



A.B.N. 38 006 862 693

**APPENDIX 4E STATEMENT
FOR THE YEAR ENDING 30 JUNE 2005**

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2005 with the corresponding period being the year ended 30 June 2004.

Results for announcement to the market

- Profit from ordinary activities after tax was \$35.1 million, 16.5% up from the prior year.
- Net profit attributable to members was \$35.1 million, 16.5% up from the prior year.
- Revenue from ordinary activities was \$46.6 million, 7.6% up from the prior year.
- Dividends for the year were 22.5 cents per share. The interim dividend of 10 cents per share fully franked was paid on 16 March 2005. A final dividend of 12.5 cents per share fully franked will be paid on 26 August 2005 to shareholders on the register on 12 August 2005. The shares are expected to trade ex-dividend on 8 August 2005.
- A Dividend Reinvestment Plan (DRP) is available, the price for which will be set by the Volume Weighted Average Price of the Company's shares traded on the ASX over the five trading days after the shares trade ex-dividend. The last day for notice of participation in the DRP is the record date, being 12 August 2005.

1 August 2005

**DJERRI WARRH LIFTS FINAL DIVIDEND
10 YEARS OF 5% PLUS FULLY FRANKED DIVIDEND YIELD**

Djerriwarrh Investments Limited announced today its financial results for the full year to 30 June 2005 with profit up to \$35.1 million or 16.5% from last year's full year profit of \$30.1 million. In addition, given the strong market rise over the year, there was a solid increase in realised gains made through the investment portfolio as some of our positions were sold to meet call option exercises.

In light of the improved profit, the Company has increased its final dividend by 1.0 cent to 12.5 cents per share fully franked bringing total dividends for the year to 22.5 cents per share, an increase of 8.7% on last year's final dividend. Based on the share price at the year end of \$3.89 this represents an annual fully franked dividend yield of 5.8%.

Djerriwarrh's total portfolio return over the year was 21.9% and reflects the strong gains over the corresponding period in the S&P/ASX 50 Leaders Accumulation Index which contains most of the active option stocks.

CHAIRMAN'S COMMENTS

The Chairman, Mr. Bruce Teele commented, "We are very pleased with the profit and portfolio performance of Djerriwarrh in what completes the Company's 10th year of listing on the ASX.

Equity markets continued their strong appreciation over the year although there were periods of increased volatility, particularly in the last quarter. The strong rise in the market meant that while Djerriwarrh saw a strong increase in the value of the portfolio, producing solid realised gains, net income from the option written portfolio was down as the Company bought back call options in selected stocks to enable it to retain its positions in these companies.

In this context, at the end of the financial year the Company had close to 30% of the portfolio covered by call options whereas at the end of last financial year only 12% of call options were written against the portfolio. This level of coverage places the Company in a good position to enhance income from the options written portfolio in the coming year at a time when we believe some sectors of the market are looking fully valued. The typical range of option coverage by value is between 20 to 50 per cent of the portfolio depending on market conditions.

We enjoyed a higher level of underlying distribution income from the Companies in which we invest. This provided an additional \$2.1 million of franked dividends and distribution income for the year in the investment account. Also, as was stated in the half year result, the Company received \$7.1 million in special dividends and distributions; \$3.4 million in respect of the Telstra share buy back and \$3.0 million in special distributions from Macquarie Infrastructure Group. In contrast, income from option trading decreased by \$10.6 million to \$3.3 million.

The Company also realised gains, booked through its asset realisation reserve, of \$21.4 million largely due to the sale of shares as a result of the exercise of options.

As a consequence we were pleased to be able to increase the final dividend by 8.7%, recognising that our shareholders are seeking a higher fully franked income return than is typically available from other listed investment companies.

In looking forward, the general market appears fully priced but we are conscious that different sectors of the market have the potential to behave differently over the coming year and that there is large amounts of cash available for the market from takeover and other capital activities which may continue to support current share prices.

The resources and energy sectors are likely to continue to benefit from continued growth in China and the US, whilst those companies servicing the domestic economy may find themselves under earnings pressure as consumer sentiment and discretionary spending slows. In addition, margin pressures across a range of industries appear to be emerging as input costs rise. This may lead to a further pick up in market volatility as earning expectations change or are not realised.

Any short term corrections that any uncertainty provides may allow us to capture additional income from option activities as well, as a long term investor, to continue to position the portfolio in companies that provide sound underlying value, particularly those with strong dividend flows”.

SUMMARY OF RESULTS

- Profit after tax was \$35.1 million (last year \$30.1 million), up 16.5%.
- Earnings per share were 22.1 cents, an increase of 12.8% over 19.6 cents last year.
- Realised gains after tax from the investment account of \$21.4 million (not included in net profit).
- A fully franked final dividend of 12.5 cents per share versus 11.5 cents last year. This brings total dividends for the year to 22.5 cents per share representing a fully franked yield of 5.8% based on the share price at 30 June 2005 of \$3.89.
- Dividend yield in excess of 5% fully franked per annum for the 10 years since listing on the ASX.
- Total return during the year (change in net asset backing per share plus dividends reinvested) was an increase of 21.9% after tax and management fees. The S&P/ASX 50 Leaders Accumulation Index increased by 24.7%.
- Total return measured by change in share price plus dividends over the twelve month period was positive 17.0%.
- Management expense ratio on an annualised basis was 0.25%
- Net asset backing at 30 June 2005 was \$3.90 (before allowing for the 12.5 cent final dividend), compared to \$3.40 at the end of the previous financial year
- Total portfolio (including cash and bank bills) at 30 June 2005 was \$737.8 million.

