

For inquiries 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 Lines 1300 653 915
+61 3 9415 4190 (from overseas)

Facsimile (03) 9473 2500

Website investorcentre.com/contact

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

Securities Exchange Code

DJW Ordinary shares

SHAREHOLDER MEETINGS

Annual General Meeting

Time 10.00am
Date Monday 10 October 2016
Venue RACV City Club
Location 501 Bourke Street
Melbourne

Sydney Shareholder Meeting

Time 2.30pm
Date Friday 14 October 2016
Venue Four Seasons Hotel
Location 199 George Street
Sydney

Adelaide Shareholder Meeting

Time 2.30pm
Date Monday 17 October 2016
Venue Adelaide Convention Centre
Location North Terrace
Adelaide

Brisbane Shareholder Meeting

Time 2.30pm
Date Monday 24 October 2016
Venue Hilton Hotel
Location 190 Elizabeth Street
Brisbane





Djerriwarrh
AUSTRALIAN EQUITIES, ENHANCED YIELD

Annual Review 2016

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The investment goals of Djerriwarrh are:

- ▶ To provide attractive total returns including capital growth over the medium to long term.
- ▶ To pay an enhanced level of dividends.

Djerriwarrh Investments is a listed investment company investing in Australian equities. For stocks where there is an options market the Company often uses options to enhance the income return to investors.

The Company aims to provide shareholders with attractive investment returns through access to an enhanced stream of fully franked dividends and growth in capital invested.

YEAR IN SUMMARY

PROFIT FOR THE YEAR

\$40.7m

▼ Down 13.2% from 2015

NET OPERATING RESULT

\$42.2m

▼ Down 7.3% from 2015

FULLY FRANKED DIVIDEND

14¢
Final

24¢
Total

▼ Down 2 cents from 2015

TOTAL PORTFOLIO RETURN

-1.1% Including franking*

S&P/ASX 200 Accumulation Index +2.2%*

TOTAL SHAREHOLDER RETURN

-7.7%

Share price plus dividend

MANAGEMENT EXPENSE RATIO

0.46%

0.41% in 2015

TOTAL PORTFOLIO

\$749.8m
Including cash at 30 June

\$863.2 million in 2015

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

REVIEW OF OPERATIONS AND ACTIVITIES

Profit Performance

Profit for the year to 30 June 2016 was \$40.7 million, down 13.2 per cent from \$46.9 million in the corresponding period last year. Last year's profit figure included a non-cash dividend of \$5.6 million received as a result of the demerger of South32 from BHP Billiton. Excluding this figure the profit was down 1.5 per cent.

The net operating result, which is our preferred measure of the ongoing investment, trading and option income from the Company's portfolios, was down 7.3 per cent to \$42.2 million compared with \$45.5 million for the last year.

Djerriwarrh's option activities benefited from heightened volatility and increased option coverage during the year. As a result, income from option writing was \$16.1 million in contrast to the \$14.1 million generated last financial year. Dividend income was down to \$36.8 million from \$42.2 million last year, reflecting the absence of any demerger dividends.

Dividend

Djerriwarrh's final dividend is 14 cents per share fully franked, which is down from 16 cents per share fully franked last year. This brings the total dividends for the year to 24 cents per share fully franked, down from 26 cents fully franked last year.

5 cents of the final dividend is sourced from capital gains, on which the Company has paid tax. The amount of the pre tax attributable gain, known as a 'LIC capital gain', is therefore 7.14 cents per share. This enables some shareholders to claim a tax deduction in their tax return. Further details are provided on the dividend statements. The Dividend Reinvestment Plan remains suspended.

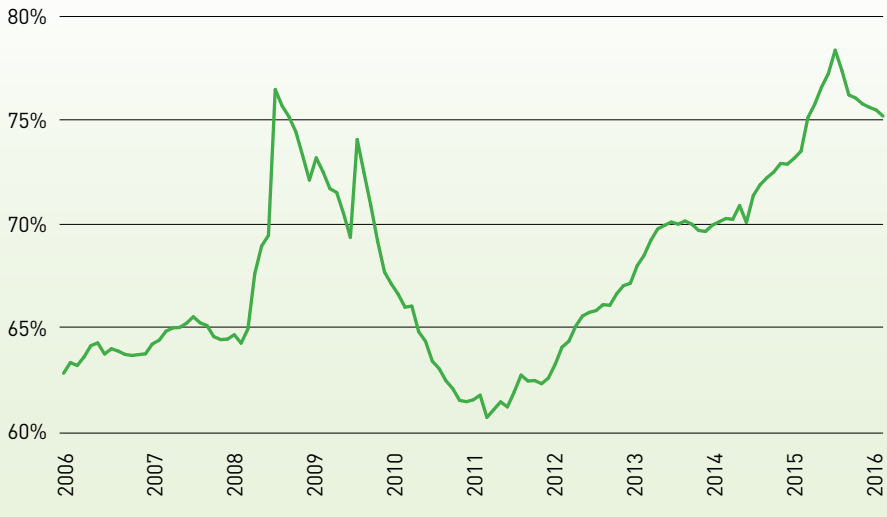
Dividend Outlook

Djerriwarrh held its dividend constant at 26 cents per share fully franked for nine years. Even in the face of the GFC, as companies cut their dividends, Djerriwarrh was able to use realised gains to supplement income from dividends received and option premium. In recent years, however, capital growth in large cap stocks, where Djerriwarrh's option activities are focused, has been relatively flat. In particular, given this general lack of capital growth in the market over the last 12 months, there were no taxable realised gains produced this year, whereas last year \$25.8 million of after tax realised gains were generated.

