



**DJERRIWARRH  
INVESTMENTS  
LIMITED**

ABN 38 006 862 693

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**APPENDIX 4E STATEMENT  
FOR THE YEAR ENDING 30 JUNE 2007**

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- Results for announcement to the market
- Media Release
- Appendix 4E Accounts

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## **PRELIMINARY RESULTS FOR ANNOUNCEMENT TO THE MARKET**

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The reporting period is the year ended 30 June 2007 with the previous corresponding period being the year ended 30 June 2006.

These preliminary results are based on unaudited financial statements.

### **Results for announcement to the market**

- Operating Profit after tax (excluding capital gains) was \$54.9 million, 42.5% up from the previous corresponding period.
- Net operating profit per share (before capital gains) was 28.8 cents per share on an undiluted basis, up from 24.0 cents last year.
- Net profit (including realised capital gains) was \$90.7 million, 43.3% up from the previous corresponding period.
- Revenue from operating activities (excluding capital gains) was \$48.0 million, 26% up from the previous corresponding period.
- The interim dividend for the 2007 financial year was 10 cents per share, fully franked, and it was paid to shareholders on 12 March 2007.
- The final dividend of 16 cents per share fully franked, up from 13 cents per share fully franked last year, will be paid on 9 August 2007 to ordinary shareholders on the register on 26 July 2007.
- The final dividend includes an attributable 3 cents of Listed Investment Company (LIC) gain. This gain enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.
- The Company operates a Dividend Reinvestment Plan under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares is based on the average selling price of shares traded on the Australian Securities Exchange in the five days from the day the shares begin trading on an ex-dividend basis. The last day for the receipt of an election notice for participation in the plan is 26 July 2007.
- The record date for the next payment of interest on 30 September 2007 (which will be paid on 1 October according to the ASX Listing Rules) on the 6.5% Unsecured Convertible Notes on issue will be 21 September 2007. Notice to convert the Notes to Ordinary Shares for the next conversion date needs to be received by the Company by 15 September 2007 in accordance with the Conditions of Issue.
- Net tangible assets per share before any provision for deferred tax on the unrealised gains on the long-term investment portfolio as at 30 June 2007 were \$5.24 (before allowing for the final dividend), up from \$4.45 (before allowing for the final dividend) at the end of the previous corresponding period.

## MEDIA RELEASE - FULL YEAR RESULT

16 July 2007

### STRONG LIFT IN PROFIT AND FULLY FRANKED DIVIDEND

Djerriwarrh Investments Limited announced today its financial results for the full year to 30 June 2007. The results are unaudited.

#### KEY POINTS

- **Net Operating Profit after tax** was \$54.9 million (last year \$38.5 million), up 42.5% from the previous corresponding period. This operating profit is made up primarily of dividends received from the investment portfolio, option income and revenue from the trading portfolio, which was up significantly. It does not include realised gains.
- **Reported Profit after tax** was \$90.7 million (last year \$63.3 million). This includes realised gains on sale of investments and a revaluation of open option positions.
- **Earnings per share** based on Net Operating Profit were 28.8 cents compared with 24.0 cents last year.
- **Rights Issue** successfully completed raising \$140.3 million of new capital in October 2006.
- **Total assets** (at market value) at 30 June 2007 were \$1.2 billion, up from \$881 million last year.
- **A fully franked final dividend** of 16 cents per share will be paid on 9 August 2007. This is a significant lift from last year's final dividend of 13 cents per share, particularly in light of the increased capital base arising from the rights issue. The total dividend for the year is 26 cents per share fully franked.
- **The final dividend** carries with it an attributable LIC capital gain of 3 cents per share which enables some shareholders to claim a tax deduction.
- **Total portfolio return** over the twelve months to 30 June 2007 (change in net asset backing per share plus dividends reinvested) was 27.0% after tax and management expenses.
- **Total shareholder return** measured by change in share price plus dividends over the twelve month period was 15.0% as the share price moved to a discount of over 5% to net asset backing by financial year end.
- **Management expense ratio** was 0.22%, compared to 0.24% for the previous year.
- **Net asset backing** at 30 June 2007 was \$5.24 (before providing for the 16 cent final dividend).
- **The fully franked yield** on Djerriwarrh's closing share price on 13<sup>th</sup> July of \$5.04 is 5.2%.

## Chairman's Comments

The Chairman, Mr. Bruce Teele commented, "Djerriwarrh has enjoyed a very good year with a strong portfolio performance as well a solid increase in income from the Company's investment and option writing activity.

The equity market continued to rise during the year as economic conditions domestically and globally remained generally favourable. Whilst there were certain periods when volatility did pick up, these proved to be only temporary aberrations with confidence prevailing for most of the financial year. This strength in the equity markets coupled with the relatively low level of volatility evident meant that we have had to be active in managing the outstanding option positions. The gearing in the portfolio from our convertible notes and utilised lines of credit have also assisted the portfolio's performance in this rising market.

