DJERRIWARRH INVESTMENTS LIMITED

ABN 38 006 862 693

APPENDIX 4E STATEMENT FOR THE YEAR ENDING 30 JUNE 2010

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2010 with the previous corresponding period being the year ended 30 June 2009.

This report is based on audited financial statements. A copy of the audit report can be found on page 43.

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 2010 to ordinary shareholders on the register on 9 August 2010.

- 6 cents of the 16 cents final dividend is sourced from capital gains, on which the Company has paid tax. The amount of pre-tax attributable gain, known as an "LIC gain", is 8.6 cents (last year 5.7 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 $43.7 million, 20.9% down from the previous corresponding period.

- Net Operating Profit per share was 20.7 cents per share, down from 26.9 cents last year.

- Net Profit attributable to members (including capital losses) was $25.0 million, 18.7% down from $30.7 million in the previous corresponding period. Note last year's profit has been restated due to changes in accounting standards.

- Revenue from operating activities (excluding capital gains) was $34.1 million, 29.1% down from the previous corresponding period.

- The interim dividend for the 2010 financial year was 10 cents per share (the same as last year), fully franked, and it was paid to shareholders on 19 February 2010.

- 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 at a **5% discount** on 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 9 August 2010.

- 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 2010 were $3.49 (before allowing for the final dividend), up from $3.34 (before allowing for the final dividend) at the end of the previous corresponding period.

- The 2010 AGM will be held at the Hilton on the Park, East Melbourne, at 10.00 AM on Tuesday 5th October.

DJERRIWARRH INVESTMENTS

MEDIA RELEASE - FULL YEAR RESULT TO 30 JUNE 2010

19 July 2010

The market produced solid returns over the year despite greater risk aversion towards the closing stages of the financial year. The Company's portfolio return which includes dividends paid was positive 11.9 percent over the year which was slightly below the rise of 13.1 percent in the general market over the period.

Djerriwarrh's final dividend has been maintained at 16 cents per share bringing total dividends for the year to 26 cents per share. The discount on the Dividend Reinvestment Plan has been maintained at 5%. The current dividend yield on the share price is 6.3 percent fully franked.

Net Operating Profit, which measures the underlying income generated from the investment and trading portfolios, was $43.7 million down from $55.2 million over the corresponding period last year. Dividends received were down 31 percent following on from the significant cuts made during the global financial crisis in the previous financial year. Income from option activity was also down from the extremely strong levels generated the previous year as volatility levels declined for the majority of the financial year as markets recovered.

Reported Profit for the year was $25.0 million compared with a profit of $30.7 million last year. Note last year's comparative figure has been revised from a loss of $14.1 million following adoption of new accounting standards this year which changed the treatment of realised and unrealised gains and losses and impairment.

Major sales through the year were predominantly as a result of the exercise of call options. In particular the strongly rising market in the first half of the year led to call option positions being exercised across a number of holdings, the largest being Commonwealth Bank, National Australia Bank, Westpac, ANZ and Rio Tinto. However, as the share prices of some of these companies fell during the second half of the financial year selected holdings were replenished. Other purchases through the year included Australian Infrastructure Fund, Hastings Diversified Utilities Fund, Perpetual Trustees, QBE Insurance, Transurban, Wesfarmers and Woodside Petroleum.

The more cautious market sentiment and uplift in volatility allowed Djerriwarrh to replace a number of option positions that were close to being exercised toward the end of the financial year. During the year the remaining Convertible Notes were redeemed or converted to shares which reduced the Company's overall level of debt from the previous financial year. However given Djerriwarrh is close to fully invested the Company recently drew down its debt facility by $50 million to take advantage of higher volatility and more attractive valuations.

One of the challenges the Company faced during the year was the significant decline in dividends received. Whilst some recovery in dividends is expected in the near term the performance of the Company's option writing activity and to a lesser extent the Trading Portfolio will have an important bearing on future income performance. As result, the Company will seek to increase its option coverage from the current level of 23 percent to higher levels as market conditions allow.

Please direct any enquiries to:

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Chairman	Managing Director	General Manager
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MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions over $5 million

Company	Total Cost $'000
Australia & New Zealand Banking Group	12,395
Commonwealth Bank of Australia	8,410
Hastings Diversified Utilities Fund	6,652
Transurban Group	5,036

Disposals over $5 million

Company	Total Proceeds $'000
Commonwealth Bank of Australia	27,415
National Australia Bank	20,863
Australia & New Zealand Banking Group	20,853
Westpac Banking Corporation	20,522
Rio Tinto	10,608
Wesfarmers	6,051

Note all of these disposals were as a result of the exercise of call options.

TOP INVESTMENTS AS AT 30 JUNE 2010

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 30 June 2010

			Total Value $ million
1	*	BHP Billiton	94.4
2	*	Westpac Banking Corporation	65.5
3	*	Commonwealth Bank of Australia	44.1
4		Telstra Corporation	43.1
5	*	National Australia Bank	40.9
6	*	Woodside Petroleum	38.4
7	*	Australia & New Zealand Banking Group	33.2
8	*	Oil Search	28.7
9	*	Santos	21.2
10	*	QBE Insurance Group	20.3
11	*	Woolworths	19.8
12	*	Rio Tinto	19.7
13	*	AMP	18.5
14	*	Transurban Group	16.9
15	*	Brambles	16.0
16		Hastings Diversified Utilities Fund	14.9
17		West Australian Newspapers Holdings	14.7
18		AXA Asia Pacific Holdings	14.0
19	*	Origin Energy	13.9
20	*	Wesfarmers (a)	12.2
			590.3
		As % of Total Portfolio Value (excludes Cash)	82.0%