Profit Performance and Dividends

The Company reported a profit of \$35.1 million, a 16.5 % increase on the previous corresponding period. The primary positive contributors to the rise in profit were an increase in franked dividends and distributions received, up \$9.2 million to \$31.8 million. Of this increase \$3.4 million was associated with participation in the Telstra buy back of its shares in the first half of the year and \$2.6 million was a result of a special distribution from Macquarie Infrastructure Group, again in the first half of the financial year. Offsetting these gains, income from options trading was down \$10.6 million reflecting the decision to buy back options and re establish option positions at higher exercise prices and or longer maturity dates throughout the year as the market touched all time highs during the period under review. This was done in order to retain exposure to selected securities that may otherwise have been sold as a result of options being exercised, thereby retaining the underlying dividends on these companies.

Where it was decided not to buy back call options the Company benefited from the subsequent realised gains as a result of the exercise of call options. These exercises in the investment portfolio produced \$21.4 million of realised gains after tax. These realised gains are available to distribute to shareholders as dividends.

Directors have declared a fully franked final dividend of 12.5 cents per share. This brings total dividends for the year to 22.5 cents per share.

Comments on the Market and Investment Approach

The 12 months to 30 June 2005 have been extremely positive for the Australian stock market. As an example, the S&P/ASX 50 Leaders Accumulation Index, an index representing 50 of the top companies listed on the ASX, was up 24.7% for the year. Djerriwarrh's portfolio, which includes many of the stocks in the S&P/ASX 50 Leaders Index, also grew strongly by 21.9% over the corresponding period.

Most sectors enjoyed strong gains through the year, although the majority of these gains were achieved in the first nine months of the year. Sections of the market which significantly out-performed were the Energy and Materials Sectors (which contains resources stocks), Industrials, Information Technology, Utilities and Healthcare stocks. Sectors that under-performed the market were Consumer Discretionary, which by its nature is very sensitive to interest rate increases, Telecommunications Services and Financials, although this underperformance was only slight by year end.

There are two objectives to Djerriwarrh's approach to investment. One is the generation of income primarily from dividends and option premiums. The second is achieving growth in the value of the underlying portfolio. The selling of options directly assists the first objective but may dampen the outcome of the second should shares have to be sold to meet option exercises.

In the past 12 months where the market enjoyed strong upward movement, the Company took an approach whereby certain option positions were bought back and at the same time new ones opened with a higher exercise price throughout the year, in order to retain exposure to these companies. In contrast, some positions were too expensive and did not justify the cost of closing out these positions as it was uneconomic at the time to do so.

In this environment we were therefore particularly pleased to be able to increase the value

of the portfolio from \$621.2 million at the beginning of the year, to \$737.8 million by year end and to continue to generate a positive contribution from the options written portfolio of \$3.3 million.

Portfolio

As at 30 June 2005 the value of the Company's investment, options and trading portfolios at market value, including cash, was \$737.8 million.

The key positive contributors to the increase in value over the year were BHP Billiton, Commonwealth Bank of Australia, Transurban (following the takeover of Hills Motorway Group) Westpac, ANZ Banking Group and National Australia Bank.

Major acquisitions in the investment portfolio during the period included \$21.6 million in St George Bank, \$10.7million in Macquarie Infrastructure Group, \$10.3 million in BHP Billiton, \$9.4 million in Transurban Group as a result of the take-over of Hills Motorway Group and \$8.5 million in Commonwealth Bank of Australia. The acquisitions in selected banking stocks reflected the dividend yields available on these shares at different stages during the year.

As a result of compulsory acquisition under takeover offers, Djerriwarrh disposed of \$9.6 million in Hills Motorway Group and \$7.5 million in Southcorp during the year. Other significant disposals as a result of the exercise of call options were \$17.6 million in Commonwealth Bank of Australia and \$16.4 million in BHP Billiton. In addition at balance date, an outstanding offer for the Company's \$13.2 million holding in Western Mining was in place.

In the trading account the Company also sold \$10.2 million of Diversified United Investments Shares to take profits.

Capital Changes

During the year the Company issued 1.7 million new shares. Pursuant to the Dividend Reinvestment Plan for the August dividend in 2004, 944,847 shares were issued at \$3.43 per share, and in the Dividend Reinvestment Plan in March 2005 739,354 shares were issued at \$3.68 per share. However, the Company undertook various on market buybacks. As a result, 681,631 shares were bought back and cancelled at an average share price of \$3.56. It was considered appropriate to do this as the Company's share price traded below the net tangible asset value of the Company at various times in the second half of the year. In addition, 1,249 \$4.00 convertible notes and 4,200 \$3.90 convertible notes were converted into ordinary shares. As a result of all of these activities, the Company's paid up capital increased on a net basis by \$3.5 million after costs by year end.

Pursuant to the issue of new unsecured convertible notes announced in May 2004 the Company issued on 9 July 2004, 14,533,762 of the new convertible notes, raising \$56.7 million. During the year, 4,200 of these notes were converted into ordinary shares. These notes each have a face value of \$3.90 with an interest entitlement 6.5% per annum and a maturity date of 30 September 2009.