## Portfolio

The total return on our portfolio activities over the twelve months to 30 June 2007 (measured by the change in net asset backing per share plus dividends reinvested) was an increase of 27.0%. This was in comparison to the S&P/ASX 50 Leaders Accumulation Index of 26.4% over the same period. It should also be noted that Djerriwarrh's return is after expenses and tax payable whereas the S&P/ASX Accumulation indices do not account for either. This result was particularly pleasing given Djerriwarrh tends to slightly underperform in strongly rising markets given call options are written over part of the portfolio.

The key factors driving this out-performance were:

- The major net acquisitions in the Investment Portfolio during the twelve month period that enjoyed very good share price returns over the year. In particular, BHP Billiton, Santos, Rio Tinto and the Telstra Instalment Receipts (under the institutional entitlement).
- The strong returns (including income from option activities) in the Investment Portfolio generated by Djerriwarrh's holdings in Commonwealth Bank, National Australia Bank, West Australian Newspapers, St George Bank, Westpac and Wesfarmers.
- Net gains in the Trading Portfolio. The major contributors to this return were positions in Premier Investments, Telstra (including the instalment receipts), AMCIL Limited and National Australia Bank.
- The level of gearing in the portfolio which partially offsets some of the dampening impact of the written call options in the rising market.

## Outlook

Notwithstanding the recent speculation about increasing interest rates the market looks set for another positive period at least in the short term with company profits remaining strong and the level of domestic activity robust. This is reinforced by the continued demand for resources, ongoing terms of trade stimulus and low levels of unemployment.

Another feature of current financial markets which is particularly relevant for Djerriwarrh is that they still appear comfortable in embracing risk despite recent aberrations. Along with a relatively benign outlook for equity markets this has meant that volatility remains at relatively low levels thereby reducing premiums the Company can earn for writing call options over part of the Portfolio.

The Company has begun the new financial year with relatively modest option coverage at just over 27% at the end of June 2007. We will be looking for opportunities to increase this, although the present low level of volatility on some stocks means in certain circumstances we will have to be patient. The Company is fully invested although it has access to further lines of credit. We will look for appropriate opportunities to replenish the portfolio with stocks that offer long term value.”

### **Australian Investment Company Services Limited**

As previously advised in the half year report, an investment team was appointed to support the Investment Committee's of listed investment companies Australian Foundation Investment Company, Djerriwarrh Investments, Mirrabooka Investments and AMCIL Limited. This team, along with other staff that provide management and administration services for the four investment companies are employees of a separate company, Australian Investment Company Services Limited (AICS). From 1 July 2007 Djerriwarrh became a shareholder of AICS along with Australian Foundation Investment Company.

Please direct any enquiries to:

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General Manager  
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## TOP 20 INVESTMENTS AS AT 30 JUNE 2007

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Valued at closing prices at 29 June 2007		Total Value \$ million
1	* BHP Billiton	107.6
2	* National Australia Bank	82.3
3	* Westpac Banking Corporation	64.8
4	* Rio Tinto	57.4
5	* Telstra Corporation (a)	53.0
6	* Commonwealth Bank of Australia	51.5
7	* The News Corporation (b)	39.7
8	* Australia and New Zealand Banking Group	38.9
9	* West Australian Newspapers Holdings	32.7
10	* Alumina	32.4
11	* Woodside Petroleum	31.2
12	* St George Bank	31.0
13	* AMP	30.6
14	* Wesfarmers	23.7
15	* Woolworths	20.6
16	* Brambles	20.0
17	* Transurban Group	20.0
18	* Santos	19.2
19	* Oil Search	18.8
20	* AXA Asia Pacific Holdings	15.7
		<b>791.2</b>
	As % of Total Portfolio Value (excludes Cash & Bank Bills)	70.7%

(a) Includes \$18.1m TLSCA instalment receipts

(b) Includes \$13.3m News Corporation Class A Non-Voting Common Stock

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

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# FINANCIAL REPORT

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# INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$'000	2006 \$'000
Dividends and distributions		45,814	37,466
Revenue from deposits and bank bills		2,106	609
Other revenue		52	-
<b>Total revenue</b>		<b>47,972</b>	<b>38,075</b>
Income from options written		9,788	7,934
Net gains on trading portfolio		13,777	6,212
<b>Income from operating activities before net gains on investments</b>		<b>71,537</b>	<b>52,221</b>
Finance costs		(7,115)	(8,215)
Administration expenses		(2,267)	(1,864)
<b>Operating profit before income tax expense and net gains on investments</b>	<b>4</b>	<b>62,155</b>	<b>42,142</b>
Income tax expense*	5	(7,254)	(3,627)
<b>Net operating profit before net gains on investments</b>		<b>54,901</b>	<b>38,515</b>
<b>Net gains on investments</b>			
Net gains on Ordinary Securities sold from the investment portfolio		41,584	33,690
Net losses on Other Securities		-	(794)
Net losses on open options positions		(1,723)	(1,854)
Tax expense on net gains on investments*	5	(4,089)	(6,265)
		35,772	24,777
<b>Profit for the year</b>		<b>90,673</b>	<b>63,292</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		47.56	39.46
Diluted earnings per share		45.89	37.82

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

**Information on earnings per share, including net operating profit before net gains on investments per share, can be found in Note 22**