(a) Includes $3.8m WESN partially protected securities

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

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $'000	2009 $'000
Dividends and distributions		32,330	46,833
Revenue from deposits and bank bills		1,687	1,245
Other revenue		93	23
Total revenue		**34,110**	**48,101**
Net gains/(losses) on trading portfolio		1,449	1,497
Income from options written portfolio		18,232	23,322
Income from operating activities		**53,791**	**72,920**
Finance costs		(3,734)	(6,927)
Administration expenses		(3,175)	(3,122)
Share of net profit from Associate		277	254
Operating profit before income tax expense	**4**	**47,159**	**63,125**
Income tax credit/(expense)*	**5**	(3,460)	(7,912)
Net operating profit for the year		**43,699**	**55,213**
Net gains/(losses) on investments			
Net gains/(losses) on open options positions		(1,157)	10,542
Deferred tax on net gains/(losses) on open options positions*	**5**	347	(3,162)
'Impairment' revaluation charge on securities sold before 7 December 2009		-	(3,247)
Tax credit on above*	**5**	-	974
Net gains/(losses) on puttable instruments		3,101	(3,723)
Tax (expense)/credit on net gains/(losses) on puttable instruments*	**5**	(930)	1,117
Net gains/(losses) on securities sold from the investment portfolio before 7 December 2009		(11,050)	(35,075)
Tax (expense)/credit on gains on securities sold*	**5**	(9,010)	8,095
		(18,699)	(24,479)
Profit for the year		**25,000**	**30,734**
		Cents	**Cents**
Basic earnings per share	**24**	11.86	14.95
Diluted earnings per share	**24**	11.86	15.06
		2010 $000	**2009 $000**
***** Total Tax Expense		13,053	888

Note that the comparative figures have been restated as a result of the adoption of AASB 9 – see Note 30.

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Year to 30 June 2010			Year to 30 June 2009		
	Revenue $'000	**Capital $'000**	**Total $000**	Revenue $'000	Capital $'000	Total $'000
Profit for the Year	**43,699**	**(18,699)**	**25,000**	**55,213**	**(24,479)**	**30,734**
Other Comprehensive Income						
Unrealised gains/(losses) for the period on securities in the portfolio at 30 June	**-**	44,770	**44,770**	-	(162,845)	**(162,845)**
Deferred tax expense on above	**-**	3,945	**3,945**	-	49,395	**49,395**
Plus gains/(losses) for the period on securities realised before 7 December 2009	**-**	38	**38**	-	(42,303)	**(42,303)**
Tax expense on above	**-**	(12,314)	**(12,314)**	-	10,263	**10,263**
Plus gains for the period on securities realised after 7 December 2009	**-**	6,183	**6,183**	-	-	**-**
Tax expense on above	**-**	(8,692)	**(8,692)**	-	-	-
Transfer to Income Statement of cumulative losses on investments realised prior to 7 December	**-**	11,050	**11,050**	-	35,075	**35,075**
Tax expense/(credit) on above	**-**	9,010	**9,010**	-	(8,095)	**(8,095)**
Transfer to Income Statement for impairment charge	**-**	-	**-**		3,247	**3,247**
Tax credit on above		-	**-**		(974)	**(974)**
Net movement in fair value of swap contracts	**-**	(45)	**(45)**	-	(1,323)	**(1,323)**
Total Other Comprehensive Income[1, 3]	**-**	**53,945**	**53,945**	**-**	**(117,560)**	**(117,560)**
Total comprehensive income [2]	**43,699**	**35,246**	**78,945**	**55,213**	**(142,039)**	**(86,826)**

[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 : 2010 - $8.1m; 2009 - $50.6m credit.

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

BALANCE SHEET AS AT 30 JUNE 2010

	Note	2010 $'000	2009 $'000	2008 $000
Current assets				
Cash	**6**	69,706	57,905	298
Receivables	**7**	6,459	6,228	22,354
Trading portfolio	**8**	10,497	-	29,337
Interest-rate hedging contracts	**12**	-	-	1,044
Total current assets		**86,662**	**64,133**	**53,033**
Non-current assets				
Investment portfolio	**9**	712,993	730,165	959,370
Shares in associate		465	274	92
Deferred tax assets	**10**	1,214	12,230	8,505
Total non-current assets		**714,672**	**742,669**	**967,967**
Total assets		**801,334**	**806,802**	**1,021,000**
Current liabilities				
Payables	**11**	2,563	8,719	2,610
Tax payable		4,794	4,286	8,909
Borrowings – bank debt		50,000	60,000	78,000
Borrowings – convertible notes	**15**	-	32,002	-
Interest-rate hedging contracts	**12**	324	279	-
Options written portfolio	**13**	3,235	12,678	25,760
Total current liabilities		**60,916**	**117,964**	**115,279**
Non-current liabilities				
Deferred tax liabilities - investment portfolio	**14**	14,202	11,162	63,842
Borrowings – convertible notes	**15**	-	-	32,587
Total non-current liabilities		**14,202**	**11,162**	**96,429**
Total liabilities		**75,118**	**129,126**	**211,708**
Net Assets		**726,216**	**677,676**	**809,292**
Shareholders' equity				
Share Capital	**16**	611,436	587,649	579,243
Revaluation Reserve	**18**	4,045	(58,767)	60,076
'Impairment' revaluation charge reserve	**19**	-	(2,273)	-
Realised Capital Gains Reserve	**20**	49,360	86,600	134,010
Interest-rate Hedging Reserve	**12**	(324)	(279)	1,044
Retained Profits	**21**	61,699	64,746	34,919
Total shareholders' equity		**726,216**	**677,676**	**809,292**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

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)	**30**	**587,649**	**(11,350)**	**(49,690)**	**86,600**	**(279)**	**64,746**	**677,676**
Adoption of AASB 9	30	-	(47,417)	47,417	-	-	-	**-**
Restated Total equity at the beginning of the year	**30**	**587,649**	**(58,767)**	**(2,273)**	**86,600**	**(279)**	**64,746**	**677,676**
Dividends paid	**23**	-	-	-	(8,256)	-	(45,936)	**(54,192)**
Shares issued - Dividend Reinvestment Plan	**16**	8,045	-	-	-	-	-	**8,045**
Convertible note conversion	**16**	15,752	-	-	-	-	-	**15,752**
Other Share Capital Adjustments	**16**	(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.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010 (2009 COMPARATIVES)