In this context, the Board has undertaken a detailed review of the potential to maintain the current dividend going forward in what we assume will continue to be an environment of lower growth, lower dividend income and lower capital returns. Some important features that bear on this are:

- the recent large cuts in resource company dividends, which we do not expect to be reversed in the foreseeable future;
- the cut in dividend by one of the four big banks and, due to their relative high payout ratios, uncertainty as to the future dividend levels among the other major banks;
- high payout ratios generally amongst ASX listed companies (Figure 1), which may be wound back to some degree in coming years;
- earnings from options being high at present due to high volatility, a feature that may not be sustained at this level in future years; and
- extremely low interest rates.

Figure 1: S&P/ASX 200 – Dividend payout ratio

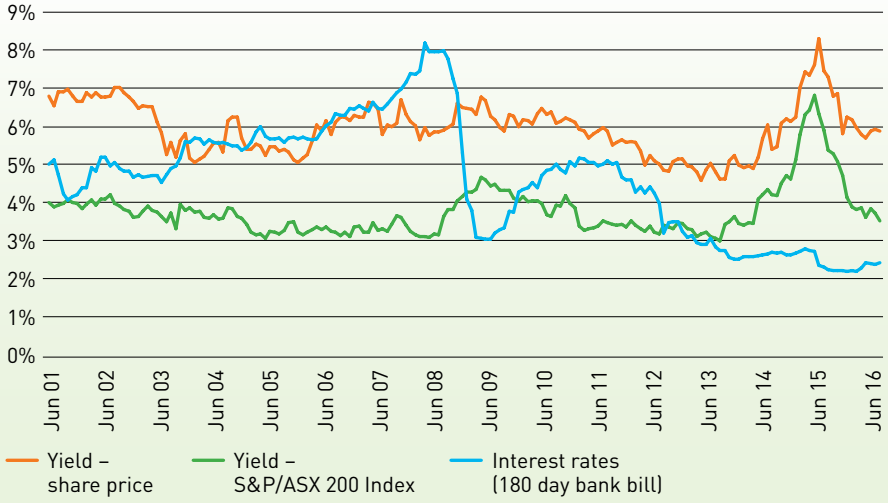


Source: FactSet

REVIEW OF OPERATIONS AND ACTIVITIES

continued

Figure 2: Yield history



Source: FactSet

It is the Board’s current expectation that the total dividend for the 2016/17 financial year will be approximately 20 cents per share, an interim dividend of 10 cents per share (the same as last year) and a final dividend of 10 cents per share. This forecast remains subject to economic and market conditions.

Based on this expected dividend, the yield on our current asset backing would be 6.5 per cent and grossed up for franking credits would be 9.2 per cent (assuming a shareholder can take full advantage of the

franking credits). Based on our share price of \$4.16, these figures would respectively be 4.8 per cent and 6.9 per cent grossed up. This is still an enhanced yield high compared with other alternative investments, particularly in this low interest rate environment.

Figure 2 outlines the history of the yield on Djerriwarrh’s share price to the yield on the ASX 200 (neither include the benefit of franking). In addition, the position relative to the interest rate environment is also included.



REVIEW OF OPERATIONS AND ACTIVITIES

continued

Franking Position

Figure 3 illustrates that the Company's annual dividends are sourced from the operating result and from other income, which is mainly taxable realised gains generated from the sale of holdings primarily associated with the Company's option activity. These taxable realised gains also contribute to the generation of franking credits.

Figure 3 also highlights the trend over recent years where realised gains have been an important contributor to the dividend. However, as mentioned earlier under the Dividend Outlook, the flat market over an extended period has made it much harder to generate these capital gains.

Importantly, we currently have a good store of franking credits and are confident that, barring major market and economic disruption, we can continue to sustain full franking on the rebased dividend in the foreseeable future. The balance of the franking account after providing for the payment of the final dividend would allow for the payment of a further \$71.3 million of fully franked dividends. This financial year fully franked dividends paid totalled \$56.8 million.

Market Comments

Returns in the Australian equity market this year were remarkably divergent. The 20 largest companies as a group were down 7 per cent, with banks down just over 10 per cent. During the year many of these companies faced headwinds such as low economic growth and greater competitive pressures. In contrast, very low interest rates continued to drive income yielding stocks such as real estate trusts and utilities considerably higher. These two sectors were each up over 20 per cent. The Mid 50 and Small Ordinaries indexes, which included companies with more positive growth opportunities, were well sought after by investors and these sectors were both up around 15 per cent. Heightened global risk factors also drove the gold sector considerably higher even though the rest of the resources and energy sectors were strongly down. As a result the outcomes for investors depended very much on particular sector exposures in the market.

