DJERRIWARRH INVESTMENTS LIMITED

ABN 38 006 862 693

APPENDIX 4E STATEMENT
FOR THE YEAR ENDING 30 JUNE 2011

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 2011 with the previous corresponding period being the year ended 30 June 2010.

This report is based on audited financial statements. A copy of the audit report can be found on page 39.

Results for announcement to the market

- The final dividend of 16 cents per share fully franked, the same as last year, will be paid on 24 August 2011 to ordinary shareholders on the register on 8 August 2011.

- 6 cents of the 16 cents final dividend is sourced from capital gains, on which the Company has paid tax (last year also 6 cents). The amount of pre-tax attributable gain, known as a "Listed Investment Company (LIC) gain", is 8.6 cents (last year also 8.6 cents). This gain enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.

- Net Operating Profit after tax was $54.9 million, 25.7% up from the previous corresponding period.

- Net Operating Profit per share was 25.7 cents per share, up from 20.7 cents last year.

- Net Profit attributable to members was $56.9 million, 127.4% up from $25.0 million in the previous corresponding period. Note last year's profit included realised capital losses of $20.1 million prior to changes in accounting standards.

- Revenue from operating activities was $53.6 million, 57.1% up from the previous corresponding period.

- The interim dividend for the 2011 financial year was 10 cents per share (the same as last year), fully franked, and it was paid to shareholders on 18 February 2011.

- The Company operates a Dividend Reinvestment Plan under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares is based on a 2.5% discount to the average selling price of shares traded on the Australian Securities Exchange in the five days from the day the shares begin trading on an ex-dividend basis. The last day for the receipt of an election notice for participation in the plan is 8 August 2011.

- 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 2011 were $3.59 (before allowing for the final dividend), up from $3.49 (before allowing for the final dividend) at the end of the previous corresponding period.

- The 2011 AGM will be held at the Hilton on the Park, East Melbourne, at 10.00 AM on Wednesday 5th October.

BUY BACKS BOOST DJERRIWARRH PROFIT

18 July 2011

Djerriwarrh's Net Operating Profit, which measures the income generated from the investment, trading and options portfolios, increased strongly over the twelve months to 30 June 2011. The figure was $54.9 million, 25.7 per cent higher than last year.

Reported Profit was up by 127 percent to $56.9 million.

Djerriwarrh participated in the off market share buy-backs by BHP Billiton and Woolworths. There was also a recovery during the year in dividends paid by companies in which Djerriwarrh invests, particularly the major banks. The Company also sells option coverage to enhance income.

Djerriwarrh's final dividend has been maintained at 16 cents per share fully franked. The total dividend for the year of 26 cents per share fully franked provides a yield of 6.7 per cent based on the current share price of $3.86.

Major acquisitions included AMP as a result of its takeover of AXA Asia Pacific, Rio Tinto and Orica. The Company also replenished its holding in BHP Billiton after participation in the buy back.

With a large number of options having expired in June, Djerriwarrh will be seeking to increase its option coverage as opportunities arise. However given current market conditions, we are conscious of the risk to capital growth in the portfolio of doing so during market low points. We will therefore be patient in our approach.

Please direct any enquiries to:

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

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions (above $5 million)	Cost ($'000)
Commonwealth Bank of Australia	16,447
BHP Billiton	15,034
Australia and New Zealand Banking Group	12,717
AMP#	10,489
Rio Tinto	10,352
Orica	6,957

Disposals (above $5 million)	Proceeds ($'000)
BHP Billiton^	22,329
AXA Asia Pacific#	16,485
Rio Tinto*	9,061

^ Participation in buy-back
# Takeover of AXA Asia Pacific by AMP
* As a result of the exercise of call options

TOP INVESTMENTS AS AT 30 JUNE 2011

Includes investments in both the Investment and Trading Portfolio

Valued at closing prices at 30 June 2011

			Total Value $ million
1	*	BHP Billiton	100.5
2	*	Westpac Banking Corporation	71.0
3	*	Commonwealth Bank of Australia	65.1
4	*	National Australia Bank	49.1
5	*	Australia & New Zealand Banking Group	47.0
6	*	Woodside Petroleum	38.9
7		Telstra Corporation	38.3
8	*	Oil Search	33.1
9	*	AMP	27.0
10	*	Rio Tinto	25.0
11	*	Santos	24.5
12	*	QBE Insurance Group	23.3
13	*	Woolworths	21.1
14		Hastings Diversified Utilities Fund	18.9
15	*	Brambles	18.3
16	*	Origin Energy	18.1
17	*	Transurban Group	16.4
18	*	Wesfarmers (a)	16.0
19	*	Coca-Cola Amatil	13.5
20		Seven West Media	12.6
			677.8
		As % of Total Portfolio Value (excludes Cash)	83.5%

(a) Includes $4.2m WESN partially protected securities

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

PORTFOLIO PERFORMANCE TO 30 JUNE 2011

Period	1-year	3-year	5-year	10-year
NTA Accumulation	10.8%	1.4%	2.7%	6.8%
Index Accumulation (S&P/ASX200)	11.7%	0.3%	2.4%	7.2%
NTA Gross Accumulation*	14.0%	4.4%	5.4%	9.4%
Index Gross Accumulation (S&P/ASX 200)*	13.2%	1.8%	3.8%	8.6%

