DJERRIWARRH INVESTMENTS

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23 August 2010

The Manager
Company Announcements Office
Australian Securities Exchange
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

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

Dear Sir/Madam

Please find attached the 2010 Statutory Annual Report, Annual Shareholder Review, Notice of Meeting and Proxy Form being sent to shareholders.

Yours faithfully

Simon Pordage
Company Secretary

2010
Statutory Annual Report
Enhancing Income

DJERRIWARRH INVESTMENTS

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DJERRIWARRH INVESTMENTS

Summary of Results

Net Operating Profit

Net operating profit was $43.7 million down from $55.2 million over the previous corresponding period last year. This operating profit is made up primarily of dividends received from the investment portfolio, option income and revenue from the trading portfolio. It does not include realised gains on the sale of investments and is indicative of the income generated by the Company's portfolios. The decline was primarily as a result of the 31 per cent fall in dividends paid by the companies Djerriwarrh invests in.

Reported Profit for the Year

Reported profit for the year was $25.0 million (last year was $30.7 million). Note last year's comparative figure has been restated 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.

Earnings Per Share

Earnings per share based on net operating profit were 20.7 cents compared with 26.9 cents last year.

A Fully Franked Final Dividend

A fully franked final dividend of 16 cents per share was announced. This final dividend is unchanged from last year. The final dividend of 16 cents brings total dividends for the year to 26 cents per share, the same as last year. 6 cents of the final dividend is sourced from pre tax listed investment company capital gains of 8.6 cents per share (last year 5.7 cents per share). Certain shareholders may be able to claim some of this amount as a tax deduction.

The Dividend Reinvestment Plan

The Dividend Reinvestment Plan for the final dividend was maintained with the discount of 5 per cent.

Total Portfolio Return

Total portfolio return after tax and management fees over the year to 30 June 2010 (change in net asset backing per share plus dividends reinvested) was an increase of 11.9 per cent whereas the S&P/ASX 200 Accumulation Index rose 13.1 per cent over the same period. Including the benefit of franking credits from the dividends paid by Djerriwarrh the portfolio return was an increase of 15.2 per cent whereas the Index returned 14.6 per cent.

Total Shareholder Return

Total shareholder return measured by change in share price plus dividends over the twelve month period was up 10.4 per cent.

Management Expense Ratio

Management expense ratio was 0.36 per cent.

Net Asset Backing

Net asset backing at 30 June 2010 was $3.49 per share (before providing for the 16 cent final dividend). At 30 June 2009 the net asset backing was $3.34 per share (before providing for the 16 cent final dividend).

Directors' Report

This report in relation to the financial year to 30 June 2010 is presented by the Directors of Djerriwarrh Investments Limited ("the Company") in accordance with a resolution of Directors.

About the Company

Djerriwarrh is a listed investment company investing in Australian equities with a focus on stocks where there is an active options market. The Company uses exchange traded options to enhance income return to investors.

The Company pays out a high percentage of profits as fully franked dividends. Dividends are able to be sourced from current year profits, retained profits and profits from the sale of investments.

Djerriwarrh has been in operation since December 1989. The Company was listed in June 1995.

Investment Aims

Djerriwarrh aims to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested.

In this regard the primary goals are:

- to pay an enhanced level of dividends; and
- to provide attractive total returns over the medium to long term.

Approach to Investing

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

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

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

Djerriwarrh has also in the past issued convertible notes and has access to lines of credit that allow the Company to gear its Balance Sheet when appropriate investment returns are available to enhance shareholder returns.

Our Structure

The Company has a 'closed end' structure which means that the number of shares on issue is fixed and set by the Board from time to time. As a result, Djerriwarrh does not issue new shares or cancel them as investors enter and leave. This allows the Company to concentrate on the performance of the funds invested over the longer term without having to consider any inflow or outflow of monies. The nature of the listed investment company structure and a continued focus on the efficiency of the business also ensures administration costs and management fees are maintained at extremely competitive levels. In the financial year for 2009-10, this was 0.36 per cent of the portfolio's average market value.

By investing in Djerriwarrh, shareholders have access to:

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

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

Investing in Djerriwarrh

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

Transparency

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

Review of Operations

Profit Performance and Dividends

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 remained subdued following on from the significant cuts made during the global financial crisis in the previous financial year. Income from investments which is driven by dividends and distributions received in the investment portfolio was $32.3 million, down $14.5 million or 31.0 per cent over the corresponding period last year. The size of the fall also reflects the absence of any share buy-backs this year, such as the Santos share buy-back in which Djerriwarrh participated in early October 2008 which contributed $4.1 million of income.

Income from option activity was also down from the extremely strong levels generated last year as volatility levels declined. Total income from dealing in securities and derivatives which includes the revenue outcomes from the Company's option writing activities and the net gains in the trading portfolio was $19.7 million compared with $24.8 million last year.

Reported profit for the year is $25.0 million compared with a profit of $30.7 million last year. Note last year's comparative figure has been restated from a loss of $14.1 million following adoption of new accounting standards this year dealing with amongst other things the treatment of realised gains and losses.

Djerriwarrh's final dividend has been maintained at 16 cents per share bringing total dividends for the year to 26 cents per share. Shareholders should note part of the final dividend is sourced from pre tax listed investment company capital gains of 8.6 cents per share (last year 5.7 cents per share). Certain shareholders may be able to claim some of this amount as a tax deduction.

As mentioned, one of the challenges the Company faced during the year was the significant decline in dividends received. As a result Djerriwarrh has drawn on its reserves to partially fund total dividends for the year. The position of drawing on reserves for fully-franked dividends is not one that is sustainable over the long term. 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 and the generation of sufficient franking credits to maintain current dividend levels.

Investment Portfolio

The market produced solid returns over the year despite the negative impact of heightened risk aversion during the closing stages of the financial year. The Company's portfolio return which includes the benefit of dividends paid was positive 11.9 per cent over the year which was slightly below the rise of 13.1 per cent in the general market over the period.

Grossing up for the positive impact of the enhanced level of franking credits generated from its investment activity, Djerriwarrh's portfolio return for the year is 15.2 per cent compared to the grossed up benchmark return of 14.6 per cent. Over a 10 year period these figures are positive 9.4 per cent for Djerriwarrh and 8.3 per cent for the index.

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, Rio Tinto and Wesfarmers. 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, QBE Insurance, Transurban, Wesfarmers and Woodside Petroleum.

Djerriwarrh exited its small holdings in Fairfax Media, GWA International and Viridis Clean Energy during the period.

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.

Trading Portfolio

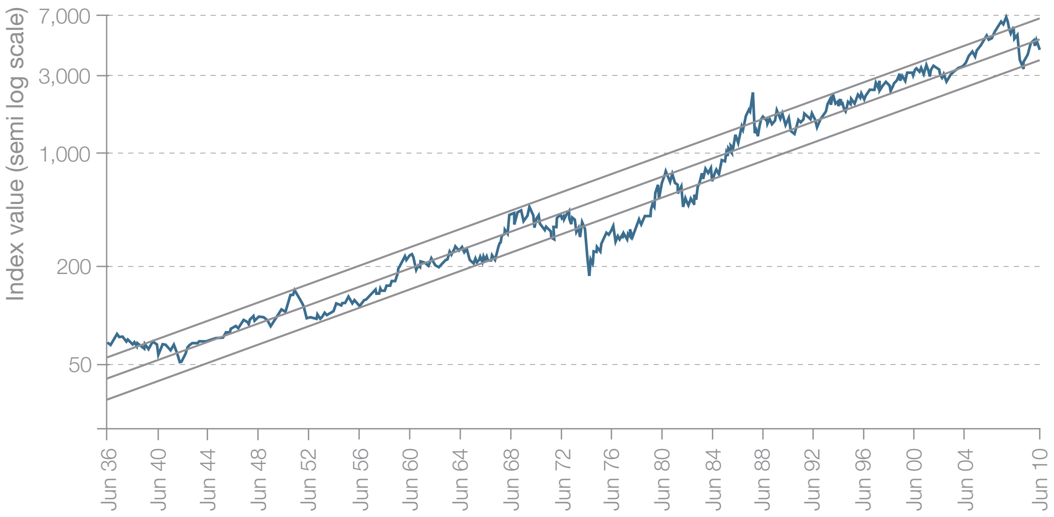
The trading portfolio was reactivated during the year although it operated at very low levels and was only utilised for very specific opportunities. This portfolio generated $1.4 million of profit this year which is in line with last year's contribution. At 30 June 2010 the major holdings in this portfolio were Oil Search, Telstra and Westfield.

Outlook

The following chart of the All Ordinaries Price Index measures the share price return of the Australian market since 1936. It shows a compound average return over this period of approximately 7 per cent per annum in price terms.

Whilst the market is trading below its long term average we remain cautious given the concerns about the future impact of high government debt levels globally and the expectations of a strong recovery in company earnings that are currently built into the market. In this environment we may even see heightened option volatility over the medium term which would benefit Djerriwarrh's option activities.

All Ordinaries Price Index – Long Term Performance



Note: A semi log scale has been used to better show a comparison of the relative size of the percentage changes over the period.

At year end the level of portfolio option coverage at 23 per cent was low compared to previous years. As a result, the Company will seek to increase this to higher levels as market conditions allow. However this will be very dependent on a number of factors including prevailing option volatility and the overall return available. In particular this activity will need to be balanced against writing options with too low an exercise price which may give up too much of the potential upside in any capital appreciation that may occur.

Capital Changes

Pursuant to the Dividend Reinvestment Plan for the August dividend in 2009, 1,222,961 shares were issued at $4.02 per share and, in the Dividend Reinvestment Plan in February 2010, 752,116 shares were issued at $4.16 per share. In addition, 4,038,903 $3.90 convertible notes were converted in September 2009 into ordinary shares on a 1 for 1 basis. As a result of all of these activities, the Company's paid up capital increased on a net basis by $23.8 million after costs by year end.

Dividends

A final fully franked dividend of 16 cents per share has been declared. This is in line with last year's final dividend.

The dividends paid during the year ended 30 June 2010 were as follows:

	2010 $'000
Final dividend for the year ended 30 June 2009 of 16.0 cents per share fully franked at 30 per cent paid on 25 August 2009	33,025
Interim dividend for the year ended 30 June 2010 of 10.0 cents per share fully franked at 30 per cent paid on 19 February 2010	21,167
	54,192

Listed Investment Company Capital Gains

Listed investment companies (LICs) which make capital gains on the sale of investments held for more than one year are able to attach to their dividends an LIC capital gains amount which some shareholders are able to use to claim a tax deduction. This is called an 'LIC capital gain attributable part'. The purpose of this is to put shareholders in listed investment companies on an equal footing with holders of managed investment trusts with respect to capital gains tax on the sale of underlying investments.

Tax legislation sets out the definition of a 'listed investment company' which Djerriwarrh satisfies. Furthermore, from time to time the Company sells securities out of the investment portfolio held for more than one year which results in capital gains being made and tax being paid. The Company is therefore in a position to be able to make available to shareholders an LIC capital gain attributable part with our dividends. In respect of this year's final dividend of 16.0 cents per share for the year ended 30 June 2010, it carries with it a 8.6 cents per share LIC capital gain attributable part (2009: 5.7 cents). The amount which shareholders may be able to claim as a tax deduction depends on their individual situation. Further details are provided in the dividend statements.

Financial Condition

The Company's financing consists primarily of shareholders' funds. The Company also has agreements with the National Australia Bank and Commonwealth Bank of Australia for cash advance facilities of $150 million (see Note 6). As at 30 June 2010, $50 million had been drawn down (2009: $60 million). The Company's total borrowings of $50 million at balance date represented 6.9 per cent of net assets.

Likely Developments

The Company intends to continue its investment activities in future years as it has done since inception. The results of these investment activities depend upon the performance of the companies and securities in which we invest. Their performance in turn depends on many economic factors. These include economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also industry and company specific issues such as management competence, capital strength, industry economics and competitive behaviour.