As part of this issue 5,404,791 of the previous convertible notes were bought back and

cancelled. 1,249 were converted into ordinary shares at the option of the note holder. The remaining 15,638,227 of the existing notes matured on 30 September 2004 and were repaid.

In addition to the issue of convertible notes, the Company currently has borrowing facilities of up to \$100 million of which \$60 million was drawn down at 30 June 2005.

Outlook

The equity market in Australia continued its exceptionally strong gains throughout the year although there was increased volatility in company share prices in the latter part of the year, as investors responded to uncertainty around interest rates, differing views on the prospects for global growth and the outlook for company profits as series of profit downgrades emerged primarily in the small to mid cap sector in Australia. These downgrades were a result of rising costs and or slowing demand in some sectors.

The level of corporate activity was also high as companies took advantage of their strong balance sheets to further consolidate and bring greater cost advantages and synergy benefits to their market positions. This trend together with a number of share buy backs has placed a significant amount of liquidity into the market at a time when equity valuations look fully priced.

In looking ahead to this year, the Australian economy while slowing is placing itself on a more balanced footing for growth given the past over reliance on the housing and consumer consumption for growth. In addition, barring any significant dislocations arising from global trade imbalances and the US budget deficit, prospects for global growth still remains sound. In this environment the outlook for the resources and energy sectors remain positive.

We are however cautious given present valuation levels across a number of sectors in our opinion look stretched particularly against the background of a continuing trend of higher input costs and reduced profit margins. In this context, Djerriwarrh currently has approximately 30% of its portfolio covered by options somewhat reflecting our view of valuations in some sectors of the market. In this environment we would expect opportunities to arise that should allow us to continue to harness option income and add to the underlying holdings in Djerriwarrh's portfolio to generate fully franked dividends.

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TOP 20 INVESTMENTS - Ordinary shares - AS AT 30/06/2005

Valued at closing prices at 30 JUNE 2005

Total Value
\$ million

1	*	NAB	National Australia Bank	72.4
2	*	WBC	Westpac Banking Corporation	54.7
3	*	BHP	BHP Billiton	51.1
4	*	CBA	Commonwealth Bank of Australia	46.5
5	*	NWS	The News Corporation Inc. (a)	40.5
6	*	TLS	Telstra Corporation	38.2
7	*	SGB	St George Bank	28.9
8	*	ANZ	Australia and New Zealand Banking Group	28.7
9	*	TCL	Transurban Group	25.3
10	*	RIO	Rio Tinto	22.2
11	*	AWC	Alumina	19.1
12		WAN	West Australian Newspapers Holdings	16.1
13	*	MIG	Macquarie Infrastructure Group	15.1
14	*	AMP	AMP	12.0
15	*	CPU	Computershare	11.8
16	*	FGL	Foster's Group	11.5
17	*	WPL	Woodside Petroleum	11.0
18	*	AMC	Amcor	10.1
19	*	AGL	The Australian Gas Light Company	10.0
20	*	TOL	Toll Holdings	9.9
				535.3
As % of Total Portfolio Value (\$672.7m) (excludes Cash & Bank Bills)				79.6%

TOP 3 INVESTMENTS - Preference shares, convertible notes

Total Value
\$ million

1		SSXPB	Smorgon Steel Group 8% Reset convertible preference shares	5.2
2		CMLPA	Coles Myer 6.5% Reset Convertible Preference shares	2.2
3		AMZGA	Amcor Investments Perpetual Reset Securities	1.6
				Total 9.1
As % of Total Portfolio Value (\$672.7m) (excludes Cash & Bank Bills)				1.4%

(a) Includes \$21.1m of News Corporation Class A Non-Voting Common Stock

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

FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Income from investment portfolio		31,895	22,916
Income from options written portfolio		3,317	13,872
Income from trading portfolio		10,885	6,172
Income from deposits and bank bills		540	380
Other income		4	11
Total income from ordinary activities		46,641	43,351
Borrowing and related expenses		(8,120)	(8,268)
Administration expenses		(1,737)	(1,598)
Profit from ordinary activities before income tax expense	3	36,784	33,485
Income tax (expense)	4	(1,723)	(3,377)
Net Profit		35,061	30,108
Direct adjustments against equity			
Realised gains on investment portfolio (net of tax)	17	21,447	1,756
Unrealised gains on investment portfolio	17	56,692	61,307
Unrealised (losses) on options written portfolio	17	(1,041)	(748)
Total valuation adjustments recognised directly in equity		77,098	62,315
Net Profit plus direct equity adjustments		112,159	92,423
Basic earnings per share			
	20	Cents 22.1	Cents 19.6
Diluted earnings per share	20	21.8	19.6
Basic realised earnings per share	20	35.7	20.7

This statement should be read in conjunction with the accompanying notes.