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

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Dividends and distributions		51,447	32,330
Revenue from deposits and bank bills		2,153	1,687
Other revenue		-	93
Total revenue		**53,600**	**34,110**
Net gains/(losses) on trading portfolio		(291)	1,449
Income from options written portfolio		12,535	18,232
Income from operating activities		**65,844**	**53,791**
Finance costs		(4,902)	(3,734)
Administration expenses		(3,368)	(3,175)
Share of net profit from Associate		146	277
Operating profit before income tax expense	**4**	**57,720**	**47,159**
Income tax expense*	**5**	(2,782)	(3,460)
Net operating profit for the year		**54,938**	**43,699**
Net gains/(losses) on investments			
Net losses on open options positions		(947)	(1,157)
Deferred tax on net losses on open options positions*	**5**	284	347
Net gains on puttable instruments		3,681	3,101
Tax expense on net gains on puttable instruments*	**5**	(1,104)	(930)
Net losses on securities sold from the investment portfolio before 7 December 2009		-	(11,050)
Tax expense on losses on securities sold*	**5**	-	(9,010)
		1,914	(18,699)
Profit for the year		**56,852**	**25,000**
		Cents	**Cents**
Basic earnings per share	**23**	26.58	11.86

		2011 $000	2010 $000
* Total Tax Expense	**5**	3,602	13,053

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

Statement of Comprehensive Income for the Year ended 30 June 2011

	Year to 30 June 2011			Year to 30 June 2010		
	Revenue $'000	**Capital $'000**	**Total $000**	Revenue $'000	Capital $'000	Total $'000
Profit for the Year	**54,938**	**1,914**	**56,852**	**43,699**	**(18,699)**	**25,000**
Other Comprehensive Income						
Unrealised gains/(losses) for the period on securities in the portfolio at 30 June	**-**	31,580	**31,580**	**-**	44,770	**44,770**
Deferred tax expense on above	**-**	(5,374)	**(5,374)**	**-**	3,945	**3,945**
Plus gains/(losses) for the period on securities realised before 7 December 2009	**-**	-	**-**	**-**	38	**38**
Tax expense on above	**-**	-	**-**	**-**	(12,314)	**(12,314)**
Plus gains/(losses) for the period on securities realised after 7 December 2009	**-**	(8,759)	**(8,759)**	**-**	6,183	**6,183**
Tax expense on above	**-**	(537)	**(537)**	**-**	(8,692)	**(8,692)**
Transfer to Income Statement of cumulative losses on investments realised prior to 7 December 2009	**-**	-	**-**	**-**	11,050	**11,050**
Tax expense/(credit) on above	**-**	-	**-**	**-**	9,010	**9,010**
Net movement in fair value of swap contracts	**-**	(169)	**(169)**	**-**	(45)	**(45)**
Total Other Comprehensive Income[1, 3]	**-**	**16,741**	**16,741**	**-**	**53,945**	**53,945**
Total comprehensive income [2]	**54,938**	**18,655**	**73,593**	**43,699**	**35,246**	**78,945**

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

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

[3] Total tax movement in Other Comprehensive Income : 2011 - $(5.9)m; 2010 - $(8.1)m.

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

BALANCE SHEET AS AT 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash	**6**	54,913	69,706
Receivables	**7**	9,150	6,459
Trading portfolio	**8**	23,317	10,497
Total current assets		**87,380**	**86,662**
Non-current assets			
Investment portfolio	**9**	790,574	712,993
Shares in associate		566	465
Deferred tax assets	**10**	412	1,214
Total non-current assets		**791,552**	**714,672**
Total assets		**878,932**	**801,334**
Current liabilities			
Payables	**11**	2,165	2,563
Tax payable		3,538	4,794
Borrowings – bank debt		100,000	50,000
Interest-rate hedging contracts	**12**	493	324
Options written portfolio	**13**	2,044	3,235
Total current liabilities		**108,240**	**60,916**
Non-current liabilities			
Deferred tax liabilities - investment portfolio	**14**	17,696	14,202
Total non-current liabilities		**17,696**	**14,202**
Total liabilities		**125,936**	**75,118**
Net Assets		**752,996**	**726,216**
Shareholders' equity			
Share Capital	**15**	619,986	611,436
Revaluation Reserve	**17**	20,153	4,045
Realised Capital Gains Reserve	**19**	44,242	49,360
Interest-rate Hedging Reserve	**12**	(493)	(324)
Retained Profits	**20**	69,108	61,699
Total shareholders' equity		**752,996**	**726,216**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

Year Ended 30 June 2011	**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		**611,436**	**4,045**	**49,360**	**(324)**	**61,699**	**726,216**
Dividends paid	**22**	-	-	(8,497)	-	(46,866)	**(55,363)**
Shares issued - Dividend Reinvestment Plan	**15**	8,573	-	-	-	-	**8,573**
Other Share Capital Adjustments	**15**	(23)	-	-	-	-	**(23)**
Total transactions with share-holders		**8,550**	**-**	**(8,497)**	**-**	**(46,866)**	**(46,813)**
Profit for the year		-	2,577	-	-	54,275	**56,852**
Other Comprehensive Income (net of tax)							
Net unrealised gains for the period for stocks held at 30 June		-	26,206	-	-	-	**26,206**
Net losses for the period on securities realised		-	(9,296)	-	-	-	**(9,296)**
Transfer to Realisation Reserve of cumulative gains on investments realised		-	(3,379)	3,379	-	-	**-**
Net movement in fair value of swap contracts		-	-	-	(169)	-	**(169)**
Other Comprehensive Income for the year		-	13,531	3,379	(169)	-	**16,741**
Total equity at the end of the year		**619,986**	**20,153**	**44,242**	**(493)**	**69,108**	**752,996**