Figure 3: Operating result as a component of the dividend

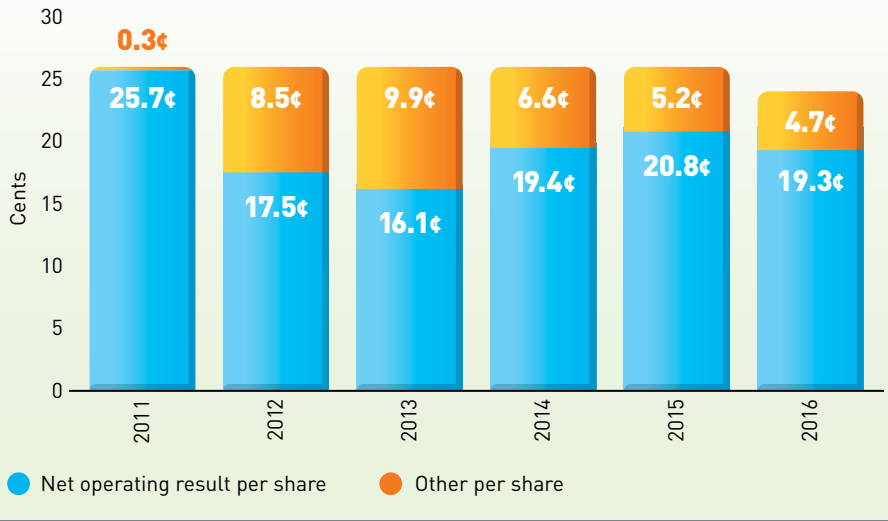
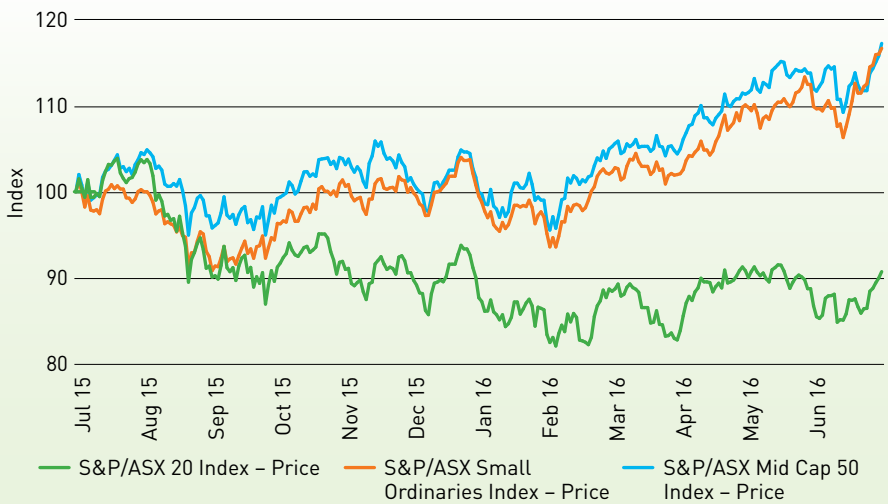


Figure 4: Contrast in sector performance in the Australian market



Source: FactSet

REVIEW OF OPERATIONS AND ACTIVITIES

continued

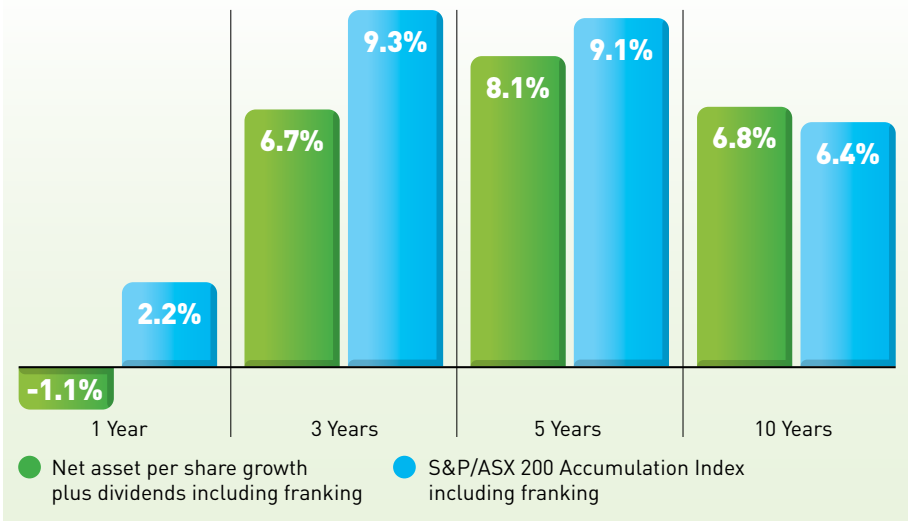
Portfolio Performance

Djerriwarrh's total portfolio return, including dividends paid and the full benefit of franking credits, was negative 1.1 per cent. This compares with the S&P/ASX 200 Accumulation Index return, which was positive 2.2 per cent including franking, and the S&P/ASX 20 Leaders Accumulation Index, which was negative 5.0 per cent when franking is included.