		2007 \$000	2006 \$000
* Total tax expense		11,343	9,892

## BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 \$'000	2006 \$'000
<b>Current assets</b>			
Cash	6	545	928
Receivables	7	48,652	50,562
Trading portfolio	8	50,794	39,794
Interest-rate Hedging Contracts	9	805	362
<b>Total current assets</b>		<b>100,796</b>	<b>91,646</b>
<b>Non-current assets</b>			
Investment portfolio	10	1,086,700	784,706
Deferred tax assets	11	2,347	4,536
<b>Total non-current assets</b>		<b>1,089,047</b>	<b>789,242</b>
<b>Total assets</b>		<b>1,189,843</b>	<b>880,888</b>
<b>Current liabilities</b>			
Payables	12	10,923	3,224
Tax payable		6,702	12,040
Borrowings	6	61,500	80,000
Options written portfolio	13	17,585	14,443
<b>Total current liabilities</b>		<b>96,710</b>	<b>109,707</b>
<b>Non-current liabilities</b>			
Borrowings	14	37,242	45,297
Deferred tax liabilities – investment portfolio	15	119,949	72,624
<b>Total non-current liabilities</b>		<b>157,191</b>	<b>117,921</b>
<b>Total liabilities</b>		<b>253,901</b>	<b>227,628</b>
<b>Net Assets</b>		<b>935,942</b>	<b>653,260</b>
<b>Shareholders' equity</b>			
Share Capital	16	567,278	414,384
Revaluation Reserve	17	213,041	134,961
Realised capital gains reserve	18	113,815	79,122
Retained profits	19	41,003	24,431
Interest-rate Hedging Reserve	9	805	362
<b>Total shareholders' equity</b>		<b>935,942</b>	<b>653,260</b>

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$'000	2006 \$'000
<b>Total equity at the beginning of the year</b>		<b>653,260</b>	<b>568,987</b>
Dividends paid	21	(39,408)	(35,800)
Dividend Reinvestment Plan	16	6,183	5,874
Share buybacks	16	(570)	(17)
Exercise of Convertible Notes	16	7,906	11,788
Rights Issue	16	140,326	-
Cost of Issue	16	(951)	
<b>Total transactions with shareholders</b>		<b>113,486</b>	<b>(18,155)</b>
Revaluation of investment portfolio		125,405	60,381
Provision for tax on unrealised gains		(47,325)	(22,082)
Net unrealised gains recognised directly in equity	17	78,080	38,299
Profit for the year		90,673	63,292
Net movement in Fair-Value for Interest-Rate Swaps	9	443	837
<b>Total recognised income (including unrealised gains) &amp; expense for the year</b>		<b>169,196</b>	<b>102,428</b>
<b>Total equity at the end of the financial year</b>		<b>935,942</b>	<b>653,260</b>

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$'000 INFLOWS/ (OUTFLOWS)	2006 \$'000 INFLOWS/ (OUTFLOWS)
<b>Cash flows from operating activities</b>			
Sales from trading portfolio		41,932	58,891
Purchases for trading portfolio		(35,108)	(43,260)
Proceeds from entering into options in options written portfolio		54,586	43,057
Payment to close out options in options written portfolio		(43,380)	(30,024)
Interest received		2,106	647
Dividends and distributions received		41,501	34,402
		61,637	63,713
Other receipts		52	-
Administration expenses		(2,224)	(1,938)
Finance costs paid		(7,358)	(7,894)
Income taxes paid		(14,460)	(6,728)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>26</b>	<b>37,647</b>	<b>47,153</b>
<b>Cash flows from investing activities</b>			
Sales from investment portfolio		216,569	141,001
Purchases for investment portfolio		(341,684)	(242,379)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(125,115)</b>	<b>(101,378)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		414,000	328,500
Repayment of borrowings		(432,500)	(320,288)
Share issues		140,326	11,788
Share issue transaction costs		(949)	-
Share buybacks		(570)	(17)
Dividends paid		(33,222)	(29,875)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>87,085</b>	<b>(9,892)</b>
Net increase/(decrease) in cash held		(383)	(64,117)
Cash at the beginning of the financial-year		928	65,045
<b>Cash at the end of the financial-year</b>	<b>6</b>	<b>545</b>	<b>928</b>

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

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## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with 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:

<b>Phrase</b>	<b>AASB Terminology</b>
Market Value	Fair Value for Actively Traded Securities
Cash	Cash and Cash Equivalents
Share Capital	Contributed Equity

This financial report has been prepared in accordance with AIFRS (Australian Equivalents to International Financial Reporting Standards).

Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

The Company has elected to adopt AASB 7 *Financial Instruments: Disclosures* early when preparing the financial statements. The Company has not yet applied any other Australian Accounting Standards or AASB interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2007 ("the inoperative standards"). 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 the inoperative standards at the date at which their adoption becomes mandatory.

#### a) Basis of accounting

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

#### b) Holdings of securities

##### *(i) Balance sheet classification*

The Company has three discrete portfolios of securities, the investment portfolio, the trading portfolio and the options written 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 trading portfolio comprises securities held for short term trading purposes, including exchange traded options contracts that are entered into, as described in Note 8.