The Directors do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of the Company's investments. Accordingly, Directors do not provide a forecast of the likely results of our activities. However, the Company's focus is on results over the medium to long term and its twin objectives are as set out above.

Significant Changes in the State of Affairs

Directors are not aware of any other significant changes in the operations of the Company or the environment in which it operates that will adversely affect the results in subsequent years.

Events Since Balance Date

The Directors are not aware of any other matter or circumstance not otherwise disclosed in the Financial Report or the Directors' Report which has arisen since the end of the financial year that has affected or may affect the operations, or the results of those operations, or the state of affairs of the Company in subsequent financial years.

Environmental Regulations

The Company's operations are such that they are not materially affected by environmental regulations.

Rounding of Amounts

The Company is of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investment Commission relating to the 'rounding off' of amounts in the Directors' Report. Unless specifically stated otherwise, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Directorship Matters

As advised to the Australian Securities Exchange on 17 May 2010, Ms Alice Williams was appointed as a Director of the Company on that date.

Alice is a Director of Equity Trustees Limited, Defence Health, Guild Group Ltd and Victorian Funds Management Corporation. She is also a Council Member of The Cancer Council of Victoria.

Prior to undertaking her Non-Executive Director roles her primary business experience was in the financial services sector in senior management positions with a number of Australian and international investment banks including NM Rothschild and Sons (Australia) Limited, JP Morgan Australia, Hong Kong Bank of Australia Limited and Citibank (NA). She is also a Chartered Financial Analyst.

Alice has previously served as a Director of Airservices Australia, State Trustees, Western Health, Australian Accounting Standards Board, Telstra Sale Company, V/Line Passenger Corporation and Commissioner of the Victorian Competition and Efficiency Commission. She has also acted in a number of consulting roles to corporate, Government and not-for-profit organisations specialising in the issues of strategic and business planning, debt restructuring, equity raising and corporate governance.

Alice brings to the Board a wealth of experience in financial markets as well as other industries in which she has acted as a consultant or in a Non-Executive Director capacity. We welcome her to the Board and look forward to the significant contribution that she will make to the Company's activities.

Board and Management

Directors

Bruce B Teele BSc BCom (Melb). Chairman and Non-Executive Director. Chairman of the Investment Committee. Member of the Nomination Committee.

Mr Teele has been Chairman of the Company since commencement of operations in 1989. He is also Chairman of Australian Foundation Investment Company Limited (AFIC) and AMCIL Limited and is a Director of The Myer Family Company Ltd. He was formerly the Executive Chairman of the JBWere Group.

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

Mr Barker has been a Director of the Company since December 1989 and was appointed Managing Director in February 2001. He is also Managing Director of AFIC, AMCIL Limited and Mirrabooka Investments Limited.

Peter C Barnett FCPA. Independent Non-Executive Director.

Mr Barnett is a company Director who was appointed to the Board in October 2007. He is a Director of AMCIL Limited. He is a former Director of Mayne Group Limited and Santos Limited and a former member of the advisory council of ABN Amro Australasia Limited.

Terrence A Campbell AO BCom (Melb). Non-Executive Director. Member of the Investment Committee.

Mr Campbell has been a Director since November 1989. He is Senior Chairman of Goldman Sachs & Partners (Australia) Pty Ltd (formerly Goldman Sachs JBWere) and was formerly Chairman and Chief Executive of Goldman Sachs JBWere. He is also Chairman of Mirrabooka Investments Limited, Deputy Chairman of AFIC and a Director of AMCIL Limited.

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

Mr Guy is a company Director who was appointed to the Board in December 1989. He is a Director of an ANZ responsible entity and trustee, ANZ Specialist Asset Management Limited. He is a former Director of Aviva Australia Holdings Limited and PaperlinX Limited and a former Partner and Managing Partner of Arthur Robinson & Hedderwicks (now Allens Arthur Robinson).

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

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

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

Mr Paterson is a company Director who was appointed to the Board in July 2002 and appointed Deputy Chairman in September 2009. He is also a Director of AFIC. He was formerly a Director of Goldman Sachs JBWere and is a former member of the Board of Guardians of Australia's Future Fund.

Alice JM Williams B.Com, FCPA, FAICD, CFA. Independent Non-Executive Director.

Ms Williams was appointed to the Board in May 2010. Ms Williams is a Director of Equity Trustees Limited, Victorian Funds Management Corporation, Guild Group and Defence Health and is a council member of Cancer Council Victoria. She was formerly a Director of Airservices Australia, State Trustees Limited, Western Health, the Australian Accounting Standards Board, Telstra Sale Company and V/Line Passenger Corporation. She previously held senior management positions in the financial services sector including NM Rothschild and Sons (Australia) Limited and JP Morgan Australia.

Senior Executives

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

Mr Driver joined the Company in January 2003. Previously, he was with National Australia Bank Ltd for 18 years in various roles covering business strategy, marketing, distribution, investor relations and business operations.

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

Mr Freeman joined the Company in February 2007. He was formerly a Partner with Goldman Sachs JBWere. His primary role there was advising investment companies with their investment and dealing activities. As such he has a depth of knowledge and experience of investment markets and the Company's approaches, policies and processes.

Simon M Pordage LLB (Hons), FCIS, MAICD. Company Secretary.

Mr Pordage joined the Company in February 2009. He is a Chartered Secretary and has over 12 years' company secretarial experience and was previously Deputy Company Secretary for Australia and New Zealand Banking Group Limited and prior to that was Head of Board Support for Barclays PLC in the United Kingdom. He was the inaugural recipient of the Chartered Secretaries Australia 'Young Governance Professional of the Year' award in 2007. He is a member of CSA's Victorian Council and a member of two of their national committees, the Legislation Review Committee and the Communication Committee.

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

Mr Porter joined the Company in January 2005. He is a Chartered Accountant and has had over 17 years' experience in accounting and financial management both in the United Kingdom with Andersen Consulting and Credit Suisse First Boston and in Australia where he was Regional Chief Operating Officer for the Corporate and Investment Banking Division of CSFB. He is a member of the User Focus Group of the Australian Accounting Standards Board. He is also a Non-Executive Director of the Royal Victorian Eye and Ear Hospital.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2010 and the numbers of meetings attended by each Director were:

	Board		Investment Committee		Audit Committee		Nomination Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
BB Teele	12	12	43	43	-	-	2	2
RE Barker	12	10	43	39	-	3#	-	-
PC Barnett	12	12	-	27#	-	-	-	1#
TA Campbell	12	10	43	32	-	-	-	1#
AF Guy	12	10	43	37	3	3	2	2
GJ Kraehe	12	12	-	30#	3	2	2	2
J Paterson	12	11	43	39	3	3	2	2
AJM Williams	1	1	-	6#	-	-	-	-

Attended meetings by invitation.

Retirement, Election and Continuation in Office of Directors

Ms AJM Williams, having been appointed to the Board in May 2010, will retire and being eligible, will offer herself for election at the forthcoming 2010 Annual General Meeting (AGM). Messrs TA Campbell AO and AF Guy, having been last re-elected by shareholders at the 2007 AGM, will retire and being eligible, will offer themselves for re-election at the forthcoming 2010 AGM.

Insurance of Directors and Officers

During the financial year, the Company paid insurance premiums to insure the Directors and officers named in this report to the extent allowable by law. The terms of the insurance contract preclude disclosure of further details.

Remuneration Report

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

The constitution of Djerriwarrh requires approval by the shareholders in general meeting of a maximum amount of remuneration per year to be allocated between and paid to Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Australian corporate Directors. The amount of remuneration for each Director excludes amounts owing when the Directors' retirement allowances were frozen at 30 June 2004. At the Company's 2007 Annual General Meeting, the total aggregate amount approved by shareholders for Non-Executive Director remuneration was $650,000. It is being proposed at the 2010 Annual General Meeting that this aggregate amount be increased to $800,000 to provide capacity for fees to be increased, should that be deemed appropriate.

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

Djerriwarrh does not pay any performance-based remuneration.

RE Barker is made available as Managing Director of Djerriwarrh by Australian Investment Company Services ("AICS"). The fees to which he is entitled as a Director of the Company are paid directly to AICS pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AICS, Mr Barker receives an 'at risk' component which is based on performance, as do other executives. The performance criteria includes quantitative and qualitative assessments which include, amongst other things, the services that they have provided to Djerriwarrh and for which AICS is paid.

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

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

(b) Remuneration of Directors

Details of the nature and amounts of each Director's remuneration in respect of the year to 30 June 2010 were as follows:

	Primary	Post Employment	
	Fee $	Superannuation $	Total Remuneration $
BB Teele – Chairman (Non-Executive)			
2010	**132,110**	**11,890**	**144,000**
2009	132,110	11,890	144,000
RE Barker* – Managing Director (Executive)			
2010	**66,055**	**5,945**	**72,000**
2009	66,055	5,945	72,000
PC Barnett – Director (Non-Executive)			
2010	**26,128**	**45,872**	**72,000**
2009	1,000	71,000	72,000
TA Campbell – Director (Non-Executive)			
2010	**66,055**	**5,945**	**72,000**
2009	66,055	5,945	72,000
AF Guy – Director (Non-Executive)			
2010	**66,055**	**5,945**	**72,000**
2009	66,055	5,945	72,000
GJ Kraehe – Director (Non-Executive)			
2010	**66,055**	**5,945**	**72,000**
2009	66,055	5,945	72,000
J Paterson – Deputy Chairman (Non-Executive)			
2010	**66,055**	**5,945**	**72,000**
2009	66,055	5,945	72,000
AJM Williams – Director (Non-Executive) appointed			
2010	**8,144**	**733**	**8,877**
2009	-	-	-
Total Remuneration: Directors			
2010	**496,657**	**88,220**	**584,877**
2009	463,385	112,615	576,000

* Directors fees for RE Barker are paid to AICS as part of his employment arrangements.

Upon reaching age 70, Directors no longer have to receive superannuation guarantee contributions (SGC) and this amount can be paid as other fees in lieu of SGC. Currently, any Director over this age has elected to salary sacrifice the equivalent amount into superannuation.

(c) Directors' Retirement Allowances

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

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

For Directors in office at 30 June 2004, the amounts accrued as at that date will be paid to them upon their ultimate retirement. No further accruals of Directors retiring allowances will be made after 30 June 2004. New Directors appointed to the Company after that date will not be entitled to any Directors retirement allowance. The amounts payable to the respective current Directors which will be paid when they retire, are set out below. These amounts were expensed in prior years as the retirement allowances accrued. It is not expected that any of these Directors will retire within the next 12 months.

	Amount Payable on Retirement $
BB Teele	229,000
RE Barker	114,500
TA Campbell	114,500
AF Guy	114,500
GJ Kraehe	44,468
J Paterson	44,468
PC Barnett	0
AJM Williams	0
	661,436

Directors' Holdings of Securities Issued by the Company

As at the date of this report, Directors who hold shares issued by the Company for their own benefit or who have an interest in holdings in the name of another party and the total number of such securities, are as follows:

	Shares
BB Teele	1,706,033
RE Barker	363,705
PC Barnett	40,000
TA Campbell	414,313
AF Guy	205,904
GJ Kraehe	35,910
J Paterson	209,069
AJM Williams	6,900

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

(d) Executives

Executives are officers who are involved in, concerned with, or who take part in, the management of the affairs of the Company. The Company has five executives: RE Barker, Managing Director; GN Driver, General Manager Business Development and Investor Relations; RM Freeman, Chief Investment Officer; AJB Porter, Chief Financial Officer; and SM Pordage, Company Secretary (2009: five executives).

Other than the Managing Director whose Director's fees are paid directly to AICS, no remuneration is paid to the executives as their services are provided pursuant to an arrangement with AICS as outlined in the Notes to the Financial Statements.

Non-Audit Services

Details of non-audit services performed by the auditors may be found in Note 27 of the Financial Report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Corporations Act 2001 including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company, or jointly sharing economic risk and rewards.

A copy of the Auditor's Independence Declaration is set out on page 13.

