DJERRIWARRH INVESTMENTS LIMITED

ABN 38 006 862 693

APPENDIX 4E STATEMENT
FOR THE YEAR ENDING 30 JUNE 2016

CONTENTS

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2016 with the previous corresponding period being the year ended 30 June 2015.

This report is based on audited financial statements. A copy of the audit report can be found on page 38.

Results for announcement to the market

- The final dividend of 14 cents per share fully franked, 2 cents down from last year, will be paid on 26 August 2016 to ordinary shareholders on the register on 8 August 2016. 5 cents of the final dividend is sourced from capital gains, on which the Company has paid or will pay tax. The amount of the pre-tax attributable gain on this portion of the dividend, known as an "LIC capital gain", is therefore 7.14 cents (down from 10 cents last year). This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements. There is no conduit foreign income component of the dividend.

- Net Operating Result after tax was $42.2 million, 7.3% down from the previous corresponding period.

- Net Operating Result per share was 19.3 cents per share, down from 20.8 cents last year.

- Net Profit attributable to members was $40.7 million, 13.2% down from $46.9 million in the previous corresponding period.

- Revenue from operating activities was $37.0 million, 15.0% down from the previous corresponding period.

- The interim dividend for the 2016 financial year was 10 cents per share (the same as last year), fully franked, and it was paid to shareholders on 16 February 2016.

- The Dividend Reinvestment Plan remains suspended.

- Net tangible assets per share before any provision for deferred tax on the unrealised taxable gains on the long-term investment portfolio as at 30 June 2016 were $3.09 (before allowing for the final dividend), down from $3.52 (before allowing for the final dividend) at the end of the previous corresponding period.

- The 2016 AGM will be held at the RACV City Club, Melbourne, at 10.00 AM on Monday 10 October 2016.

Djerriwarrh
AUSTRALIAN EQUITIES, ENHANCED YIELD

MEDIA RELEASE – FULL YEAR RESULT TO 30 JUNE 2016

- **Djerriwarrh seeks to provide an enhanced level of fully franked income in part by using option strategies.**
- **Full Year Profit $40.7 million, down 13.2% from last year.**
- **Income from option activity was $16.1 million, up from $14.1 million generated last year.**
- **Final Dividend of 14 cents per share fully franked down from 16 cents last year.**
- **Twelve month portfolio return was negative 4.5%, including franking it was negative 1.1%.**

Profit

Profit for the year to 30 June 2016 was $40.7 million, down 13.2% 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 South 32 from BHP Billiton. Excluding this figure the profit was down 1.5%.

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 dividend.

Dividend for the Year

The Board has declared a final dividend of 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.

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 twelve 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 amongst the other major banks.
- High payout ratios generally amongst ASX listed companies which may be wound back to some degree in coming years
- Earnings from options being high at present due to high volatility, a feature which may not be sustained at this level in future years.
- 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% and grossed up for franking credits would be 9.2 % (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% and 6.9% grossed up. This is still an enhanced yield high compared with other alternative investments, particularly in this low interest rate environment.

Market Comments

Returns in the Australian Equity market this year were remarkably divergent. The 20 largest companies as a group were down 7% with banks down just over 10%. 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%. 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%. 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 Adjustments

During the period, Djerriwarrh has been repositioning the portfolio to increase exposure to growing sectors of the economy such as healthcare whilst at the same time reducing holdings in the banking and energy sectors.

As Djerriwarrh looked to broaden the exposure of the portfolio, the Company added to its holdings in Healthscope, Macquarie Group, Amcor and Qube Holdings (via participation in its rights issue). New stocks were also added, these included Challenger, Vocus Communications and Mainfreight. To fund these purchases, sales included BHP Billiton, Asciano (whilst under a takeover offer), 21st Century Fox, Oil Search and Sims Metal.