BALANCE SHEET AS AT 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Current assets			
Cash	5	65,045	1,205
Receivables	6	5,500	6,370
Trading portfolio	7	52,095	47,711
Tax refund		-	2,799
Total current assets		122,640	58,085
Non-current assets			
Investment portfolio	8	622,841	570,849
Deferred borrowing costs		667	442
Future income tax benefit	9	2,421	716
Total non-current assets		625,929	572,007
Total assets		748,569	630,092
Current liabilities			
Payables	10	2,129	1,652
Tax payable		5,638	-
Borrowings	11	60,000	91,177
Options written portfolio	12	7,490	2,341
Total current liabilities		75,257	95,170
Non-current liabilities			
Payables	13	776	-
Provisions	14	-	776
Borrowings	15	56,665	-
Total non-current liabilities		57,441	776
Total liabilities		132,698	95,946
Net Assets		615,871	534,146
Shareholders' equity			
Share capital	16	396,739	393,192
Reserves	17	199,913	123,929
Retained profits	18	19,219	17,025
Total shareholders' equity		615,871	534,146

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000 INFLOWS/ (OUTFLOWS)	2004 \$'000 INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Sales from trading portfolio		58,361	60,930
Purchases for trading portfolio		(54,556)	(71,845)
Proceeds from entering into options in options written portfolio		23,676	23,862
Payments to settle options in options written portfolio		(16,250)	(15,263)
Interest received		512	391
Dividends and distributions received		35,079	21,861
		<u>46,822</u>	<u>19,936</u>
Other receipts		4	11
Administration expenses		(1,736)	(1,467)
Borrowing and related expenses (incl. interest)		(8,907)	(8,247)
Income taxes paid		(245)	(5,891)
Net cash inflow from operating activities	25	<u>35,938</u>	<u>4,342</u>
Cash flows from investing activities			
Sales from investment portfolio		150,997	179,518
Purchases for investment portfolio		(117,788)	(182,303)
Net cash inflow from investing activities		<u>33,209</u>	<u>(2,785)</u>
Cash flows from financing activities			
Proceeds from borrowings		367,665	248,000
Repayment of borrowings		(342,175)	(251,722)
Convertible notes issue transaction costs		(365)	(442)
Share issues		21	21,784
Share issue transaction costs		(6)	(90)
Share buybacks		(2,430)	-
Dividends paid		(28,017)	(26,198)
Net cash inflow/(outflow) from financing activities		<u>(5,307)</u>	<u>(8,668)</u>
Net increase/(decrease) in cash held		63,840	(7,111)
Cash at the beginning of the financial year		1,205	8,316
Cash at the end of the financial year	5	<u>65,045</u>	<u>1,205</u>

This statement should be read in conjunction with the accompanying notes. Note 5 provides details of the composition of cash.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting and valuation 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 Consensus Views and the Corporations Act 2001. Interpretations of specific relevance to the Company are stated in this note. 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
Balance Sheet	Statement of Financial Position
Profit & Loss Statement	Statement of Financial Performance
Net profit plus direct equity adjustments	Total changes in equity other than those resulting from transactions with owners as owners
Borrowings	Interest bearing liabilities

a) Basis of accounting

The financial statements are prepared using the valuation methods described below for holdings of securities. 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 portfolios of securities, the investment portfolio, the options written portfolio and the trading portfolio.

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

The options written portfolio contains exchange traded options contracts that are entered into as described in Note 12.

The trading portfolio comprises securities held for short term trading purposes, including exchange traded options contracts that are entered into, as described in Note 7(b).

The investment portfolio is classified as a 'non-current asset', whereas the trading portfolio is classified as a 'current asset' and the options written portfolio is classified as a 'current liability'

(ii) Valuation of investment portfolio

Securities, including listed and unlisted shares and notes, are initially brought to account at cost and are revalued to market values continuously. Increments and decrements are taken to the Asset Revaluation Reserve while it has a positive balance in total, otherwise they are included in Net Profit. Where disposal of an investment occurs any revaluation increment or decrement relating to it is transferred from the Asset Revaluation Reserve to the Asset Realisation Reserve while this reserve has a positive balance in total, otherwise they are included in Net Profit.

(iii) Valuation of options written portfolio

Options written are initially brought to account at the amount received upfront for entering the contract (the premium) and subsequently revalued to current market value. Increments and decrements are taken to the Asset Revaluation Reserve while it has a positive balance in total, otherwise they are included in Net Profit. Upon expiry or exercise the relevant increment or decrement is transferred to Net Profit.

(iv) Valuation of trading portfolio

Securities, including listed and unlisted shares and notes and options, are initially brought to account at cost. Options written against trading portfolio holdings are initially brought to account at the amount received upfront for entering the contract (the premium).

Each holding in the trading portfolio (which can include exchange-traded options) is reviewed regularly. If Directors were to consider that a loss is almost certain on any holding then it would be written down to realisable value as estimated by Directors. After any individual write-downs have been made, the portfolio is then valued at the lower of carrying value and market value in aggregate. Any write down is included in the Net Profit of the Company.

Where disposals are made from the trading portfolio the gain or loss arising from the difference between the proceeds and the carrying value is included in the Net Profit of the Company.

(v) Determination of market value

Market value for the purpose of valuing holdings of securities is determined by reference to market prices prevailing at balance date, where the securities are traded on an organised market, which is predominantly last sale price. Where a security is not so traded, its fair value is determined by the Directors.

(vi) 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 cost base of the shares.

The premium received on options written against trading portfolio securities is offset against these securities until the option expires, is exercised or is repurchased from the holder. When one of these events occurs, the net gain or loss arising on the option contract is included in Net Profit.