Year Ended 30 June 2009	**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		**579,243**	**60,076**	**-**	**134,010**	**1,044**	**34,919**	**809,292**
Dividends paid	**23**	-	-	-	(20,430)	-	(32,766)	**(53,196)**
Shares issued under Dividend Reinvestment Plan	**16**	7,674	-	-	-	-	-	**7,674**
Convertible note conversion	**16**	752	-	-	-	-	-	**752**
Other Share Capital Adjustments	**16**	(20)	-	-	-	-	-	**(20)**
Total transactions with share-holders		**8,406**	**-**	**-**	**(20,430)**	**-**	**(32,766)**	**(44,790)**
Profit for the year		-	(2,606)	(2,273)	(26,980)	-	62,593	**30,734**
Other Comprehensive Income (net of tax)								
Net unrealised losses for the period for stocks held at 30 June		-	(113,450)	-	-	-	-	**(113,450)**
Net losses for the period on securities sold		-	(32,040)	-	-	-	-	**(32,040)**
Transfer to Income Statement of cumulative losses on investments sold		-	26,980	-	-	-	-	**26,980**
Transfer to Income Statement for impairment charge		-	2,273	-	-	-	-	**2,273**
Net movement in fair value of swap contracts		-	-	-	-	(1,323)	-	**(1,323)**
Other Comprehensive Income for the year		-	(116,237)	-	-	(1,323)	-	**(117,560)**
Total equity at the end of the year		**587,649**	**(58,767)**	**(2,273)**	**86,600**	**(279)**	**64,746**	**677,676**

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $'000 INFLOWS/ (OUTFLOWS)	2009 $'000 INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Sales from trading portfolio		17,472	51,919
Purchases for trading portfolio		(21,073)	(19,643)
Interest received		1,407	1,053
Proceeds from entering into options in options written portfolio		37,977	40,111
Payment to close out options in options written portfolio		(30,344)	(19,330)
Dividends and distributions received		19,399	40,090
		24,838	94,200
Other receipts		93	23
Administration expenses		(3,170)	(3,169)
Finance costs paid		(4,398)	(6,763)
Income taxes paid		(6,448)	(7,411)
Net cash inflow/(outflow) from operating activities	**28**	**10,915**	**76,880**
Cash flows from investing activities			
Sales from investment portfolio		135,812	130,189
Purchases for investment portfolio		(62,522)	(82,120)
Tax paid on capital gains		-	(3,800)
Net cash inflow/(outflow) from investing activities		**73,290**	**44,269**
Cash flows from financing activities			
Proceeds from borrowings		195,000	324,300
Repayment of borrowings		(221,250)	(342,300)
Share issue transaction costs		(10)	(9)
Share buy-backs		-	(11)
Dividends paid		(46,144)	(45,522)
Net cash inflow/(outflow) from financing activities		**(72,404)**	**(63,542)**
Net increase/(decrease) in cash held		11,801	57,607
Cash at the beginning of the year		57,905	298
Cash at the end of the year	**6**	**69,706**	**57,905**

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 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 2010 ("the inoperative standards") with the exception of AASB 9, as noted below. 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 (with the exception of AASB 9) at the date at which their adoption becomes mandatory.

Changes in Accounting Standards

AASB 101 (revised): *Presentation of Financial Statements*

With effect from 1 July 2009, the Company has adopted the revised AASB 101 – *Presentation of Financial Statements.* This standard requires the presentation of a new Statement of Comprehensive Income separate from changes in equity arising from transactions with shareholders.

The adoption of this new standard has no impact on the Company's net assets, net profit or total recognised gains and losses, but changes the statement where certain gains and losses are presented. Previously, unrealised gains / (losses) on the investment portfolio and the associated deferred tax (charge) / credit were presented in the Statement of Changes in Equity. These items are now presented as components of "other comprehensive income" in the new Statement of Comprehensive Income.

AASB 8 : *Operating Segments*

The Company has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the Board or its sub-committees. The adoption of the new standard has not affected the measurement of the Company's assets and liabilities or the way the assets, liabilities, income and expense items are presented in the financial statements.

AASB 9 : *Financial Instruments*

The Company has also early adopted AASB 9 – Financial Instruments, with effect from 7 December 2009, this being the earliest possible date for adoption. The Company has voluntarily adopted this standard, as this is considered to result in a presentation that better reflects the performance and operations of the Company.

This standard changes the way in which the Company's investments, and their performance, are presented. Adoption of this standard has no impact on the way in which the Company's investments are measured, and hence no impact on net assets or total comprehensive income.

(i) Old accounting treatment

Previously, the Company's investments were accounted for under AASB 139 – Financial Instruments: Recognition and Measurement. All investments were carried at fair value and classified as set out below:-

Portfolio	**AASB 139 Classification**
Investment portfolio (excluding hybrids)	"Available for sale"
Hybrids in the investment portfolio	"Designated at fair value through profit or loss"
Trading portfolio	"Held for trading"
Options written portfolio	"Held for trading"

Unrealised gains and losses on investments held in the investment portfolio were taken to the revaluation reserve, through the statement of changes in equity (and under revised AASB 101 would have been reported as "Other Comprehensive Income" ("OCI") in the new Statement of Comprehensive Income).

On sale of investments in the investment portfolio, the cumulative gain or loss from purchase to sale of the investment was transferred from the revaluation reserve to the income statement, and reported as part of profit.

Where there was objective evidence of impairment of an investment in the investment portfolio, an impairment charge was required to be booked through the income statement (as a transfer from the revaluation reserve), even where no loss had been realised.

All gains and losses on hybrids, options and on the trading portfolio were recognised in the Company's profit through the income statement.