The portfolio performance also reflected the Company's underweight position in REITs and gold stocks, areas of the market Djerriwarrh does not typically invest in. Energy and resource holdings were reduced during the year, but they still impacted relative performance given the marked decline in these sectors over the period.

Furthermore, Djerriwarrh has not been a large investor in the mid and small companies given they typically do not have active option markets and generally have a lower dividend yield than larger companies.

Figure 5: Portfolio performance to 30 June 2016 including franking



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

The franking benefit assumes a shareholder can take full advantage of the franking credits.

The 10-year return for the portfolio including franking was 6.8 per cent per annum against the benchmark return including franking of 6.4 per cent per annum.

Option Activity

The increase in volatility combined with a falling to flat market over the year assisted the income generated from call option activity. Djerriwarrh was able to keep option coverage at the upper end of the Company's indicative range across a number of holdings whilst generating good call option premium as a result of high volatility in a market. In this environment there was less

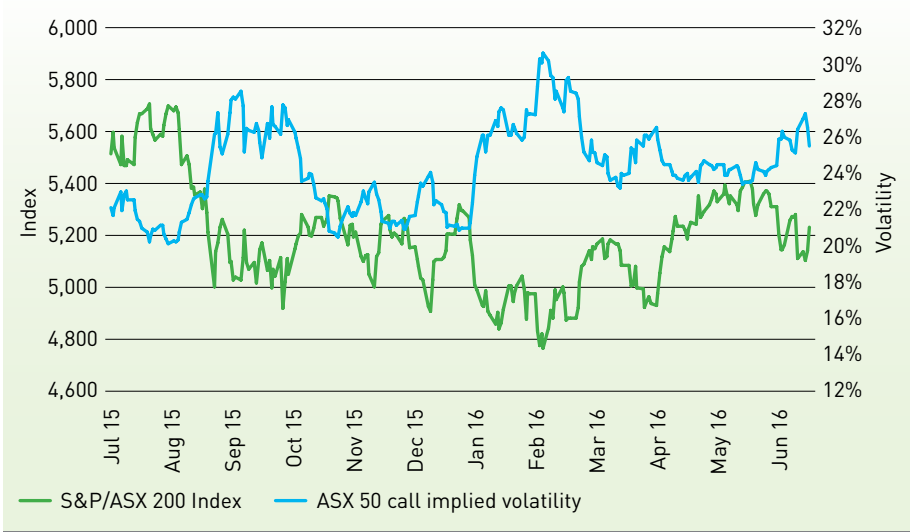
likelihood of call options being exercised or the need to buy back options to keep the holding.

The Company has started the new financial year with high option coverage across a number of companies in the portfolio.

Portfolio Activity

During the period Djerriwarrh has been repositioning the portfolio by increasing exposure to companies in attractive industries, such as healthcare, whilst at the same time reducing holdings in the banks and resources sector, including energy.

Figure 6: S&P/ASX 200 Index and market volatility





REVIEW OF OPERATIONS AND ACTIVITIES

continued

This included further purchases in existing holdings in Healthscope, Macquarie Group and Qube Holdings (via participation in its rights issue). The Company also increased its underlying exposure to international economies by increased investment in companies with substantial overseas operations such as Amcor, Brambles, CSL, James Hardie Industries, Macquarie Group, Mainfreight and Westfield Corporation.

Djerriwarrh also added over 20 new stocks to the portfolio, many of which are in the small and mid cap area of the market. The strategy behind this was twofold. Firstly, to gain exposure to growing sectors in the Australian economy given many large companies are facing a more subdued growth outlook. Secondly, it is envisaged these stocks are likely to produce increasing dividends and capital growth over time given their exposure to expanding areas of the Australian economy. In some cases call option markets are also available to enhance income from these smaller companies when appropriate.

Of the new stocks added, the largest of these include Challenger, Mainfreight (details of both were provided in the Half-Year Review) and Vocus Communications.

Vocus Communications provides a range of telecommunications services including fibre connection, data centre storage and internet

undersea cable capacity from Australia and New Zealand to the United States. These services are provided to Internet Service Providers (ISPs) on a wholesale basis and direct to corporate customers. In 2015 Vocus merged with Amcom, and with M2 Group in 2016. Following these acquisitions Vocus also provides ISP services directly to small business and consumer customers. It is also currently in the process of acquiring Nextgen, one of Australia's largest national fibre networks connecting capital cities to regional and remote areas, completing its vertical integration as a full service telecommunications business.

To fund these purchases, sales included BHP Billiton, Asciano (whilst under a takeover offer), 21st Century Fox, Oil Search and Sims Metal.