The premium received on the options written portfolio is recognised as a current liability until the option expires, is exercised or is repurchased from the holder. When one of these events occurs, the net gain or loss arising on the option contract is included in Net Profit.

(vii) Interest rate swap

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period of settlement. The amount recognised is accounted for as swap contract costs during the period and included in 'other receivables' or 'other payables' at each balance date. Where the Company has decided to close out a swap agreement or a swap agreement has become an onerous contract due to adverse longer-term changes in interest rates, the net cost of closing out any swap agreement is recognised as a liability.

c) Taxation

Tax effect accounting is adopted whereby income tax is calculated on the profit adjusted for permanent differences between taxable and accounting income. The tax impacts of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, are recognised as future income tax benefits or deferred tax liabilities, as appropriate. Future income tax benefits and deferred tax liabilities are offset where they are expected to reverse in the same periods.

No provision is made for any taxes that could arise on disposal of securities in the investment portfolio, as 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. Any applicable tax is charged to the Asset Realisation Reserve.

d) Cash flows

For the purpose of the statement of cash flows, 'cash' includes cash, deposits held at call and discounted bills of exchange.

e) Bills of exchange

Bills of exchange, which have been purchased in the market at a discount to face value, are carried at an amount representing cost. The discount is brought to account by amortising it over the life of the bill and is accounted for as interest received.

f) Net fair value of financial assets and liabilities

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

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. Where the residual amount is material it 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 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.

The costs incurred in issuing convertible notes are recognised as deferred borrowing costs and amortised over the term of the note.

h) Directors' retirement allowances

The Company recognises as liabilities Directors' retirement allowances as described in Note 21(c). The liabilities for retirement allowances are recognised as current liabilities if they are expected to be settled within 12 months. These are measured at the amounts expected to be paid when they are settled, and where the amount has been crystallised, they are recognised as amounts payable. Otherwise, they are recognised as non-current provisions on the same basis as long service leave.

i) 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. Segment information

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

3. Operating profit	2005 \$'000	2004 \$'000
Profit from ordinary activities before income tax expense is comprised of the following:		
(a) Income		
Dividends and distributions		
• securities held in investment portfolio	31,766	22,578
• securities held in trading portfolio	3,786	1,822
	<u>35,552</u>	<u>24,400</u>
Interest income		
• securities held in investment portfolio	129	338
• deposits and income from bank bills	540	380
	<u>669</u>	<u>718</u>
Net realised gains		
• realised gains on trading portfolio	7,099	4,350
• realised gains on options written portfolio	3,317	13,872
	<u>10,416</u>	<u>18,222</u>
Other income	4	11
	<u>4</u>	<u>11</u>
	<u>46,641</u>	<u>43,351</u>
(b) Expenses		
- borrowing and related expenses	8,120	8,268
- administration charge paid or payable to Australian Foundation Investment Company (AFIC) pursuant to outsourcing arrangement	552	430
- other administration expenses	655	614
- remuneration of Directors	436	463
- remuneration of auditors	94	91
	<u>9,857</u>	<u>9,866</u>
Profit from ordinary activities before income tax	<u>36,784</u>	<u>33,485</u>

Further information relating to remuneration of auditors is set out in Note 24 and Directors in Note 21.

4. Income tax	2005 \$'000	2004 \$'000
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The amount of income tax expense for the financial year differs from the amount calculated on the profit. The difference is reconciled as set out below:

Income tax calculated at 30% (2004: 30%)	11,035	10,045
Tax effect of permanent differences which (reduce) / increase tax payable		
- franked dividends	(8,242)	(6,322)
- non taxable distribution	(850)	-
- sundry items	(6)	(130)
Prima facie tax adjusted for permanent differences	1,937	3,593
- (over) provision in prior year	(214)	(216)
Income tax attributable to profit from ordinary activities	1,723	3,377
Income tax attributable to profit from ordinary activities was comprised of		
- current taxation provision	3,331	1,662
- deferred tax	(1,608)	1,715
	1,723	3,377

5. Current assets – cash

Cash at bank and on hand	1,547	9
Deposits at call	661	1,196
Discounted bills of exchange	62,837	-
	65,045	1,205

Deposits at call yield an average floating interest rate of 5.27% (2004: 4.97%). Discounted bills of exchange yield an average fixed return of 5.48% (2004: -) and have a fixed term of up to one year

(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.

(b) Standby arrangements and credit facilities

The Company is party to an agreement under which Commonwealth Bank of Australia and the National Australia Bank have agreed to accept, or accept and discount, bills of exchange.

Commonwealth Bank of Australia - floating rate bill facility	40,000	20,000
Amount drawn down	5,000	-
Undrawn facilities	35,000	20,000
National Australia Bank- floating rate bill facility	60,000	40,000
Amount drawn down	55,000	7,000
Undrawn facilities	5,000	33,000
Total floating rate facilities	100,000	60,000
Total drawn down	60,000	7,000
Total undrawn facilities	40,000	53,000

(c) Interest Rate Swap Contracts

During the year, the Company entered into two interest rate swap contracts with two banks under which the Company is obliged to receive interest at variable market rates for 90-day bank accepted bills and to pay interest at a fixed rate of 5.94% on a notional principal of \$40 million until 15 July 2009 and 5.735% on a notional principal of \$20 million until 10 September 2009. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in receivables or payables. No such contracts were in place at 30 June 2004. These contracts act as a hedge against the Company's minimum short-term borrowings of \$60 million.