(ii) New accounting treatment

AASB 9 introduces new categories of classification for financial instruments. All the Company's investments continue to be carried at fair value and are now classified as follows:-

Portfolio	AASB 9 Classification
Investment portfolio	
- Equity instruments	"Designated at fair value through other comprehensive income"
- Puttable instruments	"Fair value through profit or loss"
Trading portfolio	"Held for trading"
Options written portfolio	Continue to be accounted for under AASB 139

Equity instruments in the Investment Portfolio

All gains and losses (realised and unrealised) on investments held in the investment portfolio are reported as "Other Comprehensive Income" in the new Statement of Comprehensive Income and are accumulated in the revaluation reserve. Realised gains and losses, are no longer reclassified from other comprehensive income to the income statement, and do not form part of the Company's profits.

Cumulative gains and losses are transferred from the revaluation reserve to retained profits or the realised capital gains reserve when the investments are sold. The realised capital gains reserve is used primarily to record gains upon which Capital Gains Tax has been or will be paid, and which consequently are available for distributions to shareholders as Listed Investment Company Capital gains, which enables many shareholders to claim some of this as a tax deduction (see Note 1 c) (ii) below).

There are no impairment provisions in AASB 9 for investments designated at fair value through other comprehensive income.

Hybrids, when determined to be equity instruments, are also designated at fair value through other comprehensive income.

Puttable instruments in the Investment Portfolio

Puttable instruments in the Investment Portfolio provide the Company with a beneficial interest in the net assets of the investment and a right to receive distributions and they are therefore monitored by the Company in the same way as the other instruments in the investment portfolio. Under some closely defined circumstances, the issuer of these instruments has a contractual obligation to repurchase or redeem that instrument for cash or another financial asset on exercise of the put. Although these instruments can be classified by the issuer as 'equity instruments' under AASB 132 where certain criteria are fulfilled, this classification is unavailable to the Company under AASB 9 and therefore these must be classified as 'fair value through profit or loss.'

Trading & Options Written Portfolios

The adoption of AASB 9 has no impact on the trading and options written portfolios.

(iii) Transitional provisions

Comparatives have been restated, but AASB 9 can only be applied retrospectively to investments held at the date of adoption, being 7 December 2009.

Equity instruments in the Investment Portfolio
Investments sold prior to this date are accounted for under AASB 139 as described above. Therefore in the current and prior periods, the cumulative gains and losses on investments sold prior to 7 December are transferred out of the revaluation reserve to the income statement and continue to form part of profit. Investments sold after this date are accounted for under AASB 9 and the cumulative gains and losses remain in other comprehensive income.

Impairment charges recognised in previous periods in profit or loss are reversed in the restatement of comparatives, except where the charge is in respect of investments sold prior to 7 December.

Gains and losses on hybrids held at 7 December, where necessary, have been reclassified and are now reported as “Other Comprehensive Income” instead of being included in profit in the income statement.

Puttable instruments in the Investment Portfolio
As both realised and unrealised gains and losses are accounted for through the income statement under AASB 9, comparatives have been restated to transfer unrealised gains / losses from other comprehensive income to the income statement, for those puttable instruments held at 7 December.

Further details on the impact of restating comparatives have been set out in note 30.

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) 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 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 and hybrids, are initially brought to account at market value, which is the cost of acquisition, and are revalued to market values 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 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. 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 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.

The capital gains tax payable on the sale of investments from the investment portfolio is determined with reference to the sales proceeds versus the original tax cost base of the investments. Investments in a given stock have been built up over a period of time with different tax cost bases. On disposal of investments the company is able to select which tax cost bases are used to calculate capital gains tax, and this is done at the time of preparation of the company’s tax return having regard for a number of factors, including the company’s overall tax position. The availability of different tax cost bases which can be utilised results in a range of possible tax outcomes at the end of a reporting period.

At 31 December 2009, a capital gains tax charge in respect of investments sold in the 6 months was estimated using the tax cost bases that the Directors intended at that time to reflect in the company’s tax return for the year ended 30 June 2010.

Subsequently, the Directors have revised their selection of tax cost parcels, which has resulted in a change in capital gains tax charge for those investments sold in the first six months, which was reported in the half year financial report.

Tax on realised gains recognised in the income statement (i.e. on investments sold prior to 7 December) increased by $18.3m, although this is offset by a compensating adjustment to deferred tax through other comprehensive income. The impact on investments sold between 7 December and 31 December was not significant. There was no impact on net assets.

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:

	2010 $'000	**2009 $'000**
Net Operating profit after income tax expense	**43,699**	**55,213**
Add back income tax expense	3,460	7,912
Net losses on securities sold from the investment portfolio before 7 December 2009	(11,050)	(35,075)
'Impairment' revaluation charge on securities sold before 7 December 2009	-	(3,247)
Net gains/(losses) on puttable instruments	3,101	(3,723)
Net gains/(losses) on open options positions	(1,157)	10,542
Profit for the year before tax	**38,053**	**31,622**

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 2010 and 30 June 2009 were as follows:

Net tangible asset backing per share	2010 $	2009 $
Before Tax	**3.49**	**3.34**
After Tax	3.42	3.28

(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 no investments comprising more than 10% of the Company's income, including realised income from the options written portfolio (2009 : Santos 16.8% which included the proceeds of the off-market buy-back, BHP Billiton 10.8%).

4. Operating profit before income tax expense

	2010 $'000	2009 $'000
Dividends and distributions		
• securities held in investment portfolio	32,035	46,615
• securities held in trading portfolio	295	218
	32,330	46,833
Interest income		
• income from cash investments	1,687	1,245
	1,687	1,245
Net gains/(losses) and write downs		
• net realised gains from trading portfolio	1,781	1,497
• realised gains on options written portfolio	18,232	23,322
• unrealised losses from trading portfolio	(332)	-
	19,681	24,819
Other income	93	23
	93	23
Income from operating activities	**53,791**	**72,920**
Finance costs	(3,734)	(6,927)
Administration fees paid to AICS	(1,898)	(1,999)
Share of net profit from Associate	277	254
Other administration expenses	(1,277)	(1,123)
Operating profit before income tax expense	**47,159**	**63,125**

Further information relating to remuneration of auditors is set out in Note 27, Directors and Executives in Note 25.