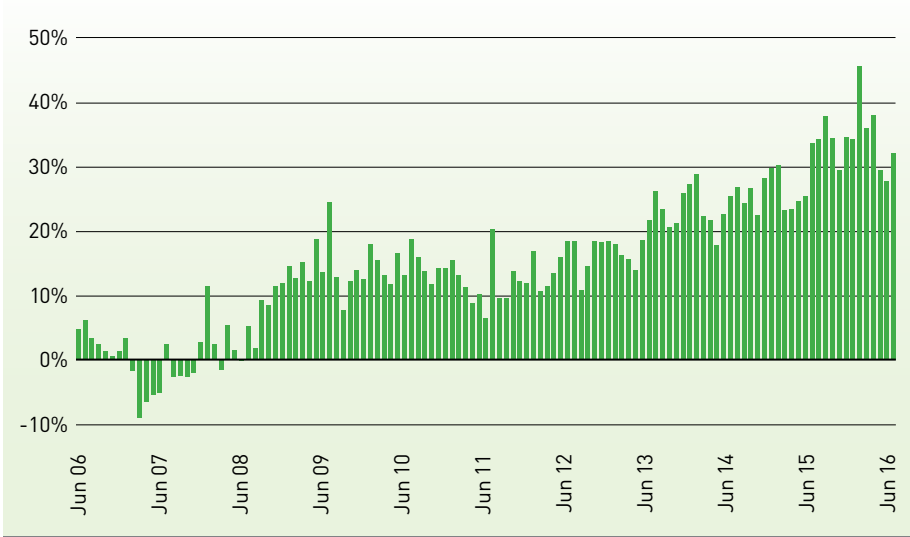
Total purchases for the year totalled \$150.9 million whereas sales equalled \$146.8 million.

Djerriwarrh utilises debt to take advantage of returns from the investment opportunities on offer. At present, the Company has \$76.5 million of debt. Djerriwarrh's cash position at 30 June 2016 was \$1.0 million, compared with \$42.0 million at 30 June 2015.

REVIEW OF OPERATIONS AND ACTIVITIES

continued

Figure 7: Share price premium/discount to net asset backing



Share Price

The share price has continued to trade at a significant premium to the net asset backing as investors focus on dividend yield in the current low interest rate environment. At 30 June 2016 the premium was 32 per cent.

Outlook

A number of issues are weighing on the Australian equity market at present, which means investors remain cautious. Global economic and political factors, including the recent vote by the United Kingdom to leave the European Union, are creating nervousness. More directly in Australia, below average GDP growth, the mixed

outlook globally, including China, and the current political uncertainty following the recent federal election are not positive for investor sentiment. It also makes many companies less confident about investing for growth.

For Djerrirwarr, whilst volatility in the short term arising from these heightened concerns benefits option writing activities, we are also looking for companies that can grow their businesses and dividends over time in a positive environment. In this context we believe the recent adjustments to the portfolio and dividend leave the Company better placed to navigate what is expected to be a difficult environment over the medium term.

Directorship Matters

Ms Karen Wood was appointed to the Board on 1 July 2016.

Ms Wood has had a distinguished career. Her initial training was in education and the law. She has worked in a variety of organisations in legal, educational, corporate governance, human resource management and executive leadership roles. Most recently she was involved in a number of Senior Executive positions within the BHP Billiton Group for 14 years, including eight years on the Group Management Committee.

Ms Wood is currently Chairman of the BHP Billiton Foundation, a Director of the Robert Salzer Foundation, a member of the committee of the Melbourne Cricket Club and a Director of the Melbourne Cricket Club Foundation Limited. She has also been involved in various government advisory panels and consulting groups.

We are delighted to welcome Ms Wood to the Board. As well as bringing her particular expertise in legal and corporate governance matters, she also has a breadth of experience in senior executive leadership and in strategic and policy issues. We look forward to the contribution she will bring to the Board in its deliberations.

TOP 20 INVESTMENTS

As at June 2016

Includes investments held in both the investment and trading portfolios.

Valued at closing prices at 30 June 2016

	Total Value \$ Million	% of Portfolio
1 Commonwealth Bank of Australia*	60.7	8.1
2 Westpac Banking Corporation*	51.2	6.8
3 National Australia Bank*	41.6	5.6
4 Australia and New Zealand Banking Group*	36.8	4.9
5 Telstra Corporation*	33.6	4.5
6 BHP Billiton*	33.3	4.4
7 CSL*	29.3	3.9
8 Wesfarmers*	23.8	3.2
9 Brambles*	20.1	2.7
10 Oil Search*	19.3	2.6
11 Rio Tinto*	18.4	2.5
12 Woodside Petroleum*	13.4	1.8
13 Mirrabooka Investments	12.4	1.7
14 Amcor*	12.4	1.7
15 QBE Insurance Group*	12.1	1.6
16 AMP*	12.0	1.6
17 Healthscope*	11.9	1.6
18 Seek*	11.8	1.6
19 James Hardie Industries*	11.8	1.6
20 Qube Holdings*	11.4	1.5
Total	477.3	

As a percentage of total portfolio value (excludes cash)