The cost of closing out these swaps at 30 June 2005 would have been \$778,481 (their fair value). The net carrying value of \$17,029 represents net interest payable at balance date (which is included in current liabilities – payables).

6. Current assets – receivables	2005	2004
	\$'000	\$'000
Dividends and distributions receivable	5,102	4,646
Outstanding settlements – investment portfolio	-	631
Outstanding settlements – trading portfolio	-	1,074
Outstanding settlements – options written portfolio	107	-
Other receivables	291	19
	<u>5,500</u>	<u>6,370</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.

7. Current assets – trading portfolio

Listed securities at carrying value		
- shares and trust units	53,168	48,176
- options written or purchased by the Company		
• Calls	(1,073)	(339)
• Puts	-	(126)
Total	<u>52,095</u>	<u>47,711</u>
Listed securities at market value	<u>57,366</u>	<u>51,442</u>

(a) Credit risk exposure

Credit risk exposures to the Company arose 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 written

The Company enters into option contracts in the trading portfolio as part of its trading portfolio strategy to sell or close out securities in the short term for a profit on those specific securities. Where the Company sells a call option it is obligated to deliver underlying trading portfolio 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 security in the trading portfolio at an agreed price if the taker exercises the option.

As at balance date the Company had no outstanding sold put options in the trading portfolio which at the option of the purchaser may have required the Company to buy prior to the respective expiry dates certain securities (2004: \$2.6 million aggregate value). As at balance date there were call options outstanding against trading portfolio holdings which potentially required the Company to deliver securities to the value of \$53.4 million (2004: \$13.8 million).

As at balance date all of these contracts are exchange-traded share options and are entered into within the constraints and controls imposed by the Australian Stock 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.

Collateral security to cover sold option positions and actual and prospective margin calls is lodged with the Australian Clearing House Pty Ltd as required by their rules.

8. Non-current assets – Investment portfolio	2005 \$'000	2004 \$'000
Listed securities		
- shares at market value	621,181	567,570
- converting and convertible notes and other interest bearing securities at market value	1,635	3,254
Unlisted securities at Directors' valuation	25	25
	<u>622,841</u>	<u>570,849</u>

If the investment portfolio had been sold immediately after balance date a net capital gains tax liability of \$50.6 million based upon a tax rate of 30% (2004: \$31.1 million) would have arisen. However, Directors do not intend to dispose of the portfolio and therefore do not expect that the tax associated with such a disposal would be incurred.

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

9. Non-current assets – Future income tax benefit

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

(a) Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	2,094	679
(b) Provisions and expenses charged to the accounting profit which are not yet tax deductible	519	256
Less:		
(c) Interest and dividend income receivable which is not assessable for tax until receipt	(138)	(16)
(d) The difference in the value of the Trading portfolio for tax and accounting purposes	(54)	(203)
	<u>2,421</u>	<u>716</u>

The future income tax benefit 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 accessible 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 likely to be reversed within the next 12 months is \$2,237,000 (2004: \$681,000). This relates primarily to items described in notes (a), (b) and (c) above.

10. Current liabilities - payables	2005	2004
	\$'000	\$'000
Interest payable	921	1,624
Outstanding settlements – investment portfolio	1,155	-
Other payables	53	28
	<u>2,129</u>	<u>1,652</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.

11. Current liabilities – Borrowings

Unsecured interest bearing liabilities outstanding at balance date		
- convertible notes	-	84,177
- bank bills (facilities \$100 million (2004: \$60 million))	60,000	7,000
	<u>60,000</u>	<u>91,177</u>

There were 21,044,267 unsecured convertible notes with a face value of \$4.00 outstanding at 30 June 2004. Any of these notes that were not exchanged for ordinary shares or converted into new convertible notes were redeemed at their face value at the expiry date of 30 September 2004.

12. Current liabilities – options written portfolio

Exchange traded options written by the Company at market value		
• Calls	7,305	2,323
• Puts	185	18
	<u>7,490</u>	<u>2,341</u>

The Company enters into option contracts in the options written portfolio primarily for the purpose of enhancing overall returns. 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 security at an agreed price if the taker exercises the option.

As at balance date the Company had sold put options in the options written portfolio which at the option of the purchaser may require the Company to buy prior to the respective expiry dates certain securities at prices which in aggregate totalled \$8.8 million (2004: \$0.7 million). As at balance date there were unexpired call options which potentially required the Company to deliver securities to the value of \$198.8 million (2004: \$63.6 million).

Option contracts of the options written portfolio are entered under the same constraints and controls as the option contracts of the trading portfolio outlined in note 7(b).

13. Non-current liabilities – payables

Director retirement allowances	776	-
	<u>776</u>	<u>-</u>

See Note 21 (c) for further details of Director retirement allowances

14. Non-current liabilities – provisions

Director retirement allowances	-	776
	<u>-</u>	<u>776</u>

See Note 21 (c) for further details of Director retirement allowances

15. Non-current liabilities – Borrowings

	2005 \$'000	2004 \$'000
Non-current unsecured		
- convertible notes	56,665	-
	<u>56,665</u>	<u>-</u>

There were 14,529,562 convertible notes outstanding at 30 June 2005. 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. 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), the residual value of the equity component of the convertible notes has been calculated as nil, and the notes are shown as a non-current liability at their face value of \$3.90.