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 2011 (2010 COMPARATIVES)

Year Ended 30 June 2010	Note	Share Capital $000	Revaluation Reserve $000	'Impairment' Revaluation Charge $000	Realised Capital Gains $000	Interest-Rate Hedging $000	Retained Profits $'000	Total $'000
Total equity at the beginning of the year (as reported)		**587,649**	**(11,350)**	**(49,690)**	**86,600**	**(279)**	**64,746**	**677,676**
Adoption of AASB 9		-	(47,417)	47,417	-	-	-	**-**
Restated Total equity at the beginning of the year		**587,649**	**(58,767)**	**(2,273)**	**86,600**	**(279)**	**64,746**	**677,676**
Dividends paid	**22**	-	-	-	(8,256)	-	(45,936)	**(54,192)**
Shares issued - Dividend Reinvestment Plan	**15**	8,045	-	-	-	-	-	**8,045**
Convertible note conversion	**15**	15,752	-	-	-	-	-	**15,752**
Other Share Capital Adjustments	**15**	(10)	-	-	-	-	-	**(10)**
Total transactions with share-holders		**23,787**	**-**	**-**	**(8,256)**	**-**	**(45,936)**	**(30,405)**
Profit for the year		-	2,171	-	(20,060)	-	42,889	**25,000**
Transfer of Impairment Charge Reserve to Realisation Reserve		-	-	2,273	(2,273)	-	-	**-**
Other Comprehensive Income (net of tax)								
Net unrealised gains for the period for stocks held at 30 June		-	48,715	-	-	-	-	**48,715**
Net losses for the period on securities realised before 7 December 2009		-	(12,276)	-	-	-	-	**(12,276)**
Transfer to Income Statement of cumulative losses on investments realised before 7 December 2009		-	20,060	-	-	-	-	**20,060**
Net losses for the period on securities realised after 7 December 2009		-	(2,509)	-	-	-	-	**(2,509)**
Transfer to Realisation Reserve of cumulative losses on investments realised after 7 December 2009		-	6,651	-	(6,651)	-	-	**-**
Net movement in fair value of swap contracts		-	-	-	-	(45)	-	**(45)**
Other Comprehensive Income for the year		-	60,641	-	(6,651)	(45)	-	**53,945**
Total equity at the end of the year		**611,436**	**4,045**	**-**	**49,360**	**(324)**	**61,699**	**726,216**

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $'000 INFLOWS/ (OUTFLOWS)	2010 $'000 INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Sales from trading portfolio		10,113	17,472
Purchases for trading portfolio		(18,707)	(21,073)
Interest received		2,402	1,407
Proceeds from entering into options in options written portfolio		20,107	37,977
Payment to close out options in options written portfolio		(9,706)	(30,344)
Dividends and distributions received		46,977	19,399
		51,186	24,838
Other receipts		-	93
Administration expenses		(3,365)	(3,170)
Finance costs paid		(5,070)	(4,398)
Income taxes (paid)/credit		443	(6,448)
Net cash inflow/(outflow) from operating activities	**27**	**43,194**	**10,915**
Cash flows from investing activities			
Sales from investment portfolio		27,626	135,812
Purchases for investment portfolio		(81,934)	(62,522)
Tax paid on capital gains		(6,866)	-
Net cash inflow/(outflow) from investing activities		**(61,174)**	**73,290**
Cash flows from financing activities			
Proceeds from borrowings		330,000	195,000
Repayment of borrowings		(280,000)	(221,250)
Share issue transaction costs		(23)	(10)
Share buy-backs		-	-
Dividends paid		(46,790)	(46,144)
Net cash inflow/(outflow) from financing activities		**3,187**	**(72,404)**
Net increase/(decrease) in cash held		(14,793)	11,801
Cash at the beginning of the year		69,706	57,905
Cash at the end of the year	**6**	**54,913**	**69,706**

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

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. This financial report has been authorised for issue as per the Directors Declaration and is presented in the Australian currency. The Company has the power to amend and reissue the financial report.

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

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

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

The Company has not applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2011. The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

a) Basis of accounting

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

b) Associate Accounting Policy

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

The Company has one Associate – Australian Investment Company Services ("AICS") in which it has a 25% shareholding. AICS provides investment and administrative services to the Company and to other Listed Investment Companies, including its Parent, Australian Foundation Investment Company ("AFIC") which holds the other 75%.

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

c) Holdings of securities

(i) Balance sheet classification

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

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

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

The trading portfolio comprises securities held for short term trading purposes, including exchange traded options contracts that are entered into as described in Note 8.

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

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

(ii) Valuation of investment portfolio

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

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

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

(iii) Valuation of trading portfolio

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

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

(iv) Valuation of options written portfolio

Options written are initially brought to account at the amount received upfront for entering into the contract (the premium) and subsequently revalued to current market value.

(v) Income from holdings of securities

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

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

d) Taxation

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

A tax provision is made for the unrealised gain or loss on securities valued at fair value through the Income Statement – i.e. the trading portfolio, puttable instruments and the options written portfolio.