Portfolio Returns

Djerriwarrh's total portfolio return, including dividends paid and the full benefit of franking credits was negative 1.1%. This compares with the benchmark S&P/ASX 200 Accumulation Index return which was positive 2.2% including franking and the S&P/ASX 20 Leaders Accumulation Index which was negative 5.0% 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 ten year return for the portfolio including franking was 6.8% per annum against the benchmark return including franking of 6.4% per annum (see attached performance table).

Please direct any enquiries to:

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18 July 2016

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Purchases (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

TOP 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 & 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%
			477.3	
		As % of Total Portfolio Value (excludes Cash)	63.7%	

* Indicates that options were outstanding against part of the holding

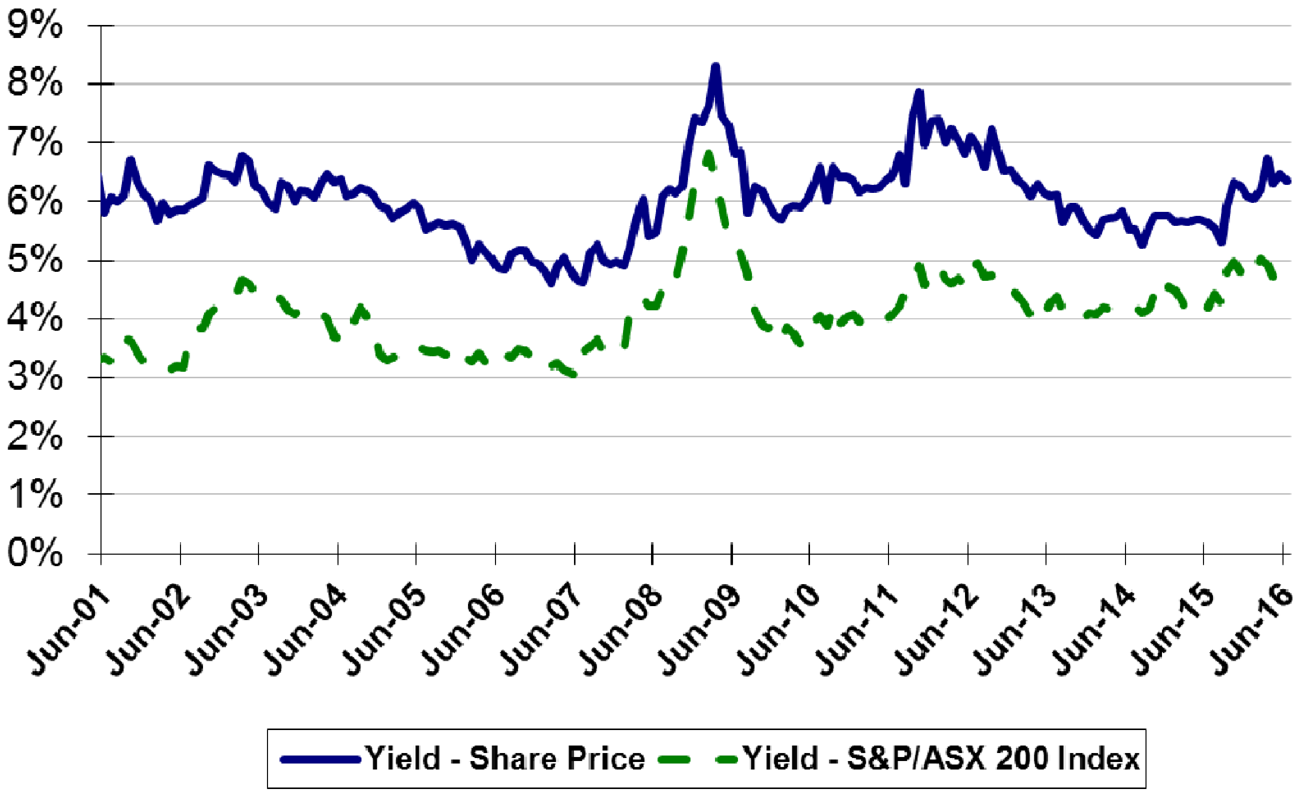
PORTFOLIO PERFORMANCE TO 30 JUNE 2016

	ANNUALISED RETURNS			
PERFORMANCE MEASURES	**1 YEAR**	**3 YEARS**	**5 YEARS**	**10 YEARS**
PORTFOLIO RETURN - NET ASSET BACKING INCLUDING DIVIDENDS REINVESTED	***-4.5%***	***3.4%***	***4.7%***	***3.7%***
S&P/ASX 200 ACCUMULATION INDEX	0.6%	7.7%	7.4%	4.9%
S&P/ASX 20 LEADERS ACCUMULATION INDEX	-7.0%	4.6%	6.5%	5.5%

NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED*	***-1.1%***	***6.7%***	***8.1%***	***6.8%***
S&P/ASX 200 GROSS ACCUMULATION INDEX*	2.2%	9.3%	9.1%	6.4%
S&P/ASX 20 LEADERS GROSS ACCUMULATION INDEX*	-5.0%	6.7%	8.6%	7.5%

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

Djerriwarrh Share Price Yield vs. Market Yield



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

Djerriwarrh Investments Limited

Annual Financial Statements

30 June 2016

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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 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 $'000	2015 $'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]	**Capital[1]**	**Total**	Revenue	Capital	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Profit for the year	**42,249**	**(1,531)**	**40,718**	**45,552**	**1,376**	**46,928**
Other Comprehensive Income						
Items that will not be recycled through the Income Statement						
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**
Items that may be recycled through the Income Statement						
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

Year Ended 30 June 2016

	Note	Share Capital $'000	Revaluation Reserve $'000	Realised Capital Gains $'000	Interest Rate Hedging $'000	Retained Profits $'000	Total $'000
Total equity at the beginning of the year		**634,225**	**50,126**	**26,132**	**(1,421)**	**55,740**	**764,802**
Dividends paid	A4	-	-	(15,301)	-	(41,532)	**(56,833)**
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.