63.7%

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

INCOME STATEMENT

For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Dividends and distributions	36,794	42,210
Revenue from deposits and bank bills	164	1,305
Other revenue	41	21
Total revenue	36,999	43,536
Net gains on trading portfolio	2,057	287
Income from options written portfolio	16,074	14,099
Income from operating activities	55,130	57,922
Finance costs	(4,488)	(4,850)
Administration expenses	(3,632)	(3,663)
Operating result before income tax	47,010	49,409
Income tax	(4,806)	(3,903)
Net operating result	42,204	45,506
Net capital gains/(losses) on investments		
Net gains/(losses) on open options positions	(2,123)	2,032
Tax on above	637	(610)
	(1,486)	1,422
Profit for the year	40,718	46,928
	Cents	Cents
Net operating result per share	19.31	20.82
Profit for the year per share	18.63	21.47

BALANCE SHEET

As at 30 June 2016

	2016 \$'000	2015 \$'000
Current assets		
Cash	954	41,967
Receivables	6,417	6,683
Trading portfolio	4,575	-
Total current assets	11,946	48,650
Non-current assets		
Investment portfolio	752,655	827,351
Deferred tax asset – investment portfolio	19,295	-
Shares in associate	1,148	965
Total non-current assets	773,098	828,316
Total assets	785,044	876,966
Current liabilities		
Payables	2,865	11,918
Tax payable	627	12,820
Borrowings – cash advance facilities	76,500	75,000
Interest rate hedging contracts	1,110	1,421
Options written portfolio	8,351	6,100
Total current liabilities	89,453	107,259
Non-current liabilities		
Deferred tax liabilities	533	1,109
Deferred tax liabilities – investment portfolio	-	3,796
Total non-current liabilities	533	4,905
Total liabilities	89,986	112,164
Net assets	695,058	764,802
Shareholders' equity		
Share capital	634,225	634,225
Revaluation reserve	1,677	50,126
Realised capital gains reserve	5,295	26,132
Retained profits	54,971	55,740
Interest rate hedging reserve	(1,110)	(1,421)
Total shareholders' equity	695,058	764,802

SUMMARISED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Total equity at the beginning of the year	764,802	799,143
Dividends paid	(56,833)	(56,833)
Total transactions with shareholders	(56,833)	(56,833)
Profit for the year	40,718	46,928
Revaluation of investment portfolio	(76,994)	(33,287)
Provision for tax on revaluation	23,054	8,333
Net revaluation of investment portfolio	(53,940)	(24,954)
Net movement in fair value for interest rate swaps	311	518
Total comprehensive income for the year	(12,911)	22,492
Realised gains/(losses) on securities sold	(5,519)	36,823
Tax expense on realised gains or losses on securities sold	(17)	(11,048)
Net realised gains/(losses) on securities sold	(5,536)	25,775
Transfer from revaluation reserve to realised gains reserve	5,536	(25,775)
Total equity at the end of the year	695,058	764,802

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

HOLDINGS OF SECURITIES

As at 30 June 2016

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 2015 '000	Number Held 2016 '000	Market Value 2016 \$'000
AAC	Australian Agricultural Company	0	2,100	3,707
AAD	Ardent Leisure Group	0	900	1,692
AGL*	AGL Energy	606	354	6,763
AIO	Asciano	1,666	234	2,071
ALQ*	ALS	387	742	3,511
AMA	AMA Group	0	1,560	1,256
AMC*	Amcor	413	846	12,376
AMH	AMCIL	10,599	10,599	10,175
AMP*	AMP	2,197	2,342	12,024
ANZ*	Australia and New Zealand Banking Group	1,689	1,539	36,813
APA*	APA Group	546	546	4,965
ASX*	ASX	134	164	7,383
ASZ	ASG Group	0	2,900	2,639
AUB	AUB Group	0	365	3,687

Code	Company Name	Number Held 2015 '000	Number Held 2016 '000	Market Value 2016 \$'000
AWC*	Alumina	3,718	3,518	4,521
AZJ*	Aurizon Holdings	855	810	3,770
BHP*	BHP Billiton	2,496	1,819	33,259
BLD*	Boral	603	603	3,683
BXB*	Brambles	1,655	1,651	20,080
CAR*	Carsales.com	190	105	1,286
CBA*	Commonwealth Bank of Australia	820	820	60,749
CCL*	Coca-Cola Amatil	695	670	5,505
CGF*	Challenger	0	602	5,159
CGL	The Citadel Group	0	190	1,027
CPJ*	Computershare	437	142	1,297
CSL*	CSL	261	267	29,334
CSV	CSG	0	819	1,220
CTX*	Caltex Australia	165	172	5,472
CVO*	Cover-More Group	2,300	2,900	3,506
CWV	ClearView Wealth	0	3,117	2,962
CYB*	CYBG PLC	0	420	1,718
FNP	Freedom Foods Group	0	359	1,457
FPH*	Fisher & Paykel Healthcare Corporation	285	301	2,855
HSO*	Healthscope	1,827	4,312	11,867
#	Hexima	280	280	0
IAG*	Insurance Australia Group	1,170	1,487	8,066
IDX	Integral Diagnostics	0	1,405	2,037
ILU*	Iluka Resources	380	220	1,408
INM	Iron Mountain	0	38	1,992