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

e) Cash flows

For the purpose of the cash flow statement, 'cash' includes cash, deposits held at call, investment grade promissory notes and discounted bills of exchange.

f) Fair value of financial assets and liabilities

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

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

g) Directors' retirement allowances

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

h) Interest-rate swaps

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

i) Rounding of amounts

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

j) Split between Revenue and Capital in Other Comprehensive Income

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

k) Segment Reporting

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

2. Critical Accounting Estimates and Judgements

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

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

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

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

3. Financial Reporting by segments

(a) Description of segments

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

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

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

(b) Segment information provided to the Board

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

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

	2011 $'000	2010 $'000
Net Operating profit after income tax expense	**54,938**	**43,699**
Add back income tax expense	2,782	3,460
Net losses on securities sold from the investment portfolio before 7 December 2009	-	(11,050)
Net gains on puttable instruments	3,681	3,101
Net losses on open options positions	(947)	(1,157)
Profit for the year before tax	**60,454**	**38,053**

In addition, the Investment Committee regularly reviews the net asset value per share both before and after provision for deferred tax on the unrealised gains in the Company's long term investment portfolio. Deferred tax is calculated as set out in notes 1(d) and 2. The relevant amounts as at 30 June 2011 and 30 June 2010 were as follows:

Net tangible asset backing per share	2011 $	2010 $
Before Tax	**3.59**	**3.49**
After Tax	3.51	3.42

(c) Other segment information
Revenues from external parties are derived from the receipt of dividend, distribution and interest income, and income arising on the trading portfolio and realised income from the options portfolio.

The Company is domiciled in Australia and all of the Company's income is derived from Australian entities or entities that have a listing on the Australian Securities Exchange. The Company has a diversified portfolio of investments, with only investment comprising more than 10% of the Company's income, including realised income from the options written portfolio : BHP Billiton (23.9%) including $11.6 million of dividend included in income received due to the Company's participation in BHP Billiton's off-market buy-back (2010 : None over 10%).

4. Operating profit before income tax expense

	2011 $'000	2010 $'000
Dividends and distributions		
• securities held in investment portfolio	50,549	32,035
• securities held in trading portfolio	898	295
	51,447	32,330
Interest income		
• income from cash investments	2,153	1,687
	2,153	1,687
Net gains/(losses) and write downs		
• net realised gains from trading portfolio	2,021	1,781
• realised gains on options written portfolio	12,535	18,232
• unrealised losses from trading portfolio	(2,312)	(332)
	12,244	19,681
Other income	-	93
	-	93
Income from operating activities	**65,844**	**53,791**
Finance costs	(4,902)	(3,734)
Administration fees paid to AICS	(2,000)	(1,898)
Share of net profit from Associate	146	277
Other administration expenses	(1,368)	(1,277)
Operating profit before income tax expense	**57,720**	**47,159**

Further information relating to remuneration of auditors is set out in Note 26, Directors and Executives in Note 24.

5. Tax expense

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

	2011 $'000	2010 $'000
Operating profit before income tax expense	**57,720**	**47,159**
Tax at the Australian tax rate of 30% (2010 – 30%)	17,316	14,148
Tax offset for franked dividends	(12,823)	(8,040)
Tax effect of reversal of previous years' unrealised option position	(870)	(1,216)
Tax effect of sundry items not taxable in calculating taxable income	(504)	(12)
	3,119	**4,880**
Over provision in prior years	(337)	(1,420)
Income tax expense on operating profit before net gains on investments	**2,782**	**3,460**
Net gains/(losses) on investments	**2,734**	**(9,106)**
Tax at the Australian tax rate of 30% (2010 – 30%)	820	(2,732)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		
Differences between accounting and tax cost bases for capital gains purposes	-	12,140
Under (over) provision in prior years	-	185
Tax expense/(credit) on net losses on investments	**820**	**9,593**
Total tax expense/(credit)	**3,602**	**13,053**

(b) Tax expense composition

	2011 $'000	2010 $'000
Charge for tax payable relating to the current year	2,033	2,342
Under (over) provision in prior years	(337)	(1,235)
Increase in deferred tax liabilities – puttable instruments	1,104	930
Decrease in deferred tax assets – other (incl. capital losses)	802	11,016
	3,602	**13,053**

(c) Amounts recognised directly through Other Comprehensive Income

	2011 $'000	2010 $'000
Increase (decrease) in deferred tax liabilities relating to capital gains tax on the movement in unrealised gains in the investment portfolio	5,911	8,051
	5,911	**8,051**

6. Current assets – cash

	2011 $'000	2010 $'000
Cash at bank and in hand	5,413	11,706
Fixed Term Deposits	49,500	58,000
	54,913	69,706

Cash holdings yielded an average floating interest rate of 5.6% (2010: 4.4%).

(a) Credit risk exposure

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

(b) Standby arrangements and credit facilities

The Company is party to agreements under which Commonwealth Bank of Australia and the National Australia Bank will extend a cash advance facility. $50 million of the facility with Commonwealth Bank is a 5 year facility. The remainder are twelve month facilities. At 1 July 2011 an additional new facility agreement for $25 million was entered into with Westpac Bank (for total debt facilities of $175 million).

	2011 $'000	2010 $'000
Commonwealth Bank of Australia –cash advance facility	130,000	130,000
Amount drawn down at 30 June	100,000	50,000
Undrawn facilities at 30 June	30,000	80,000
National Australia Bank- cash advance facility	20,000	20,000
Amount drawn down at 30 June	-	-
Undrawn facilities at 30 June	20,000	20,000
Total short-term loan facilities	150,000	150,000
Total drawn down at 30 June	100,000	50,000
Total undrawn facilities at 30 June	50,000	100,000

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.