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

Ordinary securities within the investment portfolio are classified as 'assets available for sale',

whereas securities that contain a derivative element (eg Convertible Notes) and the trading portfolio are classified as 'assets measured at fair value through the Income Statement'.

*(ii) Valuation of investment portfolio*

Securities, including listed and unlisted shares and notes, are initially brought to account at market value, which is the cost of acquisition including transaction costs, and are revalued to market values continuously. Increments and decrements on Ordinary Securities are taken 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 Income Statement.

Increments and decrements on the value of the securities that contain a derivative element (known as 'Hybrids') are taken directly through the Income Statement.

*(iii) Valuation of trading portfolio*

Securities, including listed and unlisted shares, notes 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 directly 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. Increments and decrements are recognised as per the policy in Note 1b)(v).

*(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 and distributions relating to unlisted securities are recognised as income when received unless the distributions are capital returns on ordinary shares in which case the amount of the distribution is treated as an adjustment to the carrying value of the shares.

Djerriwarrh writes options in the options written portfolio to enhance income. Income from options in the options written portfolio is only recognised in net operating profit when the option is closed out, expires or is exercised. The income is the difference between the premium received on the option less any cost to close out the option.

The unrealised gain or loss on open options positions is shown alongside the unrealised gain or loss on hybrids or 'other securities' in the investment portfolio which is required under accounting standards to be accounted for through the income statement.

**c) 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. Hybrids and the trading and options written portfolios.

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.

**d) 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.

**e) Bills of exchange**

Bills of exchange and investment grade promissory notes, which have been purchased in the market at a discount to face value, are carried at an amount representing amortised cost using the effective interest rate method, and the amortised interest is accounted for as interest received.

**f) Fair value of financial assets and liabilities**

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

The fair value for assets that are actively traded on market is defined by AASB 139 as 'last bid price'.

**g) Convertible notes**

On issue of convertible notes, the Company estimates the fair value of the liability component, being the obligation to make future payments of principal and interest to noteholders, using a market interest rate for an equivalent non-convertible note. The residual amount is included in equity as other equity securities with no recognition of any change in the value of the option in subsequent periods. The liability is then included in borrowings and carried on an amortised cost basis with interest on the notes recognised as borrowing costs on an effective yield basis until the liability is extinguished on conversion or maturity of the notes.

**h) Interest rate swap**

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, 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) 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.

**j) Rounding of amounts**

The Company is of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment 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.

## **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 15. In addition, the tax liability that arises on disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

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

## **3. Financial Reporting by segments**

The Company operates as a Listed Investment Company in Australia. It has no reportable business or geographic segments.

<b>4. Operating profit before income tax expense and net gains on investments</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>
Dividends and distributions (excluding interest)		
• securities held in investment portfolio	43,404	33,903
• securities held in trading portfolio	2,281	3,434
	<u>45,685</u>	<u>37,337</u>
Interest income		
• securities held in investment portfolio	129	129
• deposits and income from bank bills	2,106	609
	<u>2,235</u>	<u>738</u>
Net gains/(losses) and write downs		
• net gains from trading portfolio sales	3,863	6,224
• realised gains on options written portfolio	9,788	7,934
• unrealised gains/(losses) in trading portfolio	9,914	(12)
	<u>23,565</u>	<u>14,146</u>
Other income	52	-
Income from operating activities before net gains on investments	<u>71,537</u>	<u>52,221</u>
Finance costs	(7,115)	(8,215)
Administration Fees paid to Australian Investment Company Services Ltd (AICS) (2006 : AFIC)	(917)	(683)
Other administration expenses	<u>(1,350)</u>	<u>(1,181)</u>
<b>Operating profit before income tax expense and net gains on investments</b>	<b><u>62,155</u></b>	<b><u>42,142</u></b>

Further information relating to remuneration of auditors is set out in Note 25, Directors in Note 23. The administration fees paid to AICS are pursuant to an arrangement covering the Company's day-to-day management and administration. In 2006, this arrangement was with Australian Foundation Investment Company ("AFIC").

<b>5. Income tax expense</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>
<b>(a) Reconciliation of income tax expense to prima facie tax payable</b>		
Operating profit before income tax expense and net gains/(losses) on investments	<b>62,155</b>	<b>42,142</b>
Tax at the Australian tax rate of 30% (2006 – 30%)	18,646	12,643
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		
Tax offset for franked dividends	(10,271)	(9,210)
Sundry items	(509)	556
	<u>7,866</u>	<u>3,989</u>
Under (over) provision in prior years	(612)	(362)
Income tax expense on operating profit before net gains/(losses) on investments	<b><u>7,254</u></b>	<b><u>3,627</u></b>

	2007 \$'000	2006 \$'000
<b>Net gains from investments (before tax)</b>	<b>39,861</b>	<b>31,042</b>
Tax at the Australian tax rate of 30% (2006 – 30%)	11,958	9,313
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		
Impact of parcel selection for capital gains purposes	(8,505)	(3,420)
Accounting gains rolled-over for taxation purposes	(634)	(73)
Accounting losses not allowable for taxation purposes	1,111	371
Under (over) provision in prior years	159	74
Income tax expense on net gains from investments	<u>4,089</u>	<u>6,265</u>
<b>Total income tax expense</b>	<b><u>11,343</u></b>	<b><u>9,892</u></b>