16. Shareholders' equity – share capital

	2005 Shares '000	2005 \$'000	2004 Shares '000	2004 \$'000
(a) Share capital				
Ordinary shares – fully paid	158,730	396,739	157,722	393,192
	<u>158,730</u>	<u>396,739</u>	<u>157,722</u>	<u>393,192</u>

(b) 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
30/06/2003	Opening Balance		149,244		365,518
22/08/2003	Dividend Reinvestment Plan	i	919	3.50	3,215
22/12/2003	Share Acquisition Plan	iii	6,765	3.22	21,784
05/03/2004	Dividend Reinvestment Plan	i	794	3.48	2,765
Various	Cost of share issues		-		(90)
30/6/2004	Balance		<u>157,722</u>		<u>393,192</u>
26/08/2004	Dividend Reinvestment Plan	i	945	3.43	3,241
30/09/2004	Convertible Note conversion	ii	1	4.00	5
16/03/2005	Dividend Reinvestment Plan	i	740	3.68	2,721
31/03/2005	Convertible Note conversion	ii	4	3.90	16
Various	On-market share buy-backs	iv	(682)		(2,430)
Various	Cost of Share Issues				(6)
30/06/2005	Balance		<u>158,730</u>		<u>396,739</u>

- i. 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 Stock Exchange in the five days from the day the shares begin trading on an ex-dividend basis.
- ii. In 1997 the Company issued 7.5% per annum unsecured convertible notes at a face value of \$4.00 each. The notes could be converted on 31 March or 30 September each year at the election of the holder into ordinary shares, at a rate of one share for each note, or be redeemed at their face value on 30 September 2004. A new issue of 6.5% per annum convertible notes was made in September 2004 as described in note 15.

- iii. The Company operated in 2004 a Share Acquisition Plan which permitted Directors to allot shares to a maximum value per year of \$5,000 per holder of shares or convertible notes. On 22 December 2003, shares were issued under this Plan at a price of \$3.22, being 5% less than the average selling price on the Australian Stock Exchange on the five days following and including the ex-dividend date of 18 November 2003. The Share Acquisition Plan did not operate during 2005.
- iv. The Company has operated an on-market share buy-back programme during the year. During the year the Company has bought back and cancelled 681,631 at an average price of \$3.56.

17. Shareholders' equity – reserves	2005	2004
	\$'000	\$'000
(a) Balances		
Asset Revaluation Reserve	146,071	90,420
Asset Realisation Reserve	53,842	33,509
	<u>199,913</u>	<u>123,929</u>
(b) Nature and purpose of reserves		
(i) Asset Revaluation Reserve		
This reserve is used to record increments and decrements on the revaluation of the investment portfolio and options written portfolio as described in accounting policy note 1b(ii).		
(ii) Asset Realisation Reserve		
This reserve records transfers from the Asset Revaluation Reserve arising from disposal of securities in the investment portfolio as described in accounting policy note 1b(ii). It is adjusted for applicable tax, if any, on such disposals as described in note 1(c). As the balance relates to net realised gains it may be distributed as cash dividends at the discretion of Directors.		
(c) Movements		
(i) Asset Revaluation Reserve		
- Opening balance	90,420	29,861
- Revaluation of the investment portfolio	83,409	63,125
- Revaluation of options written portfolio	(1,041)	(748)
- Transfer to Asset Realisation Reserve	(26,717)	(1,818)
Closing balance	<u>146,071</u>	<u>90,420</u>
(ii) Asset Realisation Reserve		
- Opening balance	33,509	31,856
- Transfer from Asset Revaluation Reserve	26,717	1,818
- Transfer to retained profits	(1,114)	(103)
- Tax on disposals from investment portfolio	(5,270)	(62)
Closing balance	<u>53,842</u>	<u>33,509</u>
18. Shareholders' equity - retained profits		
Opening balance	17,025	19,001
Net Profit of the Company	35,061	30,108
Transfer from Asset Realisation Reserve	1,114	103
Dividends provided for or paid	(33,981)	(32,187)
Closing balance	<u>19,219</u>	<u>17,025</u>

19. Dividends	2005	2004
	\$'000	\$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2004 of 11.5 cents fully franked at 30% paid on 26 August 2004 (2003 : 11.5 cents fully franked at 30% paid on 22 August 2003).	18,138	17,171
Interim dividend for the year ended 30 June 2005 of 10 cents per share fully franked at 30%, paid 16 March 2005 (2004: 10 cents fully franked at 30% paid 5 March 2004)	15,843	15,016
	<u>33,981</u>	<u>32,187</u>
Dividends paid in cash or reinvested in shares under the dividend reinvestment plan		
Paid in cash	28,019	26,207
Reinvested in shares	5,962	5,980
	<u>33,981</u>	<u>32,187</u>
(b) Franking credits		
Balance of the franking account after allowing for tax payable in respect of the current year's profits, the receipt of dividends recognised as receivables and the payment of dividends recognised as a liability at balance date. It does not reflect the impact of dividends declared after balance date.	10,151	4,258
	Credit	Credit
These franking account balances would allow the Company to frank additional dividend payments up to an amount of	23,686	9,935
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 12.5 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2005 to be paid on 26 August 2005, but not recognised as a liability at the end of the financial year	<u>19,841</u>	
20. Earnings per share		
	2005	2004
	Number	Number
Weighted average number of ordinary shares used as the denominator	158,489,199	153,813,975
Basic earnings per share	\$'000	\$'000
Earnings used in calculating basic earnings per share	35,061	30,108
	Cents	Cents
Basic earnings per share	22.1	19.6
Diluted earnings per share	Number	Number
Weighted average number of ordinary shares used as the denominator (as above)	158,489,199	-
Weighted average number of convertible notes used as the denominator	<u>14,171,299</u>	-
	172,660,498	-