7. Current assets – receivables

	2011	2010
Dividends and distributions receivable	6,718	5,432
Outstanding settlements – Investment portfolio	-	90
Outstanding settlements – Trading portfolio	904	34
Other receivables/pre-payments	1,528	903
	9,150	6,459

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

8. Current assets – trading portfolio

	2011 $'000	2010 $'000
Listed securities at market value :		
- shares and trust units	23,317	10,682
- Options sold by the Company		
• Calls	-	(185)
• Puts	-	-
	23,317	10,497

(a) Options sold

The Company enters into option contracts in the trading portfolio as part of its trading activities to generate profits on dealing in securities. Where the Company sells a call option it is obligated to deliver securities at an agreed price if the taker exercises the option. Whereas if the Company sells a put option it is obligated to buy the underlying shares at an agreed price if the taker exercises the option. Options are valued at a theoretical price which is obtained from an independent third-party data provider.

As at balance date there were no call options outstanding (2010: $8.3 million potential exposure) held by the Company in its trading portfolio. As at the previous balance date all of these contracts were exchange-traded options and were entered into within the constraints and controls imposed by the Australian Securities Exchange. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily. The Investment Committee meets regularly (normally weekly) to consider, review and approve the investment, trading and sub-underwriting transactions of the Company and related matters.

9. Non-current assets – investment portfolio

	2011 $'000	2010 $'000
Equity instruments		
- shares/trust and stapled securities market value	768,996	698,140
- unlisted securities at fair value	85	-
Puttable instruments and convertible notes classified as debt	21,493	14,853
	790,574	712,993

For a detailed list of the fair value of the securities in the investment portfolio measured at fair value through Other Comprehensive Income, see Note 29.

10. Deferred tax assets

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

		2011 $'000	2010 $'000
(a)	Trading portfolio	794	100
(b)	Tax on unrealised (gains)/losses in the options written portfolio	(586)	(870)
(c)	Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	-	1,929
(d)	Provisions and expenses charged to the accounting profit which are not yet tax deductible	230	211
(e)	Interest and dividend income receivable which is not assessable for tax until receipt	(26)	(156)
		412	1,214
Movements:			
Opening asset balance at 1 July		1,214	12,230
Credited/(charged) to Income Statement		(802)	(11,016)
		412	1,214

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

The portion of deferred tax asset likely to be reversed within the next 12 months is $182,000 (2010: $1.0 million). This relates primarily to items described in items (a), (b), (c) and (e) above.

11. Current liabilities – payables

	2011 $'000	2010 $'000
Outstanding settlements – Investment portfolio	-	569
Outstanding settlements – Trading portfolio	-	544
Directors' retirement benefits	661	661
Other payables	1,504	789
	2,165	2,563

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

12. Interest-rate swaps

	2011 $'000	2010 $'000
Opening Balance at 1 July	(324)	(279)
Movement for year (net of tax)	(169)	(45)
Fair value of interest-rate swap agreements	(493)	(324)

The Company has entered into three interest-rate hedging contracts at a rate of 5.520%, 5.375% and 5.195% with the Commonwealth Bank of Australia, under which the Company will pay a fixed interest rate on $100 million worth of short-term borrowings. These have been designated as effective hedges and any movements in their fair value will be shown as an adjustment against equity. These swaps commenced in March 2011, February 2010 and May 2010. The first (for $50 million) has a five-year effective life. The remaining two (for $25 million each) have a three-year effective life. The reserve and the corresponding asset/liability are measured as the fair value of the interest-rate swaps net of associated tax.

13. Options written portfolio

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

As at balance date the Company had outstanding put options which at the option of the purchaser may have required the Company to buy $4.9 million worth of securities prior to the respective expiry dates if they were exercised (2010 : $nil). At balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of $148.9 million (2010: $160.4 million). The total income for the year of $12.5 million (2010 : $18.2 million) plus the unrealised loss on the open options position of $0.9 million (2010 : $1.2 million), both before tax, resulted in a net pre-tax 'profit' of $11.6 million (2010 : $17.1 million).

As at balance date these contracts were predominantly exchange-traded options and were entered into within the constraints and controls imposed by the Australian Securities Exchange Limited. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily. The Investment Committee meets regularly (normally weekly) to consider, review and approve the option transactions of the Company and related matters. $87.5 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2010: $83.6 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.

14. Deferred tax liabilities – investment portfolio

	2011 $'000	2010 $'000
Deferred tax liabilities on unrealised gains in the investment portfolio	17,696	14,202

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

Opening balance at 1 July	14,202	11,162
Charged to income statement for tax on fair value movement of puttable instruments	1,104	930
Cumulative tax charge on gains taken to Realisation Reserve	(3,521)	(5,941)
(Credited)/charged to OCI for ordinary securities	5,911	8,051
Closing balance at 30 June	17,696	14,202

15. Shareholders' equity – share capital

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

Date	Details	Notes	Number of shares '000	Issue price $	Paid-up Capital $'000
1/07/2009	Balance		206,406		587,649
25/08/2009	Dividend Reinvestment Plan	i	1,223	4.02	4,916
30/09/2009	Convertible note conversion		4,039	3.90	15,752
19/2/2010	Dividend Reinvestment Plan	i	752	4.16	3,129
Various	Costs of issue		-		(10)
30/06/2010	Balance		212,420		611,436
24/08/2010	Dividend Reinvestment Plan	i	1,338	3.89	5,205
18/2/2011	Dividend Reinvestment Plan	i	832	4.05	3,368
Various	Costs of issue		-		(23)
30/06/2011	Balance		214,590		619,986

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

ii. The Company introduced an on-market Buy-Back Program in December 2000. During the 2011 financial year the Company bought back no shares (2010: Nil).