5. Tax expense

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

	2010 $'000	2009 $'000
Operating profit before income tax expense	**47,159**	**63,125**
Tax at the Australian tax rate of 30% (2009 – 30%)	14,148	18,937
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		
Tax offset for franked dividends	(8,040)	(12,172)
Reversal of previous years' unrealised option position	(1,216)	1,946
Sundry items	(12)	258
	4,880	**8,969**
Under (over) provision in prior years	(1,420)	(1,057)
Income tax expense on operating profit before net gains on investments	**3,460**	**7,912**
Net losses on investments	**(9,106)**	**(31,503)**
Tax at the Australian tax rate of 30% (2009 – 30%)	(2,732)	(9,451)
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	2,435
Under (over) provision in prior years	185	(8)
Tax expense/(credit) on net losses on investments	**9,593**	**(7,024)**
Total tax expense/(credit)	**13,053**	**888**

(b) Tax expense composition

	2010 $'000	2009 $'000
Charge for tax payable relating to the current year	2,342	7,769
Under (over) provision in prior years	(1,235)	(1,065)
Tax credit on AASB 139 'impairment' revaluation charge	-	(974)
Increase/(decrease) in deferred tax liabilities – puttable instruments	930	(1,117)
(Increase)/decrease in deferred tax assets – other (incl. capital losses)	11,016	(3,725)
	13,053	**888**

(c) Amounts recognised directly through Other Comprehensive Income

	2010 $'000	2009 $'000
Increase (decrease) in deferred tax liabilities relating to capital gains tax on the movement in unrealised gains in the investment portfolio	8,051	(50,589)
	8,051	**(50,589)**

6. Current assets – cash

	2010 $'000	2009 $'000	2008 $'000
Cash at bank and in hand	11,706	14,891	4
Fixed Term Deposits	58,000	43,014	294
	69,706	57,905	298

Cash holdings yielded an average floating interest rate of 4.4% (2009: 3.6%, 2008: 7.3%).

(a) Credit risk exposure

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" commercial banks and 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.

	2010 $'000	2009 $'000	2008 $'000
Commonwealth Bank of Australia –cash advance facility	130,000	100,000	100,000
Amount drawn down	50,000	60,000	15,500
Undrawn facilities	80,000	40,000	84,500
National Australia Bank- cash advance facility (2008 : floating rate facility)	20,000	50,000	100,000
Amount drawn down	-	-	62,500
Undrawn facilities	20,000	50,000	37,500
Total short-term loan facilities	150,000	150,000	200,000
Total drawn down	50,000	60,000	78,000
Total undrawn facilities	100,000	90,000	122,000

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

	2010 $'000	2009 $'000	2008 $'000
Dividends and distributions receivable	5,432	5,661	7,953
Outstanding settlements – Investment portfolio	124	257	13,540
Other receivables/pre-payments	903	310	861
	6,459	6,228	22,354

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

	2010 $'000	2009 $'000	2008 $'000
Listed securities at market value :			
- shares and trust units	10,682	-	29,947
- Options sold by the Company			
• Calls	(185)	-	(204)
• Puts	-	-	(406)
	10,497	-	29,337

(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 the Company had no sold put options outstanding which, if exercised, required the Company to purchase securities (2009: $Nil, 2008: $1.7 million value if exercised). As at balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of $8.3 million (2009: $Nil, 2008: $14.9 million) held by the Company in its trading portfolio. As at balance date all of these contracts were exchange-traded options and are 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

	2010 $'000	2009 $'000	2008 $'000
Equity instruments			
- shares/trust and stapled securities at market value	698,140	725,065	950,760
Puttable instruments	14,853	5,100	8,610
	712,993	730,165	959,370

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 31.

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:

		2010 $'000	2009 $'000	2008 $'000
(a)	Trading portfolio	100	-	220
(b)	Tax on unrealised (gains)/losses in the options written portfolio	(870)	(1,217)	1,946
(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	5,020	6,058
(d)	Provisions and expenses charged to the accounting profit which are not yet tax deductible	211	373	312
(e)	Interest and dividend income receivable which is not assessable for tax until receipt	(156)	(33)	(31)
(f)	Capital losses unutilised	-	8,087	-
		1,214	12,230	8,505

Movements:

	2010 $'000	2009 $'000	2008 $'000
Opening asset balance at 1 July	12,230	8,505	2,347
Credited/(charged) to Income Statement	(11,016)	3,725	6,158
	1,214	12,230	8,505

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 $1.0 million (2009: $3.8 million, 2008: $7.7 million). This relates primarily to items described in items (a), (b), (c) and (e) above.

11. Current liabilities – payables

	2010 $'000	2009 $'000	2008 $'000
Outstanding settlements – Investment portfolio	569	6,932	37
Outstanding settlements – Trading portfolio	544	-	-
Directors' retirement benefits	661	661	661
Other payables	789	1,126	1,912
	2,563	8,719	2,610

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

	2010 $'000	2009 $'000	2008 $'000
Opening Balance at 1 July	(279)	1,044	805
Movement for year (net of tax)	(45)	(1,323)	239
Fair value of interest-rate swap agreements	(324)	(279)	1,044

The Company has entered into two interest-rate hedging contracts at a rate of 5.375% and 5.195% with the Commonwealth Bank of Australia, under which the Company will pay a fixed interest rate on $50 million worth of short-term borrowings (previously $40 million at 5.94% expired July 2009 and $20 million at 5.735% with National Australia Bank expired September 2009). 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 2010 and May 2010 and 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 there were no outstanding put options which at the option of the purchaser may have required the Company to buy securities prior to the respective expiry dates if they were exercised (2009 : Nil; 2008: $10.5 million exposure). As at balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of $160.4 million (2009: $335.0 million; 2008: $310.0 million). The total income for the year of $18.2 million (2009 : $23.3 million; 2008 : $19.8 million) plus the unrealised loss on the open options position of $1.2 million (2009 : $10.5 million gain; 2008 : loss of $4.8 million), both before tax, resulted in a net pre-tax 'profit' of $17.1 million (2009 : $33.8 million; 2008 : $15.0 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 investment and trading transactions of the Company and related matters. $83.6 million of shares are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company (2009: $70.8 million; 2008: $85.5 million). These shares are held by ACH under the terms of ACH 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