**(b) Income tax expense composition**

Charge for tax payable relating to the current year	9,607	13,433
Under (over) provision in prior years	(453)	(288)
Increase (decrease) in deferred tax liabilities – investment portfolio	-	(32)
(Increase) decrease in deferred tax assets	2,189	(3,221)
	<u>11,343</u>	<u>9,892</u>

**(c) Amounts recognised directly in equity**

Increase in deferred tax liabilities relating to capital gains tax on the increase in unrealised gains in ordinary securities in the investment portfolio	47,325	22,082
	<u>47,325</u>	<u>22,082</u>

**6. Current assets – cash**

Cash at bank and in hand	3	3
Deposits at call	542	925
	<u>545</u>	<u>928</u>

Deposits at call yield an average floating interest rate of 6.18% (2006: 5.51%). Discounted bills of exchange and investment grade promissory notes yielded an average fixed return of 6.27% (2006: 5.65%) and had a fixed term of up to three months.

**(a) Credit risk exposure**

The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest. Purchased bills of exchange are carried on the balance sheet at an amount less than the amount realisable at maturity. The credit risk exposure of the Company regarding purchased bills of exchange is the carrying value, which comprises the cost of the bank bills and the income accrued to balance date.

Cash investments are made with GSJBWere's Australian \$ Cash Reserves Fund – Institutional Class which is rated AAAM by Standard & Poor and Aaa/MR1+ by Moody's.

## (b) Standby arrangements and credit facilities

The Company is party to agreements under which Commonwealth Bank of Australia will extend a cash advance facility (formerly the Company had an agreement to accept and or accept and discount bills of exchange) and the National Australia Bank has agreed to accept or accept and discount bills of exchange.

	2007 \$'000	2006 \$'000
Commonwealth Bank of Australia – cash advance facility (2006 : floating rate bill facility)	60,000	60,000
Amount drawn down	41,000	26,500
Undrawn facilities	<u>19,000</u>	<u>33,500</u>
National Australia Bank- floating rate bill facility	60,000	60,000
Amount drawn down	20,500	53,500
Undrawn facilities	<u>39,500</u>	<u>6,500</u>
Total short term loan facilities	120,000	120,000
Total drawn down	<u>61,500</u>	<u>80,000</u>
Total undrawn facilities	<u>58,500</u>	<u>40,000</u>

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 normally drawn down for no more than 90 days.

## 7. Current assets – receivables

Dividends and distributions receivable	9,524	6,960
Outstanding settlements – investment portfolio	31,260	33,924
Outstanding settlements – trading portfolio	6,251	8,551
Outstanding settlements – options written portfolio	934	932
Other receivables	683	195
	<u>48,652</u>	<u>50,562</u>

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.

## 8. Current assets – trading portfolio

Listed securities at market value		
- shares and trust units	51,712	40,625
- options written by the Company		
- Calls	(889)	(831)
- Puts	(29)	-
	<u>50,794</u>	<u>39,794</u>

## (a) Credit risk exposure

Credit risk exposures of the Company arise in relation to converting and convertible notes and other interest-bearing securities to the extent of their carrying values, in the event of a shortfall on winding-up of the issuing companies.

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

## (b) 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. Options are only written over stocks that are in the trading portfolio. 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.

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 \$19.2 million (2006: \$20.8 million) held by the Company in its trading portfolio, and put options outstanding which potentially required the Company if they were exercised to purchase securities to the value of \$1.4 million (2006 : Nil).

As at balance date all of these contracts are exchange-traded options and are 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, trading and sub-underwriting transactions of the Company and related matters.

### 9. Interest rate swaps

	2007 \$'000	2006 \$'000
Current assets	805	362
	<u>805</u>	<u>362</u>

The Company has hedged a proportion of its short term borrowings against changes in interest rates by entering into interest rate swap agreements. The Company's swap agreements have been assessed as an effective hedge for the Company's short-term borrowings and therefore the fair value of the unused portion of the swap agreements is recognised in the interest rate hedging reserve in equity.

Swaps currently in place cover approximately 98% (2006 – 75%) of the loan principal outstanding. The fixed interest rates are 5.735% and 5.940%.

At 30 June 2007, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows :

Less than 1 year	-	-
1 – 2 years	60,000	-
3 – 4 years	-	60,000
4 – 5 years	-	-

### 10. Non-current assets – investment portfolio

Listed securities		
- shares at market value	1,086,700	783,074
- converting and convertible notes and other interest bearing securities at market value	-	1,607
Unlisted securities at fair value	-	25
	<u>1,086,700</u>	<u>784,706</u>

Credit risk exposures of the Company arise in relation to converting and convertible notes and other interest-bearing securities to the extent of their carrying values, in the event of a shortfall on winding-up of the issuing companies.