16. Capital Management

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

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

The Company's capital consists of its shareholders equity less the fair value of the interest-rate swaps, plus any net borrowings. The change in this capital is as noted in notes 6 b), 15, 17, 18, 19, and 20.

17. Revaluation Reserve

	2011 $'000	2010 $'000
Opening balance at 1 July	4,045	(58,767)
Cumulative unrealised gains/(losses) on investment portfolio		
– equity instruments	15,921	61,775
– puttable instruments (transferred from retained earnings)	3,681	3,101
Cumulative provision for tax on unrealised gains	(3,494)	(2,064)
	20,153	4,045

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note 1 c)(ii). As no gains or losses have been realised on these investments, this reserve is not available for distribution.

18. 'Impairment' revaluation reserve

Opening balance at 1 July	-	(2,273)
Income Statement Charge	-	-
Transfer to Realised Capital Gains Reserve	-	2,273
	-	-

This reserve relates to the 'impairment' revaluation charge that the Company took in relation to securities sold before 7 December 2009.

19. Realised Capital Gains Reserve

	2011 $'000	2010 $'000
Opening balance at 1 July	49,360	86,600
Dividends paid	(8,497)	(8,256)
Transfer from 'Impairment' revaluation charge reserve	-	(2,273)
Cumulative taxable realised gains for period (net of tax)	3,379	(26,711)
	44,242	49,360

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio as described in accounting policy note 1 c)(ii). As the balance relates to net realised gains it may be distributed as cash dividends at the discretion of Directors.

20. Retained Profits

	2011 $'000	2010 $'000
Opening balance at 1 July	61,699	64,746
Dividends paid	(46,866)	(45,936)
Statutory Profit for the year	56,852	25,000
Transfer to realised capital gains reserve	-	20,060
Transfer to revaluation reserve (net of tax)	(2,577)	(2,171)
	69,108	61,699

This reserve relates to past profits and may be distributed as cash dividends at the discretion of Directors.

21. Financial Instruments

(a) Financial Risk Management

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

Credit risk

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

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

Cash & Cash Equivalents

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

Receivables

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

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

Trading & Investment Portfolios

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

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

Liquidity risk

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

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

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

The Company's inward operating cash-flows depend upon the level of distributions received. Should these drop by a material amount, the Company would amend its outward cash-flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is manageable by the Board and management. Furthermore, the assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary. The current financial liabilities are shown in Notes 6 b) & 11. The table below analyses the Company's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

30 June 2011	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying Amount (assets) / liabilities
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Payables	2,165	-	-	2,165	2,165
Borrowings	100,000	-	-	100,000	100,000
	102,165	-	-	102,165	102,165
Derivatives					
Options written *	4,920	-	-	4,920	2,044
Interest rate swaps	118	118	206	442	493
	5,038	118	206	5,362	2,537

30 June 2010					
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Payables	2,563	-	-	2,563	2,563
Borrowings	50,000	-	-	50,000	50,000
	52,563	-	-	52,563	52,563
Derivatives					
Options written *	-	-	-	-	3,235
Interest rate swaps	66	66	243	375	324
	66	66	243	375	3,559

* In the case of call options written there are no contractual cash flows, as if the option is exercised the contract will be settled in the securities over which the option is written. The contractual cash flows for put options written are the cash sums the Company will pay to acquire securities over which the options have been written, and it is assumed for purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow).

Market risk

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

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

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's other comprehensive income of $26.9 million and $53.8 million respectively, at a tax rate of 30% (2010 : $24.4 million & $48.9 million) and a reduction in profit after tax of $0.8 million and $1.5 million respectively, at a tax rate of 30% (2010 : $0.5 million and $1.0 million respectively). A market fall of 5% and 10% across the Trading Portfolio & Options Written Portfolio would lead to a reduction in profit after-tax of $0.7 million and $1.5 million respectively (2010 : $0.3 million and $0.5 million). The Revaluation Reserve at 30 June 2011 was $20.2 million (2010 : $4.0 million). It would require a fall in the value of the Investment Portfolio of 3.6% after tax to fully deplete this (2010 : 0.8%).

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

The Company's investment by sector is as below:

	2011	**2010**
Energy	13.40%	13.14%
Materials	19.60%	18.53%
Industrials	5.66%	5.96%
Consumer Discretionary	1.75%	2.35%
Consumer Staples	7.97%	7.82%
Banks	26.79%	23.24%
Other Financials (incl Property Trusts)	10.03%	9.77%
Telecommunications	4.42%	5.46%
Other - Health Care, Info Technology, Utilities	4.04%	4.91%
Cash	6.34%	8.82%

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

	2011
BHP Billiton	12.4%
Westpac	8.7%
Commonwealth Bank	8.0%

	2011
National Australia Bank	6.0%
ANZ Bank	5.8%

	2010
BHP Billiton	13.1%
Westpac	9.1%
Commonwealth Bank	6.1%
Telstra	6.0%
National Australia Bank	5.7%
Woodside Petroleum	5.3%

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

Interest Rate risk

The Company is not currently materially exposed to interest rate risk as all its cash investments and borrowings are short-term for a fixed interest rate but it has entered into interest-rate hedging contracts with the Commonwealth Bank of Australia, under which the Company will pay a fixed interest rate on $100 million worth of short-term borrowings, which commenced in February 2010, May 2010 & March 2011. This locks in a longer-term fixed rate for a substantial proportion of the Company's debt. Should interest-rates move to the extent that the Board feel that the swaps are uneconomical, they will be unwound and the cost of unwinding them would be reflected through the Income Statement. Interest rate risk on any hybrid securities held by the Company is reflected in their market value. The hedges were fully effective for the year. The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars. The writing of call options provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. Options are only written against securities that are held in the trading or investment portfolio.