	2010 $'000	2009 $'000	2008 $'000
Deferred tax liabilities on unrealised gains in the investment portfolio	14,202	11,162	63,842

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

	2010	2009	2008
Opening balance at 1 July	11,162	63,842	119,949
Tax charge on scrip-for-scrip acquisitions		-	1,343
Credited to income statement for tax on AASB 139 'impairment' revaluation charge	-	(974)	-
Charged/(Credited) to income statement for tax on fair value movement of puttable instruments	930	(1,117)	(1,519)
Cumulative tax (charge)/credit on gains taken to Realisation Reserve after 7 December	(5,941)	-	-
(Credited)/charged to OCI for ordinary securities	8,051	(50,589)	(55,931)
Closing balance at 30 June	14,202	11,162	63,842

15. Liabilities – convertible notes

	2010	2009	2008
Current (2009)/Non-current (2008) unsecured - convertible notes at amortised cost	-	32,002	32,587

16. 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
1/07/2008	Balance		204,095		579,243
15/08/2008	Dividend Reinvestment Plan	i	1,127	4.10	4,623
30/09/2008	Convertible note conversion	iii	193	3.90	752
20/2/2009	Dividend Reinvestment Plan	i	994	3.07	3,051
Various	Buy-backs	ii	(3)		(11)
Various	Costs of issue		-		(9)
30/06/2009	Balance		206,406		587,649
25/08/2009	Dividend Reinvestment Plan	i	1,223	4.02	4,916
30/09/2009	Convertible note conversion	iii	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

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 2009 financial year the Company bought back no shares (2009: 3,000 shares at an average price of $3.74).

iii. The Company issued shares with effect from 30 September 2008 & 30 September 2009, as a result of the conversion of convertible notes.

17. 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), 16, 18, 19 20, and 21.

18. Revaluation Reserve

	2010 $'000	2009 $'000	2008 $'000
Opening balance at 1 July	(58,767)	60,076	213,041
Cumulative unrealised gains/(losses) on investment portfolio – equity instruments	61,775	(166,826)	(205,351)
– puttable instruments	3,101	(3,723)	(5,064)
(transferred from retained earnings)			
Cumulative provision for tax on unrealised gains	(2,064)	51,706	57,450
	4,045	(58,767)	60,076

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.

19. Impairment' revaluation reserve

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

This reserve relates to the ‘impairment’ revaluation charge that the Company took in relation to securities sold before 7 December 2009 – see Note 1 (iii).

20. Realised Capital Gains Reserve

	2010 $’000	2009 $’000	2008 $’000
Opening balance at 1 July	86,600	134,010	113,815
Dividends paid	(8,256)	(20,430)	(4,231)
Transfer from ‘Impairment’ revaluation charge reserve	(2,273)	-	-
Cumulative taxable realised gains/(losses) for period (net of tax)	(26,711)	(26,980)	24,426
	49,360	86,600	134,010

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.

21. Retained Profits

	2010 $’000	2009 $’000	2008 $’000
Opening balance at 1 July	64,746	34,919	41,003
Dividends paid	(45,936)	(32,766)	(48,341)
Statutory Profit for the year	25,000	30,734	63,138
Transfer to realised capital gains reserve	20,060	26,980	(24,426)
Transfer to revaluation reserve (net of tax)	(2,171)	2,606	3,545
Transfer to ‘impairment’ revaluation charge reserve	-	2,273	-
	61,699	64,746	34,919

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

22. 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 and 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 (currently none in the portfolio) to the extent of their carrying values, in the event of a shortfall on winding-up of the issuing companies.

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

<u>Liquidity risk</u>

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

The Company monitors its cash-flow requirements daily. Furthermore, the Investment Committee monitors the level of contingent payments 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 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 2010	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	2,563	-	-	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
30 June 2009					
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Payables	8,719	-	-	8,719	8,719
Borrowings – cash advance	60,000	-	-	60,000	60,000
Borrowings – convertible notes	32,178	-	-	32,178	32,002
	100,897	-	-	100,897	100,721
Derivatives					
Options written *	-	-	-	-	12,678
Interest rate swaps	279	-	-	279	279
	279	-	-	279	12,957

* 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 $24.4 million and $48.9 million respectively, at a tax rate of 30% (2009 : $25.4 million & $50.8 million) and a reduction in profit of after tax of $0.5 million and $1.0 million respectively, at a tax rate of 30% (2009 : $0.3 million and $0.6 million respectively). A fall of 5% and 10% in the Trading Portfolio & Options

Written Portfolio would lead to a reduction in profit after-tax of $0.3 million and $0.5 million respectively (2009 : $0.2 million and $0.4 million gain). The Revaluation Reserve at 30 June 2010 was $4.0 million (2009 : $58.8 million negative). It would require a fall in the value of the Investment Portfolio of 0.8% after tax to fully deplete this (2009 : already depleted).

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:

	2010	**2009**
Energy	13.14%	12.60%
Materials	18.53%	18.15%
Industrials	5.96%	5.33%
Consumer Discretionary	2.35%	2.06%
Consumer Staples	7.82%	7.49%
Banks	23.24%	28.86%
Other Financials (incl Property Trusts)	9.77%	9.22%
Telecommunications	5.46%	5.62%
Other - Health Care, Info Technology, Utilities	4.91%	3.20%
Cash	8.82%	7.47%

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

	2010	**2009**
BHP Billiton	13.1%	11.0%
Westpac	9.1%	10.1%
Commonwealth Bank	6.1%	7.1%
Telstra	6.0%	5.6%
National Australia Bank	5.7%	7.2%
Woodside Petroleum	5.3%	4.9%

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

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 $50 million worth of short-term borrowings, which commenced in February 2010 & May 2010. 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 hedge was 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 2010, it was 1.3% of the total invested including cash (2009: Nil). 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

As of 1 July 2009, 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 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

Comparative information has not been provided as permitted by the transitional provisions of the new rules.