HOLDINGS OF SECURITIES *continued*

As at 30 June 2016

Code	Company Name	Number	Number	Market
		Held 2015 '000	Held 2016 '000	Value 2016 \$'000
IPL*	Incitec Pivot	2,484	2,931	8,667
IRE*	IRESS	0	175	1,903
JHC*	Japara Healthcare	2,270	2,483	6,270
JHX*	James Hardie Industries	509	589	11,757
LIC	Lifestyle Communities	0	624	1,816
MFT	Mainfreight	0	370	5,887
MIR	Mirrabooka Investments	4,506	4,506	12,437
MPL*	Medibank Private	0	250	722
MQG*	Macquarie Group	28	107	7,164
MYX*	Mayne Pharma Group	0	2,737	4,894
NAB*	National Australia Bank	1,793	1,641	41,610
NVT*	Navitas	0	918	4,862
OFX	OzForex Group	0	970	2,251
ORA*	Orora	0	750	2,056
ORG*	Origin Energy	1,142	850	4,751
ORI*	Orica	509	493	6,057
OSH*	Oil Search	3,957	2,927	19,344
PBG	Pacific Brands	0	1,833	1,936
PPT*	Perpetual	62	114	4,693
QBE*	QBE Insurance Group	1,095	1,165	12,109
QUB*	Qube Holdings	2,831	5,185	11,428
REA*	REA Group	0	35	1,992
REG*	Regis Healthcare	0	400	1,857
RHC*	Ramsay Health Care	20	72	5,093
RIO*	Rio Tinto	408	408	18,422

Code	Company Name	Number Held 2015 '000	Number Held 2016 '000	Market Value 2016 \$'000
RMD*	ResMed	425	515	4,193
S32*	South32	3,496	3,100	4,663
SCG*	Scentre Group	935	1,205	5,793
SEK*	SEEK	615	785	11,759
SHL*	Sonic Healthcare	500	346	7,302
STO*	Santos	1,587	767	3,463
SUN*	Suncorp Group	915	735	8,887
SYD*	Sydney Airport	874	632	4,294
TCL*	Transurban Group	896	768	8,986
TLS*	Telstra Corporation	7,253	6,125	33,604
TPM*	TPG Telecom	475	824	9,511
TWE*	Treasury Wine Estates	602	704	6,467
VCX*	Vicinity Centres (formerly Federation Centres)	2,100	1,100	3,628
VOC*	Vocus Communications	0	528	4,476
WBC*	Westpac Banking Corporation	1,831	1,748	51,152
WES*	Wesfarmers	573	598	23,821
WFD*	Westfield Corporation	605	910	9,562
WOW*	Woolworths	616	511	10,648
WPL*	Woodside Petroleum	632	502	13,400
Total				748,879

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

Unlisted stock.

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions (Above \$5 Million)	Cost \$'000
Healthscope	6,536
Macquarie Group	6,134
Amcor	6,037
Qube Holdings (includes participation in the 1 for 4.4 rights issues at \$2.05 per share)	6,010
Mainfreight	5,275
Challenger	5,172
Vocus Communications	5,042

Sales (Above \$5 Million)	Proceeds \$'000
BHP Billiton	11,267
Asciano	10,093
21st Century Fox (complete sale from portfolio)	9,797
Oil Search	6,627
Sims Metal Management (complete sale from portfolio)	6,174
Telstra Corporation	5,921
Veda Group (takeover by Equifax)	5,112

5 YEAR SUMMARY

	2016	2015	2014	2013	2012
Net profit after tax (\$ million)	40.7	46.9	42.9	37.7	44.1
Net operating result after tax (\$ million)	42.2	45.5	42.4	35.1	37.9
Investments at market value (\$ million) ^(a)	748.9	821.3	871.4	765.0	729.0
Dividends per share (cents) ^(b)	24.0	26.0	26.0	26.0	26.0
Net asset backing (cents) ^(c)	309.0	352.0	376.0	350.0	317.0
Number of shareholders (30 June)	18,934	18,990	19,035	19,005	18,779

Notes

(a) Excludes cash.

(b) All dividends were fully franked. For 2016 the dividend carried attributable LIC gains of 7.1 cents per share. For 2015 and 2014 it was 10.0 cents per share and for 2013 it was 14.3 cents per share. There were no attributable LIC gains attached to the dividend for 2012.

(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.

COMPANY PARTICULARS

Djerriwarrh Investments Limited (DJW)
ABN 38 006 862 693

Directors

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

Company Secretaries

Matthew J Rowe
Andrew JB Porter

Auditor

PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation

Australia

Registered Office and Mailing Address

Level 21, 101 Collins Street
Melbourne Victoria 3000

Contact Details

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

For inquiries 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 Lines 1300 653 915
+61 3 9415 4190 (from overseas)

Facsimile (03) 9473 2500
Website investorcentre.com/contact

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

Securities Exchange Code

DJW Ordinary shares

SHAREHOLDER MEETINGS

Annual General Meeting

Time 10.00am
Date Monday 10 October 2016
Venue RACV City Club
Location 501 Bourke Street
Melbourne

Sydney Shareholder Meeting

Time 2.30pm
Date Friday 14 October 2016
Venue Four Seasons Hotel
Location 199 George Street
Sydney

Adelaide Shareholder Meeting

Time 2.30pm
Date Monday 17 October 2016
Venue Adelaide Convention Centre
Location North Terrace
Adelaide

Brisbane Shareholder Meeting

Time 2.30pm
Date Monday 24 October 2016
Venue Hilton Hotel
Location 190 Elizabeth Street
Brisbane

The Annual Report for 2016 is available on Djerriwarrh's website djerri.com.au or by contacting the Company on (03) 9650 9911.