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

Bruce B Teele
Chairman

19 July 2010

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Djerriwarrh Investments Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Djerriwarrh Investments Limited during the period.

David Coogan
Partner
PricewaterhouseCoopers

Melbourne
19 July 2010

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Corporate Governance Statement

The Board of Djerriwarrh is committed to the highest standards of ethical behaviour and having an effective system of corporate governance commensurate with the size of the Company and the scope of its business operations.

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of corporate governance (ASX Governance Principles) and outlined accordingly how the Board has applied each principle and the recommendations set out within them. A copy of the ASX Governance Principles can be found on the ASX's website, www.asx.com.au

The Company is fully supportive of the 'if not, why not' disclosure based approach to governance adopted by the ASX Governance Principles and the recognition within them that there is no single model of corporate governance and that good corporate governance practice is not restricted to adopting the recommendations contained in the ASX Governance Principles.

There are a small number of recommendations made in the ASX Governance Principles that the Board, following careful consideration, has not adopted. Full details of these, together with an explanation of why an alternate and more appropriate approach has been taken by the Board, are set out in the following statement.

Principle 1: Laying Solid Foundations for Management and Oversight

Compliance with the first Principle requires the Company to establish and disclose the respective roles and responsibilities of both the Board and management.

Role of the Board

The Company's Corporate Objective, as determined by the Board, is to invest in Australian equities with a long term focus on the larger companies listed on the ASX with the goal of providing shareholders with investment returns through access to a steady stream of franked dividends and increase in the value of capital invested. The Company will use predominantly exchange traded options written against the portfolio to enhance income return to investors:

- to pay an enhanced level of dividends; and
- to provide attractive total returns over the medium to long term.

The role of the Board underpins and supports the Corporate Objective of the Company. The Board generally sets objectives and goals for the operation of the Company, oversees the Company's management, regularly reviews the Company's performance and monitors its affairs in the best interests of the Company. For these responsibilities, the Board is accountable to its shareholders as owners of the Company.

The Board operates under a Board charter, available on the Company's website, which documents the role of the Board outlined above and the matters that the Board has reserved to itself. Those matters include:

- setting the Corporate Objective of the Company and approving business strategies and plans designed to meet that Objective;
- approving the expense budget at least annually;
- approving changes to the Company's capital structure and dividend policy;
- appointing and removing the CEO/Managing Director and carrying out succession planning for the CEO/Managing Director as applicable;
- reviewing the composition of the Board and Board Committees, the independence of Directors, the Board's performance and carrying out succession planning for the Chairman and other Non-Executive Directors;
- appointing and removing Senior Executives on the recommendation of the CEO/Managing Director; and
- reviewing the performance of management and the Company, including in relation to the risk management, internal controls and compliance systems adopted by the Company and the monitoring and review of the performance of Australian Investment Company Services Limited (AICS) in relation to the services that AICS provides to the Company.

The Directors meet formally as a Board at least 11 times a year and the Non-Executive Directors meet regularly in the absence of the Managing Director and members of management.

Delegation to Board Committees

The Board has established the following principal Board Committees to assist the Board in exercising its authority:

- Investment Committee;
- Audit Committee; and
- Nomination Committee.

Each Board Committee operates under a formal charter that is made publicly available on the Company's website. The role and work of the Nomination Committee is outlined under Principle 2 below and the same for the Audit Committee is outlined under Principle 4 on page 18 and Principle 7 on page 19.

The Investment Committee's membership currently comprises BB Teele (Chairman), RE Barker, TA Campbell, AF Guy and J Paterson. The other Directors, PC Barnett, GJ Kraehe and AJM Williams, regularly attend Committee meetings by invitation when available. The general role of the Committee is to make investment decisions to support the Company's Corporate Objective. In doing this, the Committee:

- makes investment decisions to maintain the investment, trading and options portfolios;
- makes decisions in relation to other portfolio related activities including voting instructions and lodgement of proxies in respect of general meetings of companies in which the Company has invested;
- receives reports from management on portfolio matters, including portfolio performance, transaction reports, portfolio position reports and performance attribution analysis; and
- receives reports and recommendations in relation to the review and analysis of companies/securities in which the Company is able to invest, or has invested.

During the year, one of the key focuses of the Committee has continued to be that of risk management within the Company's portfolios of investments. This has involved, amongst other activities, monitoring the option coverage of the portfolio, selling securities that no longer met the Company's investment objectives and reducing the trading portfolio. Further details of the role of the Committee in respect of the oversight of investment risk can be found under Principle 7 on page 19.

The number of Board and Board Committee meetings held during the year and attendance by Directors are set out on page 8.

Delegation to Management

The Company has no employees and has entered into an agreement with AICS, in which it has a 25 per cent ownership interest, to provide a comprehensive range of management services. These include securities/stock market services to the Company under the leadership of the Managing Director, including the day-to-day maintenance of the portfolios and associated research. The Managing Director is responsible to the Company for the performance of those services and the Board acts in close consultation and cooperation with AICS in relation to the provision of services by AICS to the Company. AICS is paid a fee based on its costs in providing these services.

The Board believes that the Company is fully compliant with Principle 1. As set out above, the Board continuously reviews the performance of AICS, under the leadership of the Managing Director, in providing services to the Company. Separate evaluations of the performance of individual Senior Executives are carried out by AICS.

Principle 2: Structuring the Board to Add Value

The Principle requires the Company to have a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Board comprises a Non-Executive Chairman (BB Teele), Managing Director (RE Barker) and six Non-Executive Directors (PC Barnett, TA Campbell, AF Guy, GJ Kraehe, J Paterson and AJM Williams) all of whom have a personal financial interest in the Company.

See the Directors' Report on page 7 for details of the skills, experience, and expertise of each Director.

During the financial year, the Nomination Committee, with the other Non-Executive Directors in attendance, reviewed the mix of skills, experience, expertise and diversity that would be most appropriate for the Board. In appointing new Directors, it was concluded that the overlying philosophy must be that the best candidate is appointed. It was agreed that in respect of any potential Director appointment, the shortlist of candidates must include appropriate female representation and the Board would benefit by having female representation on the Board at any given time.

The roles of the Chairman and Managing Director are separate. The role of the Managing Director is set out under Principle 1. The role of the Chairman is set out in the Board charter, including being responsible for:

- the business of the Board, taking into account the issues and the concerns of all Directors and the requirements of the Board charter;
- the leadership and conduct of Board and Company meetings to be in accordance with the agreed agenda, the Company's Corporate Objective and Principles of Conduct (described under Principle 3, below); and
- encouraging active engagement by Directors and an open and constructive relationship between the Board and the Managing Director and Senior Executives.

The Chairman also has the authority to act and speak for the Board between meetings, subject to any agreed consultation processes.

J Paterson was appointed as Deputy Chairman in September 2009. The Deputy Chairman deputises for and supports the Chairman in respect of the authorities and responsibilities conferred or delegated to the Chairman by the Board.

Appointment and Renewal

Details of the term of office held by each Director in office as at the date of this report are as follows:

BB Teele	– 20 years
RE Barker	– 22 years
TA Campbell	– 20 years
AF Guy	– 20 years
GJ Kraehe	– 8 years
J Paterson	– 8 years
PC Barnett	– 2 years
AJM Williams	– appointed in May 2010

Being a long term investor is an essential part of the Company's Corporate Objective and continuity on the Board and broad investment and business experience is regarded as an important factor in the Board's approach.

All Directors have entered into an agreement with the Company covering the terms of their appointment, access to documents, Director's indemnity against liability, and Directors' and Officers' insurance.

The Company's constitution provides that each Non-Executive Director must seek re-election by shareholders at least every three years if they wish to remain a Director. Any new Non-Executive Director appointed by the Board must seek election by shareholders at the next Annual General Meeting of the Company. This approach is consistent with the ASX Listing Rules.

Each Director of the Company is encouraged to have a financial interest in the Company. All Directors have a shareholding in the Company. (For details of the Directors' holdings refer to the Financial Report). As shareholders in the Company, Directors benefit in the same way as all other shareholders in improving shareholder value.

Nomination Committee

The Board has a Nomination Committee which comprises four Non-Executive Directors, with GJ Kraehe as the Chairman and the members being AF Guy, J Paterson and BB Teele.

The Committee considers matters relating to the orderly renewal of the Board and the attraction and retention of Directors of high calibre with the appropriate experience and skill to contribute effectively to the oversight of the Company.

In order to provide a specific opportunity for performance matters to be discussed with each Director, the Company has established a formal Director review process. The Chairman meets with each Director individually to discuss issues including performance and effectiveness of the Board as a whole, Board Committees, individual Directors, the Managing Director, Senior Executives and the Chairman with the intention of providing mutual feedback. The Chairman reports on the general outcome of these meetings to the Nomination Committee. Given the nature of the Company's activities, it is considered that this process of evaluation of the Board, Board Committees, individual Directors and the Chairman is sufficiently formal. Evaluations under this process were carried out during the year.

Independence of Directors

The Nomination Committee reviews the independence of each of the Directors (excluding the Managing Director) on an annual basis, taking into account the factors set out in box 2.1 of the ASX Governance Principles, including situations where an individual Director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with the Company, and makes recommendations to the Board in this respect. In looking at such relationships, the Board sets an initial monetary threshold for materiality and this is reviewed annually by the Board, on recommendation of the Nomination Committee. The Board has resolved that going forward, this threshold be $500,000.

BB Teele, the Chairman of the Company, has a continuing close involvement in the management of the portfolio. Accordingly, he is not considered an independent Director. Given that Djerriwarrh is a Listed Investment Company and is a long term investor, it is of great assistance to have a Chairman with a depth of experience and skills in the securities industry who is actively involved in the investment decisions. Given the specialised nature of the Company, an independent Chairman is not regarded as necessary.

Given the past and continued relationship that the Company has with Goldman Sachs & Partners (Australia) Pty Limited (formerly Goldman Sachs JBWere), TA Campbell, who is Senior Chairman, and is a former Chairman and Chief Executive of Goldman Sachs JBWere, is also not regarded as independent.

The other five Non-Executive Directors, PC Barnett, AF Guy, GJ Kraehe, J Paterson and AJM Williams, are considered independent.

A number of these Directors are also Directors of companies in which Djerriwarrh invests. Any real or potential conflicts of interest are dealt with by procedures consistent with Corporations Act requirements which are designed to ensure that conflicted Directors do not take part in the decision-making on a relevant issue. On this basis, it is believed that their independence on all other issues is not compromised.

To assist Directors to fully meet their responsibilities to bring an independent view to matters coming before them, the Board has agreed a procedure in appropriate situations for Directors to take independent professional advice, at the expense of the Company, after advising the Chairman of their intention to do so. This is in relation to carrying out their duties as members of the Board and members of Board Committees.

The Board believes that the Company is fully compliant with Principle 2 but that, for the reasons given above, it does not consider it appropriate to follow the recommendation that the Chairman of the Company should be an independent Director.

Principle 3: Promotion of Ethical and Responsible Decision-making

Compliance with this Principle requires that the Company should actively promote ethical and responsible decision-making.

The Company, including its Directors and Senior Executives, is committed to maintaining the highest standards of integrity and seeks to ensure all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect its shareholders' interests.

The Company has approved and published Corporate Principles of Conduct and a Trading Policy for Directors which are available on the website together with the Trading Policy that the Company has for dealing in its own shares by its officers or those working on the Company's behalf. These documents are provided to management and new Directors as they join the Company and any updates are provided to all employees and Directors. In accordance with the Company's policy, no Djerriwarrh shares held by Directors are to be held subject to margin loans.

Because of the Company's operation as a Listed Investment Company, its key stakeholders are its shareholders, AICS employees and its small number of creditors. As noted above, the Company has published Corporate Principles of Conduct which are intended to guide the activities of Directors, Senior Executives and AICS employees and are designed to ensure that the legal requirements and other obligations to stakeholders are complied with at all times. They are available on the Company's website.