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. 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 31.

Dividend income for the period on those investments held at period end was $30.5 million (2009 : $41.4 million), and dividend income for those investments sold from 7 December 2009 to the period end was $1.8 million.

Certain securities within the investment portfolio were disposed of between 7 December and the period end, 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 $59.0 million. The cumulative loss on these disposals was $6.7 million for the period after tax, which has been transferred from the revaluation reserve to the realisation reserve (refer to statement of changes in equity). No puttable instruments 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 2010 was $698.1 million (30 June 2009 $648.4 million) and ii) puttable instruments 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 2010 was $14.9 million (30 June 2009 : $5.1 million).

23. Dividends

	2010 $'000	2009 $'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2009 of 16 cents fully franked at 30% paid on 25 August 2009 (2009: 16 cents fully franked at 30% paid on 15 August 2008).	33,025	32,655
Interim dividend for the year ended 30 June 2010 of 10 cents per share fully franked at 30%, paid 19 February 2010 (2009: 10 cents fully franked at 30% paid 20 February 2009)	21,167	20,541
	54,192	53,196

b) Franking credits

	2010 $'000	2009 $'000
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	30,111	36,260
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(14,566)	(14,154)
Net available	**15,545**	**22,106**

	2010 $'000	2009 $'000
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	36,272	51,581

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 2010 to be paid on 24 August 2010, but not recognised as a liability at the end of the financial year	33,987	

(d) Listed Investment Company capital gain account

Balance of the Listed Investment Company (LIC) capital gain account	18,633	10,719
This would equate to an attributable amount of	26,619	15,313

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.

24. Earnings per share

Basic Earnings per Share	**2010 Number**	**2009 Number**
Weighted average number of ordinary shares used as the denominator	210,732,310	205,575,854
	$'000	**$'000**
Profit for the year	25,000	30,734
	Cents	**Cents**
Basic earnings per share	11.86	14.95

Diluted Earnings per Share	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator (as above)	210,732,310	205,575,854
Weighted average number of convertible notes used as the denominator	-	8,254,303
	210,732,310	213,830,157
	2010	**2009**
	$'000	**$'000**
Profit for the year	25,000	30,734
Interest on convertible notes (net of tax)	-	1,465
	25,000	32,199

	2010 Cents	2009 Cents
Diluted earnings per share	11.86	15.06

Basic net operating profit per Share

	$'000	$'000
Net operating profit	43,699	55,213
	Cents	**Cents**
Basic net operating profit per share	20.74	26.86

Diluted net operating profit per Share	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator (as above)	210,732,310	205,575,854
Weighted average number of convertible notes used as the denominator	-	8,254,303
	210,732,310	213,830,157
	$'000	**$'000**
Net operating profit for the year	43,699	55,213
Interest on convertible notes (net of tax)	-	1,465
	43,699	56,678
	Cents	**Cents**
Diluted net operating profit per share	20.74	26.51

25. Directors and Executives

The Remuneration for the Directors was as follows :

	Short Term Benefits $	Post-Employment Benefits $	Total $
2010			
Directors	496,657	88,220	584,877
2009			
Directors	463,385	112,615	576,000

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:

2010	Opening balance	Net changes	Closing balance
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

2009			
BB Teele	1,603,850	38,928	1,642,778
RE Barker	363,705	-	363,705
PC Barnett	20,000	20,000	40,000
TA Campbell	387,602	13,670	401,272
AF Guy	180,241	13,134	193,375
GJ Kraehe	35,910	-	35,910
J Paterson	154,484	46,731	201,215
GN Driver	15,000	3,000	18,000
RM Freeman	36,810	2,683	39,493

26. 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 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.

		2010 $'000	2009 $'000
(a)	The Company invested surplus funds with Goldman Sachs JBWere		
	- interest revenue received or receivable	-	58
(b)	The Company buys and sells securities through Goldman Sachs JBWere Pty Ltd amongst other brokers		
	- Brokerage expenses paid or payable	521	282
	The Company has paid administrative fees to its associated entity, AICS, in which it has a 25% shareholding		
(a)	Administration expenses paid during the year	1,898	1,999

27. Remuneration of auditors

	2010 $	2009 $
During the year the auditor earned the following remuneration:		
PricewaterhouseCoopers		
Audit or review of financial reports	104,720	110,585
<u>Non-Audit Services</u>		
Taxation compliance services	54,339	68,585
Audit of trust deed reporting	-	5,210
Total Non-Audit Services	54,339	73,795
Total remuneration	159,059	184,380

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.

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

	2010 $'000	2009 $'000
Profit for the year	25,000	30,734
- AASB 139 "Impairment" revaluation charge	-	2,273
- Fair value movement in puttable instruments	(2,171)	2,606
- Net decrease (increase) in trading portfolio	(10,497)	29,337
- Net capital losses (gains) before tax	11,050	35,075
- Net profit from Associate	(194)	(178)
- Increase (decrease) in options written portfolio	(9,443)	(13,082)
- Dividends received as securities under DRP investments	(8,256)	(7,561)
- Decrease (increase) in current receivables	(231)	16,126
- Less increase (decrease) in receivables for investment portfolio	(133)	(13,283)
- Increase (decrease) in deferred tax liabilities	14,056	(56,405)
- Less (increase) decrease in deferred tax liability on investment portfolio	(3,040)	52,680
- Increase (decrease) in current payables	(6,156)	6,109
- Less decrease (increase) in payables for investment portfolio	6,363	(6,895)
- Increase (decrease) in provision for tax payable	508	(4,623)
- Add taxes paid on capital gains	-	3,800
- Less capital gains tax through OCI	(5,941)	-
- Amortisation of borrowing costs	-	167
Net cash flows from operating activities	10,915	76,880

29. 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.