NOTICE OF ANNUAL GENERAL MEETING 2016

The Annual General Meeting of **Djerriwarrh Investments Limited (ABN: 38 006 862 693, “the Company”)** will be held at: **RACV City Club, 501 Bourke Street, Melbourne Victoria at 10.00am (AEDT) on Monday 10 October 2016.**

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 Saturday 8 October 2016.**

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 2016.

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

2. ADOPTION OF REMUNERATION REPORT

To adopt the Remuneration Report for the financial year ending 30 June 2016.

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

3. ELECTION OF DIRECTOR

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

“That Ms Karen Wood, a Director appointed since the last Annual General Meeting and retiring from office in accordance with Rule 45 of the Constitution, being eligible is 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 Alice Williams, a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company.”

5. 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.”

By Order of the Board



Matthew Rowe
Company Secretary
25 August 2016

EXPLANATORY NOTES - BUSINESS OF THE MEETING

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 2016. 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 2016 Annual Report can view or download it from the Company's website at:

www.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 2016 Annual Report.

The vote on the proposed resolution is an advisory one.

Voting exclusions on item 2

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

However, the Company will not disregard a vote if:

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

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

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

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

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

3. ELECTION OF DIRECTOR

Ms Karen Wood

B Ed, LLB (Hons). Independent Non-Executive Director.

Ms Wood was appointed to the Board in July 2016 and so is seeking election by shareholders for the first time.

Ms Wood's initial training was in education and the law. She has worked in a variety of organisations in legal, educational, corporate governance, human resource management and executive leadership roles. Most recently she was involved in a number of senior executive positions within the BHP Billiton Group for just on 14 years including 8 years on the Group Management Committee.

She is currently Chairman of the BHP Billiton Foundation, a director of the Robert Salzer Foundation, a member of the committee of the Melbourne Cricket Club and a director of the Melbourne Cricket Club Foundation Limited. She has also been involved in various Government advisory panels and consulting groups.

The Board recommends that shareholders vote in favour of Ms Wood's election.

4. RE-ELECTION OF DIRECTOR

Ms Alice Williams

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

Ms Williams was appointed to the Board in May 2010 and was last re-elected by shareholders at the 2013 Annual General Meeting. She is a Director of Victorian Funds Management Corporation, Equity Trustees Limited, Guild Group, Cooper Energy, Port of Melbourne Corporation and Defence Health and is a council member of Cancer Council Victoria. She is also a Non-Executive Director of Barristers Chambers Limited and Foreign Investment Review Board (FIRB).

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

The Board recommends that shareholders vote in favour of Ms Williams' re-election.

5. RE-ELECTION OF DIRECTOR

Mr Graham Goldsmith

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

Mr Goldsmith was appointed to the Board in April 2013 and was elected by shareholders at the 2013 Annual General Meeting. He is a Non-Executive Director of SEEK Limited and of Zhaopin Limited and is Chancellor of Swinburne University of Technology.

Mr Goldsmith is a former Vice Chairman and a former Managing Director of Goldman Sachs Australia, and its predecessor firm Goldman Sachs JBWere.

The Board recommends that shareholders vote in favour of Mr Goldsmith's re-election.

Further information regarding the Company's corporate governance arrangements and the Board's role can be found on the Company's website at: www.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 www.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 www.intermediaryonline.com**
6. Proxy forms and any authorities (or certified copies of those authorities) under which they are signed may be delivered in person, by mail or by fax to the Company's Share Registry (see details below) no later than 48 hours before the meeting, being **10.00am (AEDT) on Saturday 8 October 2016**. 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 resolution; 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.

Share Registry

The Company's Share Registry details are as follows:

Computershare Investor Services Pty Limited


Street address:	Postal address:
Yarra Falls	GPO Box 242
452 Johnston Street	Melbourne VIC 3001
Abbotsford VIC 3067	

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:	www.investorcentre.com/contact

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 10.00am (AEDT) on Saturday 8 October 2016**

How to direct your proxy to vote

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

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

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

A proxy need not be a shareholder of the Company.

Lodgement of proxy form

This proxy form (and any authority under which it is signed or a certified copy of it) must be received at an address given above by 10.00am (AEDT) on Saturday 8 October 2016, 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 **RACV City Club, 501 Bourke Street, Melbourne, Victoria at 10.00am (AEDT) on Monday 10 October 2016** 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	Election of Director - Ms Karen Wood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Re-election of Director - Ms Alice Williams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Re-election of Director - Mr Graham Goldsmith	<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 ____/____/____