In addition to the consideration by the Board of individual Directors' independence, the Corporate Principles of Conduct set out details of how conflicts of interest should be avoided. The Company's Directors and employees must disclose to the Company any material personal interest that they or any associate may have in a matter that relates to the affairs of the Company. Directors must inform the Company Secretary immediately they become aware of any changes to their shareholdings or directorships. Where a conflict of interest may arise, full disclosure by all interested persons must be made and appropriate arrangements followed, such that interested persons are not included in making the relevant decisions and discussions.

The Board believes that the Company is fully compliant with Principle 3 and its recommendations.

Principle 4: Safeguarding Integrity in Financial Reporting

Compliance with this Principle requires that the Company has a structure to independently verify and safeguard the integrity of the Company's financial reporting.

The Company has established an Audit Committee comprising three Directors, all of whom are independent: AF Guy (Chairman), GJ Kraehe and J Paterson. The number of meetings held during the year and attendance by committee members are set out on page 8. All members of the Audit Committee have the requisite financial experience and understanding to effectively discharge its mandate.

The Audit Committee is responsible for reviewing:

- the Company's accounting policies;
- the content of financial statements;
- issues relating to the controls applied to the Company's activities;
- the conduct, effectiveness and independence of the external audit;
- risk management and related issues; and
- compliance issues.

The role of the Audit Committee in respect of its oversight of risk management issues is set out under Principle 7, on page 19.

Written Affirmations

The Board has received from the Managing Director and the Chief Financial Officer written affirmation concerning the Company's financial statements required by the Corporations Act as set out in the Directors' Declaration on page 51.

External Audit

The Company has a process to ensure the independence and competence of the Company's external auditors including the Audit Committee reviewing any non-audit work to ensure that it does not conflict with audit independence. Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is set out in the Committee's Charter. Policies relating to rotating external audit engagement partners are set by the external audit firm in accordance with Corporations Act and international best practice requirements.

The Audit Committee meets regularly with the external auditor in the absence of management.

The Board believes that the Company is fully compliant with Principle 4 and its recommendations.

Principle 5: Making Timely and Balanced Disclosure

Compliance with this Principle requires that the Company promotes timely and balanced disclosure of all material matters concerning the Company.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities. Accordingly, the market is kept advised of all information required to be disclosed under the Listing Rules which it is believed would or may have a material effect on the price or value of the Company's securities.

The Company has a written policy and procedures designed to ensure compliance with ASX Listing Rule and Corporations Act disclosure requirements and to ensure accountability at a senior management level for that compliance. The policy is publicly available on the Company's website. The policy has been reviewed during the course of the year, taking into account best practice developments in this area.

The Board believes that the Company is fully compliant with Principle 5 and its recommendations.

Principle 6: Respecting the Rights of Shareholders

Compliance with this Principle requires that the Company respects the rights of shareholders and facilitates the effective exercise of those rights.

The Company is owned by its shareholders and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. The Board maintains active communication with shareholders as owners of the Company.

In addition to communicating with shareholders via the Annual and Half-Year Reports, the Company holds an Annual General Meeting of shareholders to fulfil statutory requirements, to provide shareholders with the opportunity to meet with representatives of the Board and management, to learn more about the Company's activities and, particularly, to provide an opportunity to question the Board and Management about any aspect of the Company's activities.

In addition to the Annual General Meeting, the Company holds non-statutory Shareholder Information Meetings in the Australian capital cities some of which follow the full year results and some of which follow the half-year results. This financial year, shareholder meetings were held in Sydney, Melbourne, Adelaide, Brisbane, Canberra and Perth.

The Company's website contains all ASX announcements, Annual Reports, Half-year Reports, details of corporate governance practices, presentations to shareholders, and related material for shareholders and investors.

The Board believes that the Company is fully compliant with Principle 6 and its recommendations.

Principle 7: Recognising and Managing Risk

Compliance with this Principle requires that the Board establish a sound system of risk oversight, management and internal control.

The Board considers that the Company has established and maintains a sound system of risk oversight, management and internal control. The Risk Management Framework adopted by the Company is available on the Company's website. The framework has been revised during the year, taking into account the new international standard on Risk Management, ISO: 31000.

The Board are assisted in their risk management activities by the Audit Committee and coordination of risk management activities is done by the Chief Financial Officer, who reports to the Audit Committee on such matters.

There are two main areas of risk that have been identified:

- investment risk; and
- operational risk.

Investment Risk

Investment risk includes:

- market risk;
- credit, counter-party and settlement risk;
- liquidity risk; and
- reputational risk (insofar as it relates to the investments that the Company enters into).

The Investment Committee is primarily responsible for dealing with issues arising from investment risk, and has delegated day-to-day management of the portfolios to an experienced investment team provided by AICS. All decisions of the team are reviewed, discussed and where necessary, ratified by the Committee. By its nature, as a Listed Investment Company the Company will always carry investment risk because it invests its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

Operational Risk

The Company's management is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk, human resource risk, reputational risk (insofar as it relates to the operations of the Company), disaster recovery and occupational health and safety risk. This is in the context that most of Djerriwarrh's administrative functions have been outsourced to AICS using its systems and staff. Accordingly, risk issues associated with these activities are handled in accordance with the policies and procedures adopted by AICS for dealing with them.

The Company has received a report from AICS outlining the control objectives for AICS and the specific policies and procedures established to meet these procedures. These policies include management oversight, segregation of duties, multiple sign-offs and specific authorisation levels. AICS has stated that these have been in place throughout the period, and have been effective in meeting the control objectives. This statement and verification have been confirmed by AICS's internal auditors, Ernst & Young, under the requirements of Auditing Standard 810. The Audit Committee has specific oversight of management's role in identifying and responding to risk issues. AF Guy, Chairman of the Audit Committee, and J Paterson are also both members of the AICS Audit Committee and J Paterson serves as Chairman of AICS.

Written Affirmations

The Board has received from the Managing Director and the Chief Financial Officer written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to financial reporting risks. The Audit Committee and the Board have also received reports from the Senior Executives as to the effectiveness of Company's management of its material business risks whilst noting that as a Listed Investment Company, the Company can never be entirely free of investment risk.

The Board believes that the Company is fully compliant with Principle 7 and its recommendations.

Principle 8: Remunerating Fairly and Responsibly

Compliance with this Principle requires that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Board has not established a Remuneration Committee given the size of the Company and the nature of its activities. Other than the Board members, which includes the Managing Director, the Company has no formal employees. The Board is able to deal with matters relating to the remuneration of Directors itself and a separate Remuneration Committee is not considered necessary.

Directors’ Remuneration

The Constitution of Djerriwarrh requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors together with such factors as the general level of fees paid to Australian corporate Directors. The amount of remuneration for each Director excludes amounts that were owing to them when the Directors’ retirement allowances were frozen at 30 June 2004.

Djerriwarrh does not pay any performance-based remuneration.

Management Remuneration Approach

Because the Company has outsourced its administrative functions, it has not adopted any ‘at risk’ remuneration arrangements for the Managing Director or any other person involved in the activities of the Company.

RE Barker is made available as Managing Director of Djerriwarrh by AICS. The fees to which he is entitled as a Director of the Company are paid directly to AICS pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AICS, RE Barker receives an ‘at risk’ component determined by AICS which is based on performance. The performance criteria include quantitative and qualitative assessments which include, among other things, the services that he has provided to Djerriwarrh and for which AICS is paid.

Further information on Directors’ and Senior Executives’ remuneration is set out in the Remuneration Report on pages 10 and 11.

The Board believes that the Company is fully compliant with Principle 8 but that, for the reasons given above, it is not appropriate for the Company to follow the recommendation that a separate Remuneration Committee be established. In addition, as the Company does not have any equity-based remuneration schemes, there is no need to have a policy around prohibiting the hedging of risk over unvested entitlements in such schemes.

Financial Report

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 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

	Note	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: 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 2009	-	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 – $8.1 million; 2009 – $50.6 million 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 shareholders		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 continued

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 shareholders		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.

Notes to the Financial Statements

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 and 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 and 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 and 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 2009 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 2009.

Gains and losses on hybrids held at 7 December 2009, 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 2009.

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 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost, in the Company's financial statements.

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

The Company's share of its associate's post-acquisition profits or losses is recognised in the Income Statement, and its share of post acquisition movements in reserves is recognised in 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 per cent), 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 98/100, 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 six 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 2009) increases by $18.3 million, 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 2009 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:

	2010 $	2009 $
Net tangible asset backing per share		
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 per cent of the Company's income, including realised income from the options written portfolio (2009: Santos 16.8 per cent which included the proceeds of the off-market buy-back, BHP Billiton 10.8 per cent).

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

	2010 $'000	2009 $'000
(a) Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Operating profit before income tax expense	47,159	63,125
Tax at the Australian tax rate of 30 per cent (2009: 30 per cent)	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 per cent (2009: 30 per cent)	(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

	2010 $'000	2009 $'000
(b) Tax Expense Composition		
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 (including capital losses)	11,016	(3,725)
	13,053	888

(c) Amounts Recognised Directly through Other Comprehensive Income

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 per cent (2009: 3.6 per cent, 2008: 7.3 per cent).

(a) Credit Risk Exposure

All cash investments not held in a transactional account are invested in short term deposits with Australia's 'big four' 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

	2010	2009	2008
Movements:			
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 per cent and 5.195 per cent 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 per cent expired July 2009 and $20 million at 5.735 per cent 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 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 $'000	2009 $'000	2008 $'000
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 (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	Note	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 2010 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 and 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 (transferred from retained earnings)	**3,101**	(3,723)	(5,064)
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

	2010 $'000	2009 $'000	2008 $'000
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 overdue.

Cash and Cash Equivalents

All cash investments not held in a transactional account are invested in short term deposits with Australia's 'big four' 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 and 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.

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 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) and 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.

	Less Than 6 Months $'000	6-12 Months $'000	Greater Than 1 Year $'000	Total Contractual Cash Flows $'000	Carrying Amount (Assets)/Liabilities $'000
30 June 2010					
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					
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 per cent and 10 per cent, 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 per cent (2009: $25.4 million and $50.8 million) and a reduction in profit after tax of $0.5 million and $1.0 million respectively, at a tax rate of 30 per cent (2009: $0.3 million and $0.6 million respectively). A fall of 5 per cent and 10 per cent in the trading portfolio and 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 per cent 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 (including property trusts)	9.77	9.22
Telecommunications	5.46	5.62
Other – healthcare, information technology, utilities	4.91	3.20
Cash	8.82	7.47

Securities representing over 5 per cent 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 per cent 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 and 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 per cent 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 2009 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 per cent paid on 25 August 2009 (2009: 16 cents fully franked at 30 per cent 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 per cent paid 19 February 2010 (2009: 10 cents fully franked at 30 per cent paid 20 February 2009)	21,167	20,541
	54,192	53,196
(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	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
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 per cent. 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

	2010	2009
Basic Earnings Per Share	Number	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
	$'000	$'000
Profit for the year	25,000	30,734
Interest on convertible notes (net of tax)	-	1,465
	25,000	32,199
	Cents	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 per cent shareholding		
(c) 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
Non-audit services		
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 five 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:

	2009 $'000
(i) Net Profit	
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.

	2009 $'000
(ii) Other Comprehensive Income	
Net unrealised losses on investment portfolio and 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 2009. 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

Listed below are those 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
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 Corporation	65,685	64,305
Woodside Petroleum	38,559	36,339
Woolworths	19,935	18,921
Total	698,140	648,438

Directors' Declaration

In the Directors' opinion:

(1) the financial statements and notes set out on pages 22 to 50 are in accordance with the Corporations Act 2001 including:

  (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (b) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

(2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 to the financial statements confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and the Chief Financial Officer regarding the financial statements in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010. The declarations received were that, in the opinion of the Managing Director and the Chief Financial Officer and to the best of their knowledge, the financial records of the Company have been properly maintained, that the financial statements comply with accounting standards and that they give a true and fair view.