## 11. Non-current assets – Deferred tax

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

The key components are:

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
(a) Tax on unrealised (gains)/losses or write-downs on the trading portfolio	(3,567)	(464)
(b) Tax on unrealised losses in the options written portfolio	517	556
(c) Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	5,089	4,045
(d) Provisions and expenses charged to the accounting profit which are not yet tax deductible	398	529
(e) Interest and dividend income receivable which is not assessable for tax until receipt	(90)	(130)
	<u>2,347</u>	<u>4,536</u>
<b>Movements:</b>		
Opening balance at 1 July	4,536	1,315
Credited/(charged) to income statement	<u>(2,189)</u>	<u>3,221</u>
	<u>2,347</u>	<u>4,536</u>

The net DTA 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 DTA likely to be reversed within the next 12 months is \$1.6 million (2006: \$303,000). This relates primarily to items described in notes (a), (b), (c) & (d) above.

## 12. Current liabilities - payables

Outstanding settlements – investment portfolio	8,629	1,958
Outstanding settlements – trading portfolio	69	395
Outstanding settlements – options written portfolio	918	-
Director retirement benefits	776	776
Other payables and accruals	531	95
	<u>10,923</u>	<u>3,224</u>

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.

### 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. 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.

As at balance date the Company had sold put options which at the option of the purchaser may require the Company to buy prior to the respective expiry dates if they were exercised, certain securities at prices which in aggregate totalled \$26.3 million (2006: \$28.5 million). 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 \$288.3 million (2006: \$264.4 million). The total income for the year of \$9.8 million (2006 : \$7.9 million) plus the unrealised losses on the open options position of \$1.7 million (2006 : \$1.9 million), both before tax, was a net pre-tax 'profit' of \$8.1 million (2006 : \$6.1 million)

As at balance date all of these contracts are exchange-traded options and are 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. \$71.6 million of shares are held by the Australian Clearing House (ACH) as collateral for sold option positions written by the Company (2006: \$63.3 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.

<b>14. Non-current liabilities – payables</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Non-current unsecured		
- convertible notes at amortised cost	37,242	45,297

There were 9,480,129 convertible notes outstanding at 30 June 2007 (2006: 11,507,274). These notes have a face value of \$3.90 and carry an interest entitlement of 6.5 per cent per annum. They may be converted at the option of the holder into ordinary shares at a rate of one share per note on 31 March or 30 September each year until 30 September 2009. Notes not converted will be redeemed at their face value on 30 September 2009. At 30 June 2007, the face value of the convertible notes was \$37.0 million (2006 : \$44.9 million). Terms of the notes are regulated under a trust deed between the Company and Permanent Nominees (Aust) Ltd.

As per accounting policy note 1 (g), at issuance the residual value of the equity component of the convertible notes was calculated as nil.

### 15. Deferred tax liabilities – investment portfolio

Deferred tax liabilities on unrealised gains in the Investment Portfolio	119,949	72,624
<b>Movements:</b>		
Opening balance at 1 July	72,624	50,574
(Credited)/charged to income statement for securities that contain a derivative element (eg Convertible Notes)	-	(32)
(Credited)/charged to equity for ordinary securities	47,325	22,082
	<u>119,949</u>	<u>72,624</u>

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

## 16. Shareholders' equity – share capital

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

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
30/06/2005	Balance		158,730		396,739
26/08/2005	Dividend Reinvestment Plan	i	832	3.95	3,287
7/10/2005	Convertible Note conversion	ii	31	3.90	121
8/03/2006	Dividend Reinvestment plan	i	603	4.29	2,587
31/03/2006	Convertible Note conversion	ii	2,992	3.90	11,667
Various	On-market share buy-backs	iii	(4)		(17)
30/06/2006	Balance		163,184		414,384
10/08/2006	Dividend Reinvestment Plan	i	736	4.62	3,402
30/09/2006	Convertible Note conversion	ii	479	3.90	1,869
11/10/2006	1-for-5 renounceable rights issue	iv	35,082	4.00	140,326
12/03/2007	Dividend Reinvestment Plan	i	582	4.78	2,781
11/04/2007	Convertible Note conversion	ii	1,547	3.90	6,037
Various	On-market share buy-backs	iii	(120)		(570)
	Costs of Rights Issue		-		(951)
			<u>201,490</u>		<u>567,278</u>

- i. The Company has a Dividend Reinvestment Plan under which shareholders elected to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares was based on the average selling price of shares traded on the Australian Securities Exchange in the five days from the day the shares begin trading on an ex-dividend basis.
- ii. The Company issued shares with effect from 30 September 2006 and 31 March 2007, as a result of the conversion of convertible notes (see Note 14).
- iii. The Company introduced an on-market Buy-Back Programme in December 2000. During year ended 30 June 2007 the Company had bought back 120,042 shares at an average price of \$4.75. During the corresponding period in 2006, 4,000 shares were bought back at an average price of \$4.38.
- iv. The Company issued 35,081,581 shares at \$4.00 as a result of a 1-for-5 rights issue.

## 17. Revaluation Reserve

	2007 \$'000	2006 \$'000
Opening balance at 1 July	134,961	96,662
Revaluation of investment portfolio	125,405	60,381
Provision for tax on unrealised gains	(47,325)	(22,082)
	<u>213,041</u>	<u>134,961</u>

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note 1 b)(ii).