Under Accounting Standards, movements in the market value of the trading portfolio are reflected directly through the Income Statement. However, the trading portfolio is only a minor proportion of the Company's investments. As at 30 June 2011, it was 2.7% of the total invested including cash (2010: 1.3%). This reduces the risk to the Company's earnings of a short-term fall in the value of securities held in the trading portfolio.

(b) Fair Value measurements

The Company has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through other comprehensive income				
Investment Portfolio (Equity)	768,996	85	-	769,081
Financial assets at fair value through profit or loss				
Trading Portfolio	23,317	-	-	23,317
Investment Portfolio (Puttables & convertible notes classified as debt)	21,493	-	-	21,493
Financial liabilities at fair value through profit or loss				
Options written	-	(2,044)	-	(2,044)
Derivatives used for hedging	-	(493)	-	(493)
Total	813,806	(2,452)	-	811,354

30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through other comprehensive income				
Investment Portfolio (Equity)	698,140	-	-	698,140
Financial assets at fair value through profit or loss				
Trading Portfolio	10,497	-	-	10,497
Investment Portfolio (Puttables)	14,853	-	-	14,853
Financial liabilities at fair value through profit or loss				
Options written	-	(3,235)	-	(3,235)
Derivatives used for hedging	-	(324)	-	(324)
Total	723,490	(3,559)	-	719,931

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

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

(c) Numerical disclosures – Investment Portfolio

The following disclosures result from the Company's early adoption of AASB 9, and apply only to investments held by the Company on 7 December 2009 and subsequent to this date. The fair value of each investment held at fair value through other comprehensive income (investment portfolio) is disclosed in note 29.

Dividend income for the period on those investments held at period end was $36.5 million (2010 : $30.5 million), and dividend income for those investments sold during the period was $15.0 million (2010 : $1.8 million).

Certain securities within the investment portfolio were disposed of during the period, whether during the normal course of the Company's activities as a Listed Investment Company or as the result of take-overs or acquisitions. The fair value of the investments sold during this period was $76.1 million (2010 : $59.0 million). The cumulative gain on these disposals was $3.4 million for the period after tax (2010 : $6.7 million loss), which has been transferred from the revaluation reserve to the realisation reserve (refer to statement of changes in equity). No puttable instruments or convertible notes classified as debt have been sold in the portfolio.

The Company has two classes of investments in the investment portfolio - i) assets defined under AASB 9 as 'equity investments', the fair value of which is valued through other comprehensive income and at 30 June 2011 was $769.1 million (30 June 2010 $698.1 million) and ii) puttable instruments and convertible notes that cannot be classified as equity instruments under AASB 9 and are consequently accounted for at fair value through profit or loss. The fair value of these at 30 June 2011 was $21.5 million (30 June 2010 : $14.9 million).

22. Dividends

	2011 $'000	2010 $'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2010 of 16 cents fully franked at 30% paid on 24 August 2010 (2010: 16 cents fully franked at 30% paid on 25 August 2009).	33,987	33,025
Interim dividend for the year ended 30 June 2011 of 10 cents per share fully franked at 30%, paid 18 February 2011 (2010: 10 cents fully franked at 30% paid 19 February 2010)	21,376	21,167
	55,363	54,192
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	35,082	30,111
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(14,715)	(14,566)
Net available	**20,367**	**15,545**

	2011 $'000	2010 $'000
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	47,523	36,272

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and the Company paying tax.

(c) Dividends declared after balance date

Since the end of the year Directors have declared a final dividend of 16 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2011 to be paid on 24 August 2011, but not recognised as a liability at the end of the financial year	34,334	

(d) Listed Investment Company capital gain account

Balance of the Listed Investment Company (LIC) capital gain account	14,334	18,633
This would equate to an attributable amount of	20,477	26,619

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

23. Earnings per share

Basic Earnings per Share	**2011 Number**	**2010 Number**
Weighted average number of ordinary shares used as the denominator	213,857,271	210,732,310
	$'000	**$'000**
Profit for the year	56,852	25,000
	Cents	**Cents**
Basic earnings per share	26.58	11.86

Basic net operating profit per Share

	$'000	**$'000**
Net operating profit	54,938	43,699
	Cents	**Cents**
Basic net operating profit per share	25.69	20.74

24. Directors and Executives

The Remuneration for the Directors was as follows :

	Short Term Benefits $	Post-Employment Benefits $	Total $
2011			
Directors	579,750	95,250	675,000
2010			
Directors	496,657	88,220	584,877