Bruce Teele
Chairman

Melbourne
19 July 2010

PRICEWATERHOUSECOOPERS

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

D Coogan

David Coogan
Partner

Melbourne
19 July 2010

Other Information

Information About Shareholders

At 13 July 2010 there were 19,095 holdings of ordinary shares. These holdings were distributed in the following categories:

Size of Holding			Shareholdings (At 13 July 10)
1	to	1,000	2,258
1,001	to	5,000	7,074
5,001	to	10,000	4,483
10,001	to	100,000	5,123
100,000	and over		157
Total			**19,095**

20 largest shareholdings	10.09%
Average shareholding	11,124

There were 293 shareholdings of less than a marketable parcel of $500 (117 shares).

Voting Rights of Ordinary Shares

The constitution provides for votes to be cast:

(i) on a show of hands, one vote for each shareholder; and

(ii) on a poll, one vote for each fully paid ordinary share.

Major Shareholders

The 20 largest holdings of ordinary shares as at 13 July 2010 are listed below:

Shares	Holding	% Total
Australian Foundation Investment Company Limited	8,596,503	4.05
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	1,761,130	0.83
Bruce Teele	1,706,033	0.80
Miss Margaret Frances Erskine	1,000,000	0.47
Tregony Pty Ltd	1,000,000	0.47
Mr Frederick Joseph Johnson	780,104	0.37
Martindale Pty Ltd	582,000	0.27
Melbourne Citymission Inc	580,980	0.27
Anglican Church Property Trust Diocese of Canberra and Goulburn	528,966	0.25
Australian Executor Trustees Limited <No 1 Account>	525,546	0.25
Mr David John Brownell + Mrs Joanna Margaret Brownell <Brownell Superannuation A/C>	500,000	0.24
Resthaven Incorporated	495,493	0.23
Mr Eric Howard Wheatley + Mrs Sylvia Daisy Wheatley	480,000	0.23
Baker Custodian Corporation	450,000	0.21
P N B W Pty Ltd <F & JA Arrowsmith Family A/C>	420,156	0.20
Terrence Campbell	414,313	0.20
Mr Russell James Fynmore <Russell Fynmore Family A/C>	409,494	0.19
Mr Geoffrey Ross Harvey + Mrs Helen Ruth Harvey <R & H Harvey Super Fund A/C>	397,741	0.19
Mr Ian Tweedie + Mr Ian Fraser + Mr John Hannaford <Joe White Bequest A/C>	396,360	0.19
UBS Wealth Management Australia Nominees Pty Ltd	391,386	0.18

Substantial Shareholders

The Company has not been notified of any substantial shareholders.

Transactions in Securities

During the year ended 30 June 2010, the Company recorded 1,623 transactions in securities (including options). $1,309,721 (including GST) in brokerage was paid or accrued for the year.

Holdings of Securities
As at 30 June 2010

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

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

Unless otherwise stated, the securities in this list are fully paid.

Ordinary Shares and Trust Units		Number of Shares Held 2009 '000	Number of Shares Held 2010 '000	Market Value 2010 $'000
AGK*	AGL Energy	527	527	7,696
AIX	Australian Infrastructure Fund	2,777	4,649	7,904
AMC*	Amcor	1,822	1,905	11,897
AMH	AMCIL	12,257	10,257	6,360
AMP*	AMP	3,565	3,546	18,472
ANZ*	Australia and New Zealand Banking Group	2,140	1,554	33,204
APN	APN News & Media	1,919	1,919	3,810
AWC*	Alumina	3,918	3,918	5,936
AXA	AXA Asia Pacific Holdings	3,164	2,564	14,024
BHP*	BHP Billiton	2,500	2,515	94,434
BLD*	Boral	1,001	951	4,581
BSL	BlueScope Steel	102	102	214
BXB*	Brambles	2,886	2,936	16,006
CBA*	Commonwealth Bank of Australia	1,476	910	44,083
CCL*	Coca-Cola Amatil	1,164	987	11,556
CNX	Carbon Energy	970	970	340
CPU*	Computershare	1,237	812	8,584
CSR	CSR	939	939	1,578
ESG	Eastern Star Gas	2,000	2,000	1,650
FGL*	Foster's Group	1,350	1,550	8,677
HDF	Hastings Diversified Utilities Fund	4,304	11,696	14,853
HXL	Hexima	280	280	62
IAG	Insurance Australia Group	1,777	2,152	7,339
IPL*	Incitec Pivot	800	670	1,824
MIR	Mirrabooka Investments	4,607	4,607	7,809
MTS	Metcash	1,050	1,050	4,400
NAB*	National Australia Bank	2,558	1,759	40,859

Ordinary Shares and Trust Units		Number of Shares Held 2009 '000	Number of Shares Held 2010 '000	Market Value 2010 $'000
ORG*	Origin Energy	858	933	13,861
ORI*	Orica	138	88	2,205
OSH*	Oil Search	4,506	5,217	28,705
OST	OneSteel	2,261	1,148	3,422
PMV	Premier Investments	838	838	5,110
PNA	PanAust	3,646	3,646	1,805
PPC	Peet	1,696	1,696	3,579
PPT*	Perpetual	0	102	2,866
QBE*	QBE Insurance Group	989	1,117	20,307
RIO*	Rio Tinto	332	307	19,696
STO*	Santos	1,604	1,689	21,197
TCL*	Transurban Group	2,842	3,989	16,868
TLS	Telstra Corporation	12,864	13,264	43,109
TOL*	Toll Holdings	798	862	4,706
WAN	West Australian Newspapers Holdings	2,600	2,250	14,715
WBC*	Westpac Banking Corporation	3,904	3,094	65,459
WDC*	Westfield Group	0	340	4,081
WES*	Wesfarmers	462	298	8,411
WESN	Wesfarmers Partially Protected Shares	131	131	3,759
WOW*	Woolworths	718	738	19,825
WPL*	Woodside Petroleum	841	922	38,418
Total				720,255

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

Major Transactions in the Investment Portfolio

Acquisitions (Above $5 Million)	Total Cost $'000
Australia and New Zealand Banking Group	12,395
Commonwealth Bank of Australia	8,410
Hastings Diversified Utilities Fund	6,652
Transurban Group	5,036

Disposals (Above $5 Million)	Total Proceeds $'000
Commonwealth Bank of Australia	27,415
National Australia Bank	20,863
Australia and 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.

Sub-Underwriting

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

Company	Underwritten by	Description	Amount Underwritten
Amcor	Commsec/JP Morgan/ BoA Merrill Lynch/ UBS/Deutsche	4 for 9 non renounceable rights offer at $4.30 per share	$2,845,000
Hastings Diversified Utilities Fund	UBS/JPMorgan	1 for 1 renounceable rights offer at 90 cents per share	$2,000,000
Campbell Brothers	RBS Morgans/ JP Morgan	1 for 6 renounceable rights offer at $22.00 per share	$750,000

Issues of Securities

Issue	Type	Price	Remarks
19 February 2010	DRP	$4.16	5 per cent discount
25 August 2009	DRP	$4.02	5 per cent discount
20 February 2009	DRP	$3.07	5 per cent discount
15 August 2008	DRP	$4.10	
16 February 2008	DRP	$5.05	
9 August 2007	DRP	$5.11	
12 March 2007	DRP	$4.78	
11 October 2006	Rights Issue	$4.00	1 for 5 Rights Issue
10 August 2006	DRP	$4.62	
8 March 2006	DRP	$4.29	
26 August 2005	DRP	$3.95	
16 March 2005	DRP	$3.68	
26 August 2004	DRP	$3.43	
9 July 2004	Convertible Note Issue	$3.90	Issue of $3.90 Convertible Notes matured 30 September 2009
5 March 2004	DRP	$3.48	
22 December 2003	SAP	$3.22	
22 August 2003	DRP	$3.50	
7 March 2003	DRP	$3.27	
19 December 2002	SAP	$3.14	
19 August 2002	DRP	$3.57	
7 March 2002	DRP	$3.73	
4 October 2001	SAP	$3.51	
29 June 2001	DRP	$3.53	
8 March 2001	DRP	$3.15	
16 August 2000	DRP	$3.27	
27 April 2000	SAP	$3.28	
7 March 2000	DRP	$3.47	
11 August 1999	DRP	$3.54	
28 April 1999	SAP	$3.36	
15 March 1999	DRP	$3.47	
11 September 1998	DRP	$3.27	
27 March 1998	DRP	$3.60	
30 October 1997	Rights Issue	$4.00	1 for 5 Rights Issue of Convertible Notes
11 September 1997	DRP	$3.35	
27 March 1997	DRP	$2.76	
13 September 1996	DRP	$2.58	
29 March 1996	DRP	$2.73	
27 September 1995	DRP	$2.47	
22 June 1995	New Issue	$2.60	
24 March 1995	DRP	$2.34	
23 September 1994	DRP	$2.34	
21 June 1994	New Issue	$2.57	
31 March 1994	DRP	$2.56	
24 September 1993	DRP	$2.30	
26 March 1993	DRP	$2.13	
25 September 1992	DRP	$2.17	
1 January 1992	New Issue	$2.29	
18 June 1990	New Issue	$2.00	
9 April 1990	New Issue	$2.00	
22 December 1989	Initial Allotment	$2.00	

Key Statistics

	2010	2009	2008	2007	2006
Net profit after tax ($ Million) [(a)]	25.0	30.7	66.7	90.7	63.3
Net operating profit after tax ($ Million)	43.7	55.2	45.6	53.6	38.5
Investments at market value ($ Million) [(b)]	720.3	717.5	962.9	1,119.9	810.1
Net operating profit per share (Cents)	20.7	26.9	22.4	28.1	23.6
Dividends per share (Cents) [(c)]	26.0	26.0	26.0	26.0	23.0
Net asset backing (Cents) [(d)]	349	334	428	524	445
Number of shareholders (30 June)	19,102	18,745	18,591	18,235	16,523

Notes

(a) 2009 Profit restated following changes to accounting standards including the adoption of AASB 9. 2008 and prior years figures are as reported under previous accounting standards.

(b) Excludes cash.

(c) All dividends were fully franked. For 2010, the dividends carried attributable 'LIC gain' of 8.6 cents For 2009, this attributable gain was 5.7 cents. For 2008, it was 14.3 cents per share, for 2007 it was 3 cents per share and for 2006 it was 2 cents per share.

(d) Net asset per share based on year-end data before the provision for the final dividend. The figures do not include a provision for capital gains tax that would apply if all securities held as non current investments had been sold at balance date as directors do not intend to dispose of the portfolio.

Company Particulars

Djerriwarrh Investments Limited ('DJW')
ABN 38 006 862 693

Directors
Bruce B Teele, Chairman
Ross E Barker, Managing Director
Peter C Barnett
Terrence A Campbell AO
Andrew F Guy
Graham J Kraehe AO
John Paterson, Deputy Chairman
Alice JM Williams

Company Secretaries
Simon M Pordage
Andrew JB Porter

Auditor
PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation
Australia

Registered Office
Level 21, 101 Collins Street
Melbourne Victoria 3000

Mailing Address
GPO Box 2114
Melbourne Victoria 3001

Contact Details

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

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange):

Telephone 1800 780 784 (toll free)

Share Registrar
Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Shareholder Enquiry Lines	1300 653 915 +61 3 9415 4190 (from overseas)
Facsimile	(03) 9473 2500
Email	web.queries@computershare.com.au
Website	www.computershare.com

For all enquiries relating to shareholdings, dividends and related matters, please contact the share registrar as above.

Securities Exchange Code

DJW	Ordinary shares

Annual General Meeting

Time	10.00am
Date	Tuesday 5 October 2010
Venue	Hilton on the Park
Location	192 Wellington Parade East Melbourne

Sydney Shareholder Meeting

Time	2.30pm
Date	Monday 11 October 2010
Venue	Four Seasons Hotel
Location	199 George Street Sydney

Adelaide Shareholder Meeting

Time	2.30pm
Date	Monday 18 October 2010
Venue	Adelaide Festival Centre
Location	King William Road Adelaide

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2010
Annual Review
Enhancing Income

DJERRIWARRH INVESTMENTS

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DJERRIWARRH INVESTMENTS

The Statutory Annual Report for 2010 is available on Djerriwarrh's website www.djerri.com.au or by contacting the Company on (03) 9650 9911.