<b>18. Realised Capital Gains Reserve</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance at 1 July	79,122	53,840
Dividends paid	(2,285)	(620)
Transfer from retained profits	36,978	25,902
	<u>113,815</u>	<u>79,122</u>

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio. As the balance relates to net realised gains it may be distributed as cash dividends at the discretion of Directors.

### **19. Retained Profits**

Opening balance at 1 July	24,431	22,221
Dividends paid	(37,123)	(35,180)
Transfer to Realised Capital Gains Reserve	(36,978)	(25,902)
Profit for the year	90,673	63,292
	<u>41,003</u>	<u>24,431</u>

### **20. Financial Risk Management**

*AASB 7 – Financial Instruments : Disclosures* identifies 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 noted in Notes 6 a), 7, 8 a) & 10 with respect to cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are over-due or considered to be impaired.

#### 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 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 outwards 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.

Any borrowing facilities are normally drawn for a period no longer than 90 days.

#### 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 can fluctuate.

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's equity of \$38m and \$76m respectively, assuming a tax rate of 30%.

A fall in the market value of the trading portfolio of 5% and 10% equally across all securities held within the portfolio, would lead to a reduction in the trading result of \$1.8 million and \$3.6 million respectively.

The Revaluation Reserve at 30 June 2007 was \$213m. It would require a fall in the value of the investment portfolio of 31% to fully deplete this. In accordance with Accounting Standards, any further falls in value would continue to be recognised in equity as unrealised losses, thereby impacting the shareholders' equity of the Company.

The Company seeks to minimise 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:

	<b>2007</b>	<b>2006</b>
Energy	7.78%	4.16%
Materials	21.23%	18.55%
Industrials	10.65%	10.94%
Consumer Discretionary	8.73%	9.69%
Consumer Staples	6.36%	6.27%
Banks	23.97%	32.82%
Other Financials (inc Property Trusts)	10.30%	9.86%
Telecommunications	4.73%	4.17%
Other - Health Care, Info Technology, Utilities	6.25%	3.54%

Securities representing over 5% of the combined investment and trading portfolio at 30 June 2007 were:

	% of portfolio
BHP Billiton	9.5%
National Australia Bank	7.2%
Westpac	5.7%
Rio Tinto	5.0%

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

The writing of put and call options in the options written portfolio (Note 13) and the trading portfolio

(Note 8) is undertaken to enhance income. The writing of call options also provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. The Company does not write options where it does not own sufficient securities to meet any call obligations, and not more than 50% of the investment portfolio is at risk of being sold to meet call options.

The Company is not directly exposed to currency risk as all its investments are quoted in Australian dollars.

The Company has hedged a portion of its short-term borrowings to protect against short-term interest rates – see Note 9. Any borrowings in excess of the hedged amount of \$60 million have a floating interest-rate which is fixed for no more than 3 months. The Company has on issue convertible notes (see Note 14) which have a fixed interest-rate payable of 6.5%.

<b>21. Dividends</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Dividends paid during the year</b>		
Final dividend for the year ended 30 June 2006 of 13.0 cents fully franked at 30% paid on 10 August 2006 (2006: 12.5 cents fully franked at 30% paid on 26 August 2005).	21,214	19,841
Interim dividend for the year ended 30 June 2007 of 10 cents per share fully franked at 30%, paid 12 March 2007 (2006: 10.0 cents fully franked at 30% paid on 8 March 2006)	18,194	15,959
	<u>39,408</u>	<u>35,800</u>
<b>(b) Franking credits</b>		
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.	29,945	21,039
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(13,816)	(9,092)
Net available	16,129	11,947
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	37,634	27,876
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.		
<b>(c) Dividends declared after balance date</b>		
Since the end of the year Directors have declared a final dividend of 16 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2007 to be paid on 9 August 2007, but not recognised as a liability at the end of the financial year	32,238	
<b>(d) Listed Investment Company capital gain account</b>		
Balance of the Listed Investment Company (LIC) capital gain account	28,429	20,337
This would equate to an attributable amount of	40,613	29,053

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.

<b>22. Earnings per share</b>	<b>2007</b>	<b>2006</b>
<b>Basic earnings per share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	190,638,573	160,387,930
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	90,673	63,292
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	47.56	39.46
<b>Diluted earnings per share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator (as above)	190,638,573	160,387,930
Weighted average number of convertible notes used as the denominator	10,809,538	13,761,284
	<u>201,448,111</u>	<u>174,149,214</u>
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	90,673	63,292
Interest on convertible notes (net of tax)	1,777	2,574
	<u>92,450</u>	<u>65,866</u>
	<b>Cents</b>	<b>Cents</b>
Diluted earnings per share	45.89	37.82
<b>Basic net operating profit before net gains on investments per share</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	190,638,573	160,387,930
	<b>\$'000</b>	<b>\$'000</b>
Net operating profit before net gains on investments	54,901	38,515
	<b>Cents</b>	<b>Cents</b>
Basic net operating profit before net gains on investments	28.80	24.01
<b>Diluted net operating profit before net gains on investments</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator (as above)	190,638,573	160,387,930
Weighted average number of convertible notes used as the denominator	10,809,538	13,761,284
	<u>201,448,111</u>	<u>174,149,214</u>