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

2011	**Opening balance**	**Net changes**	**Closing balance**
BB Teele	1,706,033	114,028	1,820,061
RE Barker	363,705	-	363,705
PC Barnett	40,000	-	40,000
TA Campbell	414,313	19,263	433,576
AF Guy	205,904	(9,468)	196,436
GJ Kraehe	35,910	-	35,910
J Paterson	209,069	8,627	217,696
AJM Williams	6,900	461	7,361
GN Driver	18,000	-	18,000
RM Freeman	41,065	-	41,065
2010			
BB Teele	1,642,778	63,255	1,706,033
RE Barker	363,705	-	363,705
PC Barnett	40,000	-	40,000
TA Campbell	401,272	13,041	414,313
AF Guy	193,375	12,529	205,904
GJ Kraehe	35,910	-	35,910
J Paterson	201,215	7,854	209,069
AJM Williams	n/a	6,900	6,900
GN Driver	18,000	-	18,000
RM Freeman	39,493	1,572	41,065

25. Related parties

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

Director TA Campbell had or has an interest in the following transactions as a Director or former Director, employee and shareholder of Goldman Sachs JBWere Company Holdings Pty Ltd, Goldman Sachs JBWere Pty Ltd, Goldman Sachs JBWere Services Pty Ltd and Goldman Sachs JBWere Capital Markets Limited.

	2011 $'000	2010 $'000
The Company buys and sells securities through Goldman Sachs amongst other brokers		
- Brokerage expenses paid or payable	164	521
The Company has paid administrative fees to its associated entity, AICS, in which it has a 25% shareholding		
Administration expenses paid during the year	2,000	1,898

26. Remuneration of auditors

	2011 $	2010 $
During the year the auditor earned the following remuneration:		
PricewaterhouseCoopers		
Audit or review of financial reports	100,320	104,720
Non-Audit Services		
Taxation compliance services	61,003	54,339
Total Non-Audit Services	61,003	54,339
Total remuneration	161,323	159,059

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

27. Reconciliation of net cash flows from operating activities to profit

	2011 $'000	2010 $'000
Profit for the year	56,852	25,000
- Fair value movement in puttable instruments	(2,577)	(2,171)
- Dividends received via off-market buy-back not included as income	10,550	-
- Net increase in trading portfolio	(12,820)	(10,497)
- Net capital losses before tax	-	11,050
- Net profit from Associate	(101)	(194)
- Decrease in options written portfolio	(1,191)	(9,443)
- Dividends received as securities under DRP investments	(7,800)	(8,256)
- Increase in current receivables	(2,691)	(231)
- Less decrease in receivables for investment portfolio	(90)	(133)
- Increase in deferred tax liabilities	4,296	14,056
- Less increase in deferred tax liability on investment portfolio	(3,494)	(3,040)
- Increase (decrease) in current payables	(398)	(6,156)
- Less decrease in payables for investment portfolio	569	6,363
- Increase (decrease) in provision for tax payable	(1,256)	508
- Add taxes paid on capital gains	6,866	-
- Less capital gains tax through OCI	(3,521)	(5,941)
Net cash flows from operating activities	43,194	10,915

28. Contingencies

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

29. Securities at Fair Value through other Comprehensive Income at 30 June 2011

The below list are those of securities held in the investment portfolio that are valued at fair value through Other Comprehensive Income. They do not include securities in the trading portfolio, the options written portfolio, puttable instruments or, in the case of the comparatives, securities sold prior to 7 December 2009.

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

	2011 $'000	2010 $'000
AGL Energy	8,816	7,744
Alumina	7,845	5,975
AMCIL	7,049	6,360
Amcor	12,273	12,151
AMP	26,981	18,477
ANZ Banking Group	45,924	33,591
APN News & Media	2,524	3,810
Australian Infrastructure Fund	8,927	7,904
AXA Asia Pacific	-	14,024
BHP Billiton	100,889	94,690
Bluescope Steel	123	214
Boral	5,071	4,584
Brambles	18,671	15,758
Carbon Energy	-	340
Coca-Cola Amatil	13,556	11,805
Commonwealth Bank	64,432	44,252
Computershare	7,201	8,613
CSR	908	1,578
Eastern Star Gas	1,924	1,650
Foster's Group	7,312	8,758
Hexima	85	62
Incitec Pivot	4,707	1,828
Insurance Australia Group	7,318	7,339
Metcash	4,358	4,400
Mirrabooka Investments	8,587	7,809
National Australia Bank	46,471	40,945
Oil Search	30,160	25,007
OneSteel	2,124	3,422

	2011	2010
	$'000	**$'000**
Orica	9,786	2,218
Origin Energy	18,144	13,933
Panaust	2,749	1,805
Peet	2,485	3,579
Perpetual	3,454	2,869
Premier Investments	5,093	5,110
QBE Insurance Group	22,214	20,323
Rio Tinto	25,197	20,441
Santos	22,865	21,278
Seven West Media (prev. WAN)	7,436	14,715
Telstra Corporation	37,177	41,809
Toll Holdings	3,937	4,448
Transurban Group	16,467	16,061
Treasury Wine Estates	1,757	-
Trust Company	2,035	-
Wesfarmers	11,859	8,526
Wesfarmers PPS	4,210	3,759
Westfield Retail	218	-
Westpac Banking Corp.	68,871	65,685
Woodside Petroleum	37,785	38,559
Woolworths	21,104	19,935
Total	**769,081**	**698,140**

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
www.pwc.com/au

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 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Djerriwarrh Investments Limited (continued)

Independence

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

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 2011 and of its performance for the year ended on that date; and

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

(b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

David Coogan
Partner

Melbourne
18 July 2011