About the Company

Djerriwarrh Investments is a listed investment company investing in Australian equities with a focus on stocks where there is an active options market. The Company uses exchange traded options to enhance income return to investors.

The Company aims to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested.

In this regard the primary goals of Djerriwarrh are:

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

Summary of Results

Net Operating Profit

Net operating profit was $43.7 million down from $55.2 million over the previous corresponding period last year. This operating profit is made up primarily of dividends received from the investment portfolio, option income and revenue from the trading portfolio. It does not include realised gains on the sale of investments and is indicative of the income generated by the Company's portfolios. The decline was primarily as a result of the 31 per cent fall in dividends paid by the companies Djerriwarrh invests in.

Reported Profit for the Year

Reported profit for the year was $25.0 million (last year $30.7 million). Note last year's comparative figure has been restated 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.

Earnings Per Share

Earnings per share based on net operating profit were 20.7 cents compared with 26.9 cents last year.

A Fully Franked Final Dividend

A fully franked final dividend of 16 cents per share was declared, bringing total dividends for the year to 26 cents per share fully franked. This is the same amount as last year.

Part of the final dividend is sourced from pre tax listed investment company capital gains of 8.6 cents per share (last year 5.7 cents per share). Certain shareholders may be able to claim some of this amount as a tax deduction.

The Dividend Reinvestment Plan

The Dividend Reinvestment Plan for the final dividend was maintained with a discount of 5 per cent.

Total Portfolio Return

Total portfolio return after tax and management fees over the year to 30 June 2010 (change in net asset backing per share plus dividends reinvested) was an increase of 11.9 per cent whereas the S&P/ASX 200 Accumulation Index rose 13.1 per cent over the same period. Including the benefit of franking credits from the dividends paid by Djerriwarrh the portfolio return was an increase of 15.2 per cent whereas the Index returned 14.6 per cent.

Total Shareholder Return

Total shareholder return measured by change in share price plus dividends over the 12 month period was 10.4 per cent.

Management Expense Ratio

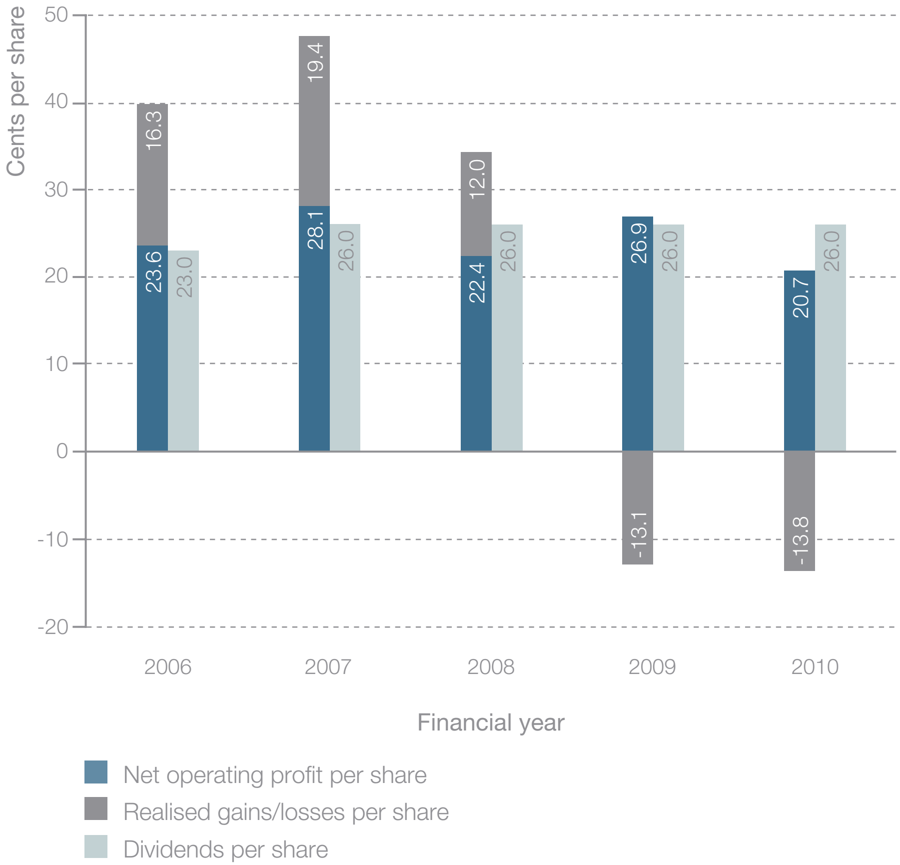
Management expense ratio on an annualised basis was 0.36 per cent.

Net Asset Backing at 30 June 2010

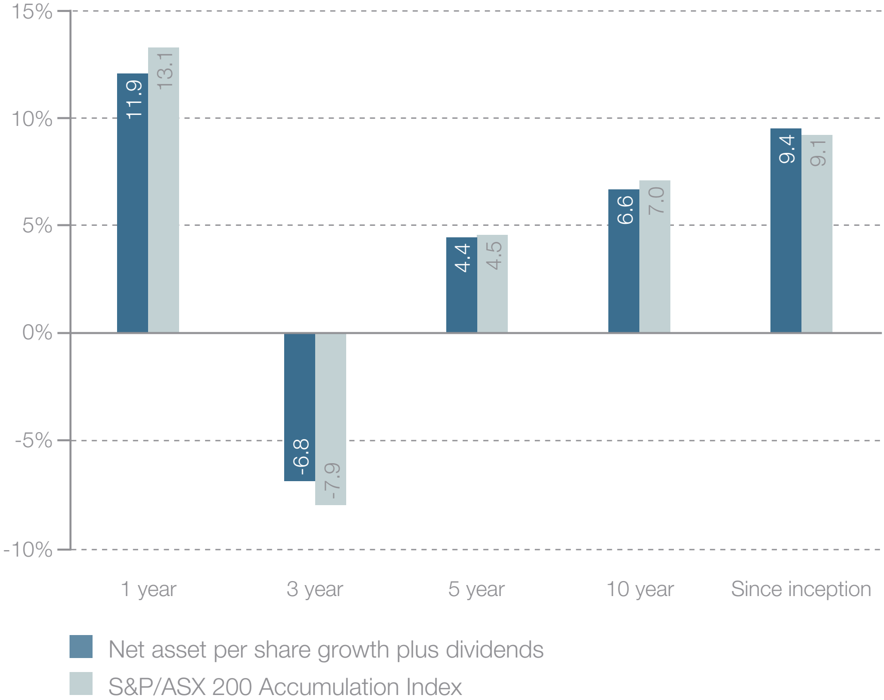
Net asset backing at 30 June 2010 was $3.49 per share (before providing for the 16 cent final dividend). At 30 June 2009 the net asset backing was $3.34 per share (before providing for the 16 cent final dividend).

Summary of Results continued

Earnings Per Share v Dividends Per Share



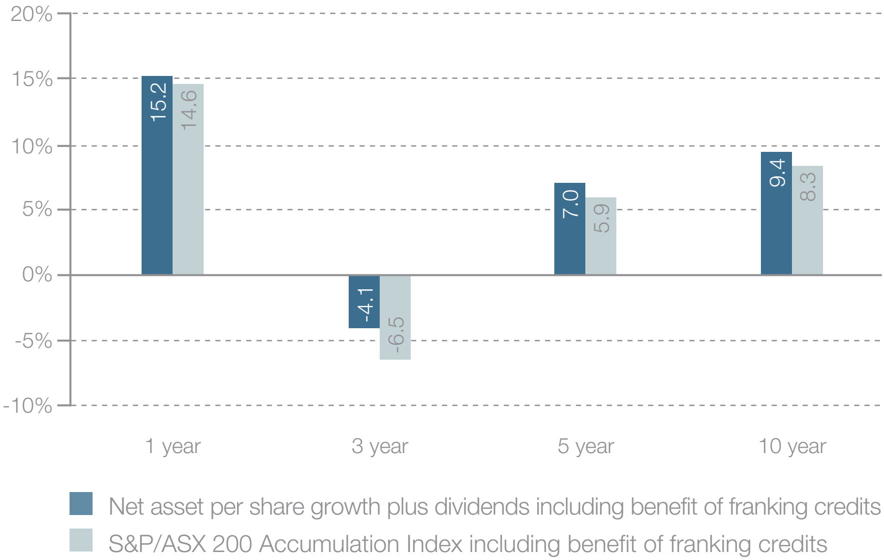
Portfolio Performance to 30 June 2010



Note: Djerriwarrh net asset per share growth plus dividend series is calculated after management fees, income tax and capital gains tax on realised sales of investments and does not reflect the value of franking credits attached to the dividends. It should be noted that Index returns for the market do not include the impact of management expenses and tax on their performance.

Summary of Results continued

Portfolio Performance to 30 June 2010 Including Benefit of Franking Credits

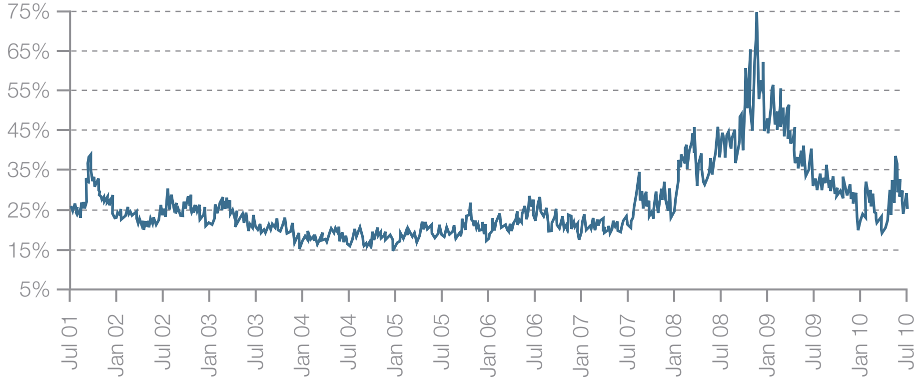


The chart above does not include the benefit of any LIC capital gain distributions made.

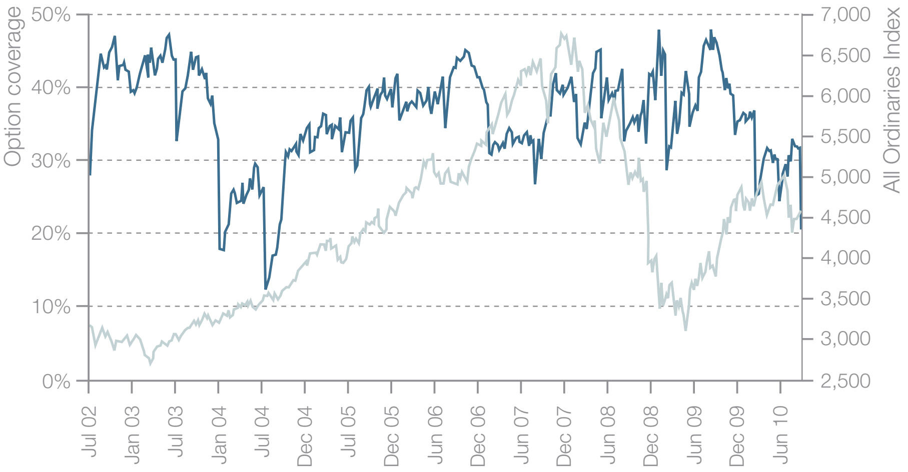
Djerriwarrh Yield v Market Yield

The chart above highlights the relative dividend yield on Djerriwarrh shares (which is fully franked) in comparison to the dividend yield on the S&P/ASX 50 Leaders Index (which is only 76 per cent franked) since the Company was listed.