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Net operating profit before net gains on investments	54,901	38,515
Interest on convertible notes (net of tax)	1,777	2,574
	<u>56,678</u>	<u>41,089</u>
	<b>Cents</b>	<b>Cents</b>
Diluted net operating profit before net gains on investments	28.14	23.59

### 23. Directors and Executives

Persons who were Directors of Djerriwarrh Investments Limited for part or all of the financial year ended 30 June 2007 were:

BB Teele  
 RE Barker  
 TA Campbell  
 RJ Fynmore  
 AF Guy  
 GJ Kraehe  
 J Paterson

Persons who were executives with authority for the strategic direction and management of the Company for part or all of the financial year ended 30 June 2007 were:

RE Barker – Managing Director  
 GN Driver – General Manager – Business Development and Investor Relations  
 RM Freeman – Chief Investment Officer (appointed 5 February 2007)  
 AJB Porter – Chief Financial Officer  
 SE Crook – Company Secretary & General Counsel.

Other than the Managing Director whose Directors fees are paid directly to AICS no remuneration is paid to the executives as their services are provided pursuant to an arrangement with AICS.

	Short-term benefits \$	Post-employment benefits \$	Total \$
<i>2007</i>			
<i>Non-executive Directors</i>	242,038	237,962	480,000
<i>2006</i>			
<i>Non-executive Directors</i>	404,500	31,500	436,000

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report.

## Holdings of Securities

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:

	<b>Opening balance</b>	<b>Net changes</b>	<b>Closing balance</b>
BB Teele	1,336,543	267,307	1,603,850
RE Barker	303,088	60,617	363,705
TA Campbell	23,221	231,619	254,840
RJ Fynmore	406,184	81,236	487,420
AF Guy	136,291	35,083	171,374
GJ Kraehe	21,592	14,318	35,910
J Paterson	69,256	62,172	131,428
GN Driver	11,000	4,000	15,000
RM Freeman	N/A	35,000	35,000
SE Crook	12,100	2,420	14,520

At balance date, 6.5% unsecured convertible notes 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:

	<b>Opening balance</b>	<b>Net changes</b>	<b>Closing balance</b>
TA Campbell	128,205	-	128,205
J Paterson	-	20,000	20,000

## 24. Related parties

Director TA Campbell is interested in the following transactions as Director, employee and shareholder of Goldman Sachs JBWere Pty Ltd, Goldman Sachs JBWere Services Pty Ltd and Goldman Sachs JBWere Capital Markets Limited. All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

	<b>2007 \$'000</b>	<b>2006 \$'000</b>
(a) The Company invests surplus funds in deposits at call with Goldman Sachs JBWere		
- interest revenue received or receivable	2,106	599
- expense paid or payable for management of the cash and bill portfolio	32	34
- deposits at call (at balance date)	542	925
(b) The Company buys and sells securities through Goldman Sachs JBWere Pty Ltd amongst other brokers		
- Brokerage expenses paid or payable	1,641	1,682

<b>25. Remuneration of auditors</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
During the year the auditor earned the following remuneration:		
<b>PricewaterhouseCoopers</b>		
Audit or review of financial reports	101,277	81,785
<u>Non-Audit Services</u>		
Audit of trust deed reporting	4,180	3,960
Taxation compliance services	17,325	15,950
Other taxation services	-	18,205
Other assurance services	22,000	-
Total remuneration	<u>144,782</u>	<u>119,900</u>

Other assurance services relates to the work done in relation to the 1 for 5 rights issue during the financial year.

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

<b>26. Reconciliation of net cash flows from operating activities to profit</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	90,673	63,292
- Net (gains)/losses on investments before tax	(41,584)	(32,896)
- Net decrease (increase) in trading portfolio	(11,000)	17,572
- Increase (decrease) in options written portfolio	3,142	6,953
- Dividends received as securities under DRP investments	(556)	(333)
- Decrease (increase) in current receivables	1,910	(45,062)
- less increase/(decrease) in receivables for investment portfolio	(2,664)	33,924
- less movement in provisions	(79)	-
- Increase/(decrease) in deferred tax liabilities	49,514	18,829
- less decrease/(increase) in deferred tax liabilities for investment portfolio	(47,325)	(22,050)
- less (credit)/charge to profit & loss for tax on gains or losses on hybrids	-	(32)
- Increase (decrease) in current payables	7,699	1,240
- less decrease (increase) in payables for investment portfolio	(6,671)	(803)
- less movement in provisions	(239)	-
- less decrease (increase) in dividends payable	(2)	(50)
- Increase (decrease) in tax payable	(5,338)	6,402
- Amortisation of borrowing costs	167	167
Net cash flows from operating activities	<u>37,647</u>	<u>47,153</u>

## **27. Contingencies**

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

## **28. Post Balance Sheet Events**

On 1<sup>st</sup> July 2007, AICS issued 199,999 shares of which Djerriwarrh Investments Limited purchased 50,000 for \$50,000, giving it a 25% shareholding in AICS. AFIC purchased the remainder for \$149,999 giving it a 75% shareholding, and the inter-company loan was extinguished.