Statement of Changes in Equity for the Year Ended 30 June 2016 (continued)

Year Ended 30 June 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	2015
	$'000	$'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 which the company intends to retain on a long-term basis. The options written portfolio and trading portfolio are held for short-term trading only. The latter is relatively small in size when utilised. The Company predominantly writes call options but a small number of put options are also written at times (see below). Call options are only written over securities held in the investment portfolio whilst put options are fully backed by cash, cash equivalents or access to liquidity facilities.

The balance and composition of the investment portfolio was:

	2016	2015
	$'000	$'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 twelve months from the date that they are sold. Options written are initially brought to account at the amount received upfront for entering into the contract (the premium) and subsequently revalued to current market value.

Puttable instruments & 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 'Listed Investment Company' (LIC) gain as part of the dividend, which conveys certain taxation benefits to many of Djerriwarrh's shareholders.

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

A3. Operating income

The total income received from Djerriwarrh's investments in 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 & non-equity investments

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

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% paid 21 August 2015 (2015: 16 cents fully franked at 30% 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%, paid 16 February 2016 (2015: 10 cents fully franked at 30% 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
These franking account balances would allow Djerriwarrh to frank additional dividend payments up to an amount of:	71,295	81,545

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

(c) Dividends declared after balance date

Since the end of the year Directors have declared a final dividend of 14 cents per share fully franked at 30%. 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

(d) Listed Investment Company capital gain account	**2016 $'000**	2015 $'000
Balance of the Listed Investment Company (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:

Basic Earnings per share	**2016 Number**	2015 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 before net gains on investment and options written portfolio 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)

Administration fees paid to AICS

Australian Investment Company Services Limited ("AICS") undertakes the day-to-day administration of Djerriwarrh's investments and its operations, including financial reporting. Djerriwarrh has a 25% shareholding in AICS and has 2 Directors on the AICS Board who are involved in approving the annual expenses budget of the Company, amongst other duties.