Market Implied Volatility of Call Options



Option Coverage of the Portfolio v Movements in the All Ordinaries Index



Review of Operations

Profit Performance and Dividends

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 remained subdued following on from the significant cuts made during the global financial crisis in the previous financial year. Income from investments which is driven by dividends and distributions received in the investment portfolio was $32.3 million, down $14.5 million or 31.0 per cent over the corresponding period last year. The size of the fall also reflects the absence of any share buy-backs this year, such as the Santos share buy-back in which Djerriwarrh participated in early October 2008 which contributed $4.1 million of income.

Income from option activity was also down from the extremely strong levels generated last year as volatility levels declined. Total income from dealing in securities and derivatives which includes the revenue outcomes from the Company's option writing activities and the net gains in the trading portfolio was $19.7 million compared with $24.8 million last year.

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 restated from a loss of $14.1 million following adoption of new accounting standards this year dealing with amongst other things the treatment of realised gains and losses.

Djerriwarrh's final dividend has been maintained at 16 cents per share bringing total dividends for the year to 26 cents per share. Shareholders should note part of the final dividend is sourced from pre tax listed investment company capital gains of 8.6 cents per share (last year 5.7 cents per share). Certain shareholders may be able to claim some of this amount as a tax deduction.

As mentioned, one of the challenges the Company faced this year was the significant decline in dividends received. As a result Djerriwarrh has drawn on its reserves to partially fund total dividends for the year. The position of drawing on reserves for fully franked dividends is not one that is sustainable over the long term. 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 and the generation of sufficient franking credits to maintain current dividend levels.

Investment Portfolio

The market produced solid returns over the year despite the negative impact of heightened risk aversion during the closing stages of the financial year. The Company's portfolio return which includes the benefit of dividends paid was positive 11.9 per cent over the year which was slightly below the rise of 13.1 per cent in the general market over the period.

Grossing up for the positive impact of the enhanced level of franking credits generated from its investment activity, Djerriwarrh's portfolio return for the year is 15.2 per cent compared to the grossed up benchmark return of 14.6 per cent. Over a 10 year period these figures are positive 9.4 per cent for Djerriwarrh and 8.3 per cent for the Index.

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, Rio Tinto and Wesfarmers. 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, QBE Insurance, Transurban, Wesfarmers and Woodside Petroleum.

Djerriwarrh exited its small holdings in Fairfax Media, GWA International and Viridis Clean Energy during the period.

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.

Trading Portfolio

The trading portfolio was reactivated during the year although it operated at very low levels and was only utilised for very specific opportunities. This portfolio generated $1.4 million of profit this year which is in line with last year's contribution. At 30 June 2010 the major holdings in this portfolio were Oil Search, Telstra and Westfield.

Outlook

The following chart of the All Ordinaries Price Index measures the share price return of the Australian market since

1936. It shows a compound average return over this period of approximately 7 per cent per annum in price terms.

Whist the market is trading below its long term average we remain cautious given the concerns about the future impact of high government debt levels globally and the expectations of a strong recovery in company earnings that are currently built into the market. In this environment we may even see heightened option volatility over the medium term which would benefit Djerriwarrh's option activities.

At year end the level of portfolio option coverage at 23 per cent was low compared to previous years. As a result, the Company will seek to increase this to higher levels as market conditions allow. However this will be very dependent on a number of factors including prevailing option volatility and the overall return available. In particular this activity will need to be balanced against writing options with too low an exercise price which may give up too much of the potential upside in any capital appreciation that may occur.

All Ordinaries Price Index – Long Term Performance

Note: A semi log scale has been used to better show a comparison of the relative size of the percentage changes over the period.

Directorship Matters

As advised to the Australian Securities Exchange on 17 May 2010, Ms Alice Williams was appointed as a Director of the Company on that date.

Alice is a Director of Equity Trustees Limited, Defence Health, Guild Group Ltd and Victorian Funds Management Corporation. She is also a Council Member of The Cancer Council of Victoria.

Prior to undertaking her Non-Executive Director roles her primary business experience was in the financial services sector in senior management positions with a number of Australian and international investment banks including NM Rothschild and Sons (Australia) Limited, JP Morgan Australia, Hong Kong Bank of Australia Limited and Citibank (NA). She is also a Chartered Financial Analyst.

Alice has previously served as a Director of Airservices Australia, State Trustees, Western Health, Australian Accounting Standards Board, Telstra Sale Company, V/Line Passenger Corporation and Commissioner of the Victorian Competition and Efficiency Commission. She has also acted in a number of consulting roles to corporate, government and not-for-profit organisations specialising in the issues of strategic and business planning, debt restructuring, equity raising and corporate governance.

Alice brings to the Board a wealth of experience in financial markets as well as other industries in which she has acted as a consultant or in a Non-Executive Director capacity. We welcome her to the Board and look forward to the significant contribution that she will make to the Company's activities.

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 and 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
Total		**590.3**

As a percentage of total portfolio value (excludes cash) 82.0%

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

(a) Includes $3.8 million of WESN partially protected securities.

Income Statement

For the Year Ended 30 June 2010

	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	(2,898)	(2,868)
Operating profit before income tax	**47,159**	63,125
Income tax	(3,460)	(7,912)
Net operating profit	**43,699**	55,213
Net capital gains/(losses) on investments		
Net losses on ordinary securities sold from the investment portfolio	(11,050)	(35,075)
'Impairment' charge	-	(3,247)
Net gains/(losses) on open options positions	(1,157)	10,542
Net gains/(losses) on 'puttable instruments'	3,101	(3,723)
Tax (expense)/credit on above	(9,593)	7,024
	(18,699)	(24,479)
Profit/(loss) for the year	**25,000**	30,734

	Cents	Cents
Net operating profit per share	**20.74**	26.86
Profit/(loss) for the year per share	11.86	14.95

Balance Sheet

As at 30 June 2010

	2010 $'000	2009 $'000
Current assets		
Cash	69,706	57,905
Receivables	6,459	6,228
Trading portfolio	10,497	-
Total current assets	86,662	64,133
Non-current assets		
Investment portfolio	712,993	730,165
Shares in associate	465	274
Deferred tax assets	1,214	12,230
Total non-current assets	714,672	742,669
Total assets	801,334	806,802
Current liabilities		
Payables	2,563	8,719
Tax payable	4,794	4,286
Borrowings – cash advance facilities	50,000	60,000
Borrowings – convertible notes	-	32,002
Interest rate hedging contracts	324	279
Options written portfolio	3,235	12,678
Total current liabilities	60,916	117,964
Non-current liabilities		
Deferred tax liabilities – investment portfolio	14,202	11,162
Total non-current liabilities	14,202	11,162
Total liabilities	75,118	129,126
Net assets	726,216	677,676
Shareholders' equity		
Share capital	611,436	587,649
Revaluation reserve	4,045	(58,767)
Impairment revaluation charge reserve	-	(2,273)
Realised capital gains reserve	49,360	86,600
Retained profits	61,699	64,746
Interest rate hedging reserve	(324)	(279)
Total shareholders' equity	726,216	677,676

Statement of Changes in Equity

For the Year Ended 30 June 2010

	2010 $'000	2009 $'000
Total equity at the beginning of the year	677,676	809,292
Dividends paid	(54,192)	(53,196)
Shares issued		
- Dividend Reinvestment Plan	8,045	7,674
- Exercise of convertible notes	15,752	752
On-market share buy-backs	-	(11)
Cost of share issue	(10)	(9)
Total transactions with shareholders	(30,405)	(44,790)
Revaluation of investment portfolio	61,775	(166,826)
Provision for tax on unrealised gains/losses	(1,134)	50,589
Net unrealised gains/(losses) on investment portfolio	60,641	(116,237)
Net movement in fair-value for interest rate swaps	(45)	(1,323)
Net capital gains/(losses) for the year recorded through profit or loss (e.g. puttable instruments, options)	(18,699)	(24,479)
Net realised capital losses not recorded through profit	(6,651)	-
Operating profit for the year	43,699	55,213
Total equity at the end of the financial year	726,216	677,676

Holdings of Securities
As at 30 June 2010

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

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

Unless otherwise stated, the securities in this list are fully paid.

Ordinary Shares and Trust Units		Number Shares Held 2009 '000	Number Shares Held 2010 '000	Market Value 2010 $'000
AGK*	AGL Energy	527	527	7,696
AIX	Australian Infrastructure Fund	2,777	4,649	7,904
AMC*	Amcor	1,822	1,905	11,897
AMH	AMCIL	12,257	10,257	6,360
AMP*	AMP	3,565	3,546	18,472
ANZ*	Australia and New Zealand Banking Group	2,140	1,554	33,204
APN	APN News & Media	1,919	1,919	3,810
AWC*	Alumina	3,918	3,918	5,936
AXA	AXA Asia Pacific Holdings	3,164	2,564	14,024
BHP*	BHP Billiton	2,500	2,515	94,434
BLD*	Boral	1,001	951	4,581
BSL	BlueScope Steel	102	102	214
BXB*	Brambles	2,886	2,936	16,006
CBA*	Commonwealth Bank of Australia	1,476	910	44,083
CCL*	Coca-Cola Amatil	1,164	987	11,556
CNX	Carbon Energy	970	970	340
CPU*	Computershare	1,237	812	8,584
CSR	CSR	939	939	1,578
ESG	Eastern Star Gas	2,000	2,000	1,650
FGL*	Foster's Group	1,350	1,550	8,677

Holdings of Securities continued
As at 30 June 2010

Ordinary Shares and Trust Units		Number Shares Held 2009 '000	Number Shares Held 2010 '000	Market Value 2010 $'000
HDF	Hastings Diversified Utilities Fund	4,304	11,696	14,853
HXL	Hexima	280	280	62
IAG	Insurance Australia Group	1,777	2,152	7,339
IPL*	Incitec Pivot	800	670	1,824
MIR	Mirrabooka Investments	4,607	4,607	7,809
MTS	Metcash	1,050	1,050	4,400
NAB*	National Australia Bank	2,558	1,759	40,859
ORG*	Origin Energy	858	933	13,861
ORI*	Orica	138	88	2,205
OSH*	Oil Search	4,506	5,217	28,705
OST	OneSteel	2,261	1,148	3,422
PMV	Premier Investments	838	838	5,110
PNA	PanAust	3,646	3,646	1,805
PPC	Peet	1,696	1,696	3,579
PPT*	Perpetual	0	102	2,866
QBE*	QBE Insurance Group	989	1,117	20,307
RIO*	Rio Tinto	332	307	19,696
STO*	Santos	1,604	1,689	21,197
TCL*	Transurban Group	2,842	3,989	16,868
TLS	Telstra Corporation	12,864	13,264	43,109
TOL*	Toll Holdings	798	862	4,706
WAN	West Australian Newspapers Holdings	2,600	2,250	14,715
WBC*	Westpac Banking Corporation	3,904	3,094	65,459
WDC*	Westfield Group	0	340	4,081
WES*	Wesfarmers	462	298	8,411
WESN	Wesfarmers Partially Protected Shares	131	131	3,759
WOW*	Woolworths	718	738	19,825
WPL*	Woodside Petroleum	841	922	38,418
Total				720,255

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

Major Transactions in the Investment Portfolio

Acquisitions (Above $5 Million)	Total Cost $'000
Australia and New Zealand Banking Group	12,395
Commonwealth Bank of Australia	8,410
Hastings Diversified Utilities Fund	6,652
Transurban Group	5,036

Disposals (Above $5 Million)	Total Proceeds $'000
Commonwealth Bank of Australia	27,415
National Australia Bank	20,863
Australia and 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.