30. Effect of Changes in Accounting Standards

The impact on comparative profit, other comprehensive income, the allocation of the company's reserves and the classification of the company's investments resulting from the adoption of AASB 9 is summarised below:-

(i) Net profit

	2009 $'000
Net profit for the year (as reported last year)	**(14,077)**
Add : Impairment Charge *	67,696
Less : Tax credit on above	(20,279)
Less : Net losses on puttable instruments	(3,723)
Add : Tax credit on above	1,117
Restated net profit	**30,734**

	Cents Basic	Cents Diluted
Earnings per share (as reported last year)	**(6.85)**	**(5.90)**
Restated earnings per share	**14.95**	**15.06**

* Previously reported in "AASB 139 'impairment' revaluation charge" on Income Statement – the remainder relates to securities sold prior to 7 December 2009

(ii) Other comprehensive income

	2009 $'000
Net unrealised losses on investment portfolio & interest-rate swaps (as reported last year)	**(72,749)**
Less : Impairment Charge	(67,696)
Add : Tax credit on above	20,279
Add : Net losses on puttable instruments	3,723
Less : Tax credit on above	(1,117)
Restated other comprehensive income (expense)	**(117,560)**

(iii) Shareholders' equity

During the year ended 30 June 2009, under the old AASB 139, the Company was required to book an impairment charge. There are no provisions for impairment in the new standard, which is retrospectively applied to investments held at the date of adoption, 7 December. The Company has not sold all of the investments against which an impairment charge was taken at 30 June 2009, and therefore retrospectively applying AASB 9 at 30 June 2009 results in the reversal of some of this impairment charge (as this will be taken as an unrealised loss through other comprehensive income instead of an impairment loss through profit as presented above).

This results in the following restatement of reserves on the 30 June 2009 consolidated balance sheet :

	As previously reported $'000	Reverse impairment charge $'000	Restated $'000
Share capital	587,649	-	587,649
Revaluation reserve	(11,350)	(47,417)	(58,767)
Impairment revaluation charge reserve	(49,690)	47,417	(2,273)
Realised capital gains reserve	86,600	-	86,600
Interest rate hedging reserve	(279)	-	(279)
Retained profits	64,746	-	64,746
Total equity	**677,676**	**-**	**677,676**

The reclassification of the puttable instruments did not affect Retained Profits and the Revaluation Reserve as the losses recognised in net profit as per (i) above were subsequently transferred back into the Revaluation Reserve.

(iv) Classification of Investments

As described in note 1, the adoption of AASB 9 has resulted in a change in the classification of the Company's investments, although this has not impacted the value of these investments.

	As previously reported $'000	Restated $'000
AIFRS Classification		
Investment Portfolio		
Available for sale assets*	730,165	76,627
Assets at fair value through other comprehensive income	-	648,438
Assets at fair value through profit or loss	-	5,100
Trading Portfolio		
Assets held for trading – fair value through profit or loss	-	-
Options Written Portfolio		
Liabilites held for trading – fair value through profit or loss	(12,678)	(12,678)
Total Portfolio	**717,487**	**717,487**

* Investments held in the investment portfolio at 30 June 2009, which were sold prior to the adoption of AASB 9 on 7 December 2009, have not been reclassified as assets at fair value through other comprehensive income, as the transitional provisions of AASB 9 only allow retrospective application of the new standard to investments held on the date of adoption of this standard.

31. Securities at Fair Value through other Comprehensive Income at 30 June 2010

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.

	2010 $'000	**2009 $'000**
AGL Energy	7,744	7,085
Alumina	5,975	5,661
AMCIL	6,360	5,539
Amcor	12,151	9,090
AMP	18,477	17,393
ANZ Banking Group	33,591	22,175
APN News & Media	3,810	2,831
Australian Infrastructure Fund	7,904	3,750
AXA Asia Pacific	14,024	12,307
BHP Billiton	94,690	86,800
Bluescope Steel	214	258
Boral	4,584	4,074
Brambles	15,758	17,201
Carbon Energy	340	373
Coca-Cola Amatil	11,805	10,024
Commonwealth Bank	44,252	41,160
Computershare	8,613	11,156
CSR	1,578	1,597
Eastern Star Gas	1,650	1,600
Fairfax Media	-	1,708
Foster’s Group	8,758	6,953
GDY Options	-	7
Geodynamics	-	400
GWA International	-	2,221
Hexima	62	98
Incitec Pivot	1,828	1,593
Insurance Australia Group	7,339	6,238
Metcash	4,400	4,526
Mirrabooka Investments	7,809	6,749
National Australia Bank	40,945	36,696
Oil Search	25,007	24,601

	2010 $'000	2009 $'000
OneSteel	3,422	3,471
Orica	2,218	1,912
Origin Energy	13,933	12,555
Panaust	1,805	1,313
Peet	3,579	2,697
Perpetual	2,869	-
Premier Investments	5,110	4,624
QBE Insurance Group	20,323	19,675
Rio Tinto	20,441	11,365
Rio Tinto New	-	10,269
Santos	21,278	23,480
Telstra Corporation	41,809	43,610
Toll Holdings	4,448	4,990
Transurban Group	16,061	11,881
Viridis Clean Energy	-	963
West Australian Newspapers	14,715	10,682
Wesfarmers	8,526	10,456
Wesfarmers PPS	3,759	3,068
Westpac Banking Corp.	65,685	64,305
Woodside Petroleum	38,559	36,339
Woolworths	19,935	18,921
Total	**698,140**	**648,438**

PRICEWATERHOUSECOOPERS

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

Report on the financial report

We have audited the accompanying financial report of Djerriwarrh Investments Limited (the company), which comprises the balance sheet as at 30 June 2010, 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

PRICEWATERHOUSECOOPERS

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

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

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 2010 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 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

N Coogan

David Coogan
Partner

Melbourne
19 July 2010