Other administration expenses

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

	Short Term Benefits $	**Post-Employment Benefits $**	**Total $**
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:

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

	2016 $'000	2015 $'000
Operating result before income tax expense	**47,010**	**49,409**
Tax at the Australian tax rate of 30% (2015 – 30%)	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% (2015 – 30%)	(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 Listed Investment Company that invests in tradeable securities, Djerriwarrh will always be subject to market risk as it invests its capital in securities which are not risk free – the market price of these securities will fluctuate.

A general fall in market prices of 5% and 10% on values at 30 June, if spread equally over all assets in the investment portfolio, would 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% and 10% across the Trading Portfolio & 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% after tax to fully deplete this (2015 : 9%).

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

Djerriwarrh's investment exposures by sector is as below:

	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 (incl. property trusts)	16.79%	11.77%
Telecommunications	6.35%	5.74%
Healthcare	10.10%	5.82%
Other –Consumer Discretionary, Info Technology & Utilities	3.97%	4.15%
Cash	0.13%	4.86%

Securities representing over 5% 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% 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 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 feel that the swaps are uneconomical, they may be unwound and the cost of unwinding them would be reflected through the Income Statement. Interest rate risk on hybrid securities held by Djerriwarrh is reflected in their market value. The hedge was fully effective for the year.

Credit risk

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

Cash

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" 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	**6-12 months**	**Greater than 1 year**	**Total contractual cash flows**	**Carrying amount**
30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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 as if the option is exercised the contract will be settled in the securities over which the option is written. The contractual cash flows for put options

written are the cash sums the Company will pay to acquire securities over which the options have been written, and it is assumed for purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow).

B4. Interest Rate Swaps

	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 5 interest rate hedging contracts at rates of 2.20 per cent, 2.31 per cent, 2 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 5 year effective lives and 2 have 4 year effective lives. The reserve and the corresponding asset/liability are measured as the fair value of the interest rate swaps net of associated tax. It is currently anticipated that the swaps will be held to maturity and consequently that they will have no impact, under current accounting standards, on the income statement.

C. Unrecognised items

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

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

Additional information

Additional information that shareholder 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 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% (2015: 2.78%). All cash investments not held in a transactional account or an over-night 'at call' account are invested in short-term deposits with Australia's "Big 4" commercial banks or their wholly-owned subsidiaries, all rated 'AA-' by S&P which have a maturity of three months or less or in cash management trusts managed by those subsidiaries which invest predominantly in securities with an A1+ rating.

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 Taxable realised gains (net of tax)	2016 $'000 Difference between tax and accounting costs	2016 $'000 Total	2015 $'000 Taxable realised gains (net of tax)	2015 $'000 Difference between tax and accounting costs	2015 $'000 Total
Opening balance at 1 July	71,531	(45,399)	**26,132**	61,052	(45,394)	**15,658**
Dividends paid	(15,301)	-	**(15,301)**	(15,301)	-	**(15,301)**
Cumulative taxable realised (losses)/gains for period	11	(5,530)	**(5,519)**	36,828	(5)	**36,823**
Tax on realised gains/(losses)	(17)	-	**(17)**	(11,048)	-	**(11,048)**
	56,224	(50,929)	**5,295**	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 & 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

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

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**

Deferred tax assets & 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 which are not yet tax deductible	(101)	(165)
(d)	Interest and dividend income receivable which 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 Djerriwarrh's ability to claim the deduction.

The portion of deferred tax liability likely to be reversed within the next 12 months is $0.6 million (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 Djerriwarrh's operating result after tax to be a key measure of Djerriwarrh's performance. This amount excludes the impact of unrealised gains/losses on options and any gains or losses on Djerriwarrh's investment portfolio. It reconciles to Djerriwarrh's profit before tax as follows:

	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
<u>Non-Audit Services</u>		
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% 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 & 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.

Basis of accounting

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

Fair value of financial assets and liabilities

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

Rounding of amounts

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

F5. Associate Accounting

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

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

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

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*.

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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

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
18 July 2016