Company Particulars

Djerriwarrh Investments Limited
ABN 38 006 862 693

Directors
Bruce B Teele, Chairman
Ross E Barker, Managing Director
Peter C Barnett
Terrence A Campbell AO
Andrew F Guy
Graham J Kraehe AO
John Paterson, Deputy Chairman
Alice JM Williams

Company Secretaries
Simon M Pordage
Andrew JB Porter

Auditor
PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation
Australia

Registered Office
Level 21, 101 Collins Street
Melbourne Victoria 3000

Mail Address
GPO Box 2114
Melbourne Victoria 3001

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

For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange):

Telephone 1800 780 784 (toll free)

Share Registrar
Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Shareholder Enquiry Lines 1300 653 915
+61 3 9415 4190 (from overseas)
Facsimile (03) 9473 2500
Email web.queries@computershare.com.au
Website www.computershare.com.au

Securities Exchange Code
DJW Ordinary shares

Shareholder Meetings

Annual General Meeting

Time	10.00am
Date	Tuesday 5 October 2010
Venue	Hilton on the Park
Location	192 Wellington Parade East Melbourne

Sydney Shareholder Meeting

Time	2.30pm
Date	Monday 11 October 2010
Venue	Four Seasons Hotel
Location	199 George Street Sydney

Adelaide Shareholder Meeting

Time	2.30pm
Date	Monday 18 October 2010
Venue	Adelaide Festival Centre
Location	King William Road Adelaide

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D J E R R I W A R R H
I N V E S T M E N T S

ABN 38 006 862 693

NOTICE OF ANNUAL GENERAL MEETING 2010

The Annual General Meeting of Djerriwarrh Investments Limited **(the Company)** will be held in the Grand Ballroom, Hilton on the Park, 192 Wellington Parade, East Melbourne, Victoria at **10.00am (AEDT)** on **Tuesday 5 October 2010**.

The Company has determined that, for the purpose of voting at the meeting, shares will be taken to be held by those persons recorded on the Company's register at **7.00pm (AEDT)** on **Sunday 3 October 2010**.

BUSINESS OF THE MEETING

1. FINANCIAL STATEMENTS AND REPORTS
To consider the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2010.
(Please note that no resolution will be required to be passed on this matter)

2. ADOPTION OF REMUNERATION REPORT
To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

“That the Remuneration Report for the financial year ended 30 June 2010 be adopted.”
(Please note that the vote on this item is advisory only and does not bind the Directors or the Company)

3. ELECTION OF DIRECTOR
To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

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

4. RE-ELECTION OF DIRECTOR
To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

"That Mr Terrence Campbell AO, a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."

5. RE-ELECTION OF DIRECTOR
To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

"That Mr Andrew Guy, a Director retiring from office in accordance with Rule 46 of the Constitution, being eligible is re-elected as a Director of the Company."

6. NON-EXECUTIVE DIRECTORS’ FEES
To consider and, if thought fit, to pass the following resolution (as an ordinary resolution):

"That the maximum aggregate remuneration which may be paid to the non-executive Directors of the Company for their services for each financial year, commencing on 1 July 2010 be increased from $650,000 which was approved by shareholders in 2007 to $800,000 per annum for the purposes of Rule 47 of the Company’s Constitution and ASX Listing Rule 10.17."

7. AMENDMENT TO THE CONSTITUTION
To consider and, if thought fit, to pass the following resolution (as a special resolution):

“That rule 45(c) of the Company’s Constitution be amended to reduce the maximum number of Directors from 10 to 8.”

By Order of the Board

Simon Pordage
Company Secretary
23 August 2010

EXPLANATORY NOTES

The Explanatory Notes below provide additional information regarding the items of business proposed for the Annual General Meeting.

Excluding item 6 because of Directors' interests, the Board recommends that shareholders vote in favour of each item of business being proposed at the meeting. Where permitted, the Chairman of the meeting intends to vote undirected proxies in favour of each item of business.

1. FINANCIAL STATEMENTS AND REPORTS

During this item there will be an opportunity for shareholders to ask questions and comment on the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2010.
No resolution will be required to be passed on this matter.

Shareholders who have not elected to receive a hard copy of the Company's 2010 Annual Report can view or download it from the Company's website at: **www.djerri.com.au/annual_report.asp**

2. ADOPTION OF REMUNERATION REPORT

During this item there will be an opportunity for shareholders at the meeting to comment on and ask questions about the Remuneration Report which commences on page 9 of the Company's 2010 Annual Report. The vote on the proposed resolution is advisory only and will not bind the Directors or the Company.

ITEMS 3-5. ELECTION and RE-ELECTION OF DIRECTORS

Relevant details of each Director standing for election or re-election are set out below. Further information regarding the Company's Corporate Governance arrangements and the Board's role can be found on the Company's website at: **www.djerri.com.au/Principals_profiles.asp**

Ms Alice Williams
BCom, FCPA, FAICD, CFA. Independent non-executive Director.

Ms Williams became a Director of the Company in May 2010. Ms Williams is a Director of Equity Trustees Limited, Victorian Funds Management Corporation, Guild Group and Defence Health and is a council member of Cancer Council Victoria. She was formerly a Director of Airservices Australia, State Trustees Limited, Western Health, the Australian Accounting Standards Board, Telstra Sale Company and V/Line Passenger Corporation. She also previously held senior management positions in the financial services sector including with NM Rothschild & Sons (Australia) Limited and JP Morgan Australia.

Mr Terrence Campbell AO
BCom (Melb). Non-executive Director. Member of the Investment Committee.

Mr Campbell was appointed to the Board in November 1989 and was last re-elected by shareholders in 2007. He is Senior Chairman of Goldman Sachs & Partners Australia Pty Ltd (formerly Goldman Sachs JBWere) and was formerly Chairman and Chief Executive of Goldman Sachs JBWere. He is also Chairman of Mirrabooka Investments Limited, Deputy Chairman of Australian Foundation Investment Company Limited and a Director of AMCIL Limited.

Mr Andrew Guy
LLB MBA. Independent non-executive Director. Chairman of the Audit Committee. Member of the Investment Committee and the Nomination Committee. He is also a Director of the Company's associated entity, Australian Investment Company Services Limited.

Mr Guy is a company Director who was appointed to the Board in December 1989 and was last re-elected by shareholders in 2007. He is a Director of an ANZ responsible entity and trustee, ANZ Specialist Asset Management Limited. He is a former Director of Aviva Australia Holdings Limited and PaperlinX Limited and a former Partner and Managing Partner of Arthur Robinson & Hedderwicks (now Allens Arthur Robinson).

6. NON-EXECUTIVE DIRECTORS' FEES

It is proposed that the maximum aggregate non-executive Directors' fees should be increased by $150,000 from the present level of $650,000 to $800,000 per annum. Non-executive Directors' fees exclude those fees paid to the Managing Director. The maximum aggregate level of Directors' fees has not been increased since 2007. Directors wish to increase the cap on the aggregate remuneration of Directors to provide capacity going forward for fees to be increased should that be deemed appropriate.

7. AMENDMENT TO THE CONSTITUTION

Rule 45(c) of the Constitution currently requires that "The number of Directors (not including alternate Directors) must be the number, not being less than 3 nor more than 10, which the Directors may determine but the Directors may not reduce the number below the number of Directors in office at the time of the reduction. All Directors are to be natural persons." The Board has considered the matter and believe that 8 Directors is a more appropriate maximum number of Directors for the purposes of rule 45(c) of the Constitution and that the rule be amended accordingly. This item requires a special resolution of shareholders.

SHAREHOLDER INFORMATION

Voting Exclusion Statement

The Company will disregard any votes cast on item 6 by all the Directors and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Proxies

1. A shareholder entitled to attend and vote at this meeting is entitled to appoint not more than two proxies (who need not be shareholders of the Company) to attend, vote and speak in the shareholder's place and to join in any demand for a poll.
2. Where a shareholder appoints more than one representative, proxy or attorney, those appointees are entitled to vote on a poll but not on a show of hands.
3. A shareholder who appoints two proxies may specify a proportion or number of the shareholder's votes each proxy is appointed to exercise. Where no such specification is made, each proxy may exercise half of the votes (any fractions of votes resulting from this are disregarded).
4 Proxy forms may be lodged online by visiting **www.investorvote.com.au**
5 Relevant custodians may lodge their proxy forms online by visiting **www.intermediaryonline.com**
6 Proxy forms and any authorities (or certified copies of those authorities) under which they are signed may be delivered in person, by mail or by fax to the Company's Share Registry (see details below) no later than 48 hours before the meeting, being **10.00am (AEDT)** on **Sunday 3 October 2010.**

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the meeting. Unless it has previously been given to the Company, the representative should bring evidence of their appointment to the meeting, together with any authority under which it is signed. The appointment must comply with section 250D of the Corporations Act 2001.

Attorneys

A shareholder may appoint an attorney to vote on their behalf. To be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the deadline for the receipt of proxy forms (see above), being no later than 48 hours before the meeting.

Share Registry

The Company's Share Registry details are as follows:

Computershare Investor Services Pty Limited

Street address: Yarra Falls 452 Johnston Street Abbotsford VIC 3067	Postal address: GPO Box 242 Melbourne VIC 3001
Telephone:	1300 653 915 (within Australia) +61 3 9415 4190 (outside Australia)
Facsimile:	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
Email enquiries:	web.queries@computershare.com.au

D J E R R I W A R R H
I N V E S T M E N T S

ABN 38 006 862 693

000001 000 DJW
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your proxy:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

In Person
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online users only (Custodians)
www.intermediaryonline.com

For all enquiries:

(within Australia) 1300 653 915
(outside Australia) +61 3 9415 4190

Email: web.queries@computershare.com.au

Proxy Form

Appoint your proxy online or view the 2010 Annual Report, 24 hours a day, 7 days a week:

www.investorvote.com.au

☑ **Appoint your proxy to vote**

☑ **Access the 2010 Annual Report**

☑ **Review and update your shareholding**

Your secure access information is:

Control Number: **999999**

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is very important that you keep your SRN/HIN confidential. If appointing your proxy online, please dispose of this form carefully.

For your proxy form to be effective it must be received by 10.00am (AEDT) on Sunday 3 October 2010

How to direct your proxy to vote

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.
Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.
Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.

A proxy need not be a shareholder of the Company.

Lodgement of a proxy

This proxy form (and any authority under which it is signed or a certified copy of it) must be received at an address given above by 10.00am (AEDT) on Sunday 3 October 2010, being not later than 48 hours before the commencement of the meeting. Any proxy form received after that time will not be valid for the scheduled meeting.

Signing instructions for postal forms

Individual: Where the holding is in one name, the shareholder or attorney must sign.
Joint Holding: Where the holding is in more than one name, all of the shareholders or attorneys should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the meeting

If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at **www.computershare.com.**

Comments & Questions: If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO APPOINT YOUR PROXY, or turn over to complete the form →

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MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with '**X**') should advise their broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a proxy to vote on your behalf

XX

I/We being a shareholder/s of Djerriwarrh Investments Limited hereby appoint

☐ **the Chairman of the meeting** **OR** __________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of **Djerriwarrh Investments Limited** to be held at **Hilton on the Park in the Grand Ballroom, 192 Wellington Parade, East Melbourne, Victoria, at 10.00am (AEDT) on Tuesday 5 October 2010** and at any adjournment of that meeting.

Important for item 6: If the Chairman of the meeting is your proxy and you have not directed him/her how to vote on item 6 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the meeting will not be able to cast your votes on item 6 and your votes will not be counted in computing the required majority if a poll is called on this item. Where permitted, the Chairman of the meeting intends to vote undirected proxies in favour of item 6.

☐ I/We acknowledge that the Chairman of the meeting in respect of item 6 may exercise my proxy even if he/she has an interest in the outcome of that item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
2	Adoption of the Remuneration Report (non-binding resolution)	☐	☐	☐
3	Election of Director - Ms Alice Williams	☐	☐	☐
4	Re-election of Director - Mr Terrence Campbell AO	☐	☐	☐
5	Re-election of Director - Mr Andrew Guy	☐	☐	☐
6	Increase in non-executive Directors' fee cap	☐	☐	☐
7	Amendment of the Constitution to reduce the maximum number of Directors to 8 (special resolution)	☐	☐	☐

Board recommendations and undirected proxies: Excluding item 6 because of Directors' interests, the Board recommends shareholders vote in favour of each item of business. Where permitted, the Chairman of the meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Shareholder(s)

This section must be completed.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name __________ Contact Daytime Telephone __________ Date __ / __ / __

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Computershare