	2005	2004
	\$'000	\$'000
Net Profit	35,061	-
Interest on convertible notes (net of tax)	2,515	-
Earnings used in calculating diluted earnings per share	<u>37,576</u>	<u>-</u>
	Cents	Cents
Diluted earnings per share	21.8	19.6 *

* For the year ended 30 June 2004, the convertible notes on issue at that time did not have a dilutive effect.

Basic realised earnings per share	\$'000	\$'000
Net Profit	35,061	30,108
Gross realised gains/(losses) on investment portfolio	26,717	1,818
Tax on realised gains	(5,270)	(62)
Earnings used in calculating basic realised earnings per share	<u>56,508</u>	<u>31,864</u>
	Cents	Cents
Basic realised earnings per share	35.7	20.7

21. Directors

Persons who were Directors of Djerriwarrh Investments Limited for part or all of the financial year ended 30 June 2005 were

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

(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 last years Annual General Meeting, the total amount approved by shareholders was \$450,000.

Directors hold office until such time as they retire by rotation, 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. Mr. Barker is made available as Managing Director of Djerriwarrh by AFIC. The fees to which he is entitled as a Director of the Company are paid directly to AFIC pursuant to his remuneration arrangements with them. Also as part of these remuneration arrangements with AFIC, Mr. Barker receives an 'at risk' component determined by AFIC which is based on performance. The performance criteria includes quantitative and qualitative assessments which include, amongst other things, the services that he has provided to Djerriwarrh and for which AFIC is paid.

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

As proposed at the AGM last year, the Directors and the Company have agreed to freeze Directors retirement benefits at the 30 June 2004 level. This frozen amount will be paid to the respective Directors when they ultimately retire, without further adjustment. As the liability for benefits has now been crystallised, it has been reclassified from a provision to a payable.

(b) Remuneration of Directors

Details of the nature and amounts of each Director's remuneration in respect of the year to 30 June 2005 were as follows:

	Primary	Post Employment		Total remuneration
	Fee	Superannuation	Retirement allowance	
	\$	\$	\$	\$
BB Teele – Chairman (Non-Executive)				
2005	100,000	9,000	-	109,000
2004	80,000	7,200	22,000	109,200
RE Barker* – Director (Executive)				
2005	50,000	4,500	-	54,500
2004	40,000	3,600	11,000	54,600
TA Campbell – Director (Non-Executive)				
2005	50,000	4,500	-	54,500
2004	40,000	3,600	11,000	54,600
RJ Fynmore # – Director (Non-Executive)				
2005	54,500	-	-	54,500
2004	40,900	2,700	11,000	54,600
AF Guy – Director (Non-Executive)				
2005	50,000	4,500	-	54,500
2004	40,000	3,600	11,000	54,600
GJ Kraehe – Director (Non-Executive)				
2005	50,000	4,500	-	54,500
2004	40,000	3,600	23,930	67,530
J Paterson – Director (Non-Executive)				
2005	50,000	4,500	-	54,500
2004	40,000	3,600	23,930	67,530
Total Remuneration: Directors				
2005	404,500	31,500	-	436,000
2004	320,900	27,900	113,860	462,660

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

Upon reaching age 70, Directors no longer receive superannuation guarantee contributions (SGC) and this amount is paid as other fees in lieu of SGC.

(c) Directors' retirement allowances

The 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. As noted above, the Company has discontinued Directors' retirement allowances.

The movement in the provision for Directors retirement allowances during the year is :

	2005	2004
	\$	\$
Carrying amount at the start of the year	775,936	662,076
Additional provisions recognised	-	113,860
Transfer to Non-Current Liabilities - Payables	(775,936)	-
Carrying amount at the end of the year	<u>-</u>	<u>775,936</u>

(d) Holdings of securities

At balance date, shares and convertible notes issued by the Company and held directly, indirectly or beneficially by Directors of the Company, or by entities to which they were related were:

Shares

	Opening balance	Net changes	Closing balance
BB Teele	904,098	119,500	1,023,598
RE Barker	200,473	93,719	294,192
TA Campbell	20,720	23,996	44,716
RJ Fynmore	406,184	22,912	429,096
AF Guy	166,467	73,485	239,952
GJ Kraehe	11,592	-	11,592
J Paterson	34,193	874	35,067

\$4.00 7.50% Unsecured convertible notes

	Opening balance	Net changes	Closing balance
BB Teele	182,945	(182,945)	-
RE Barker	59,131	(59,131)	-
TA Campbell	2,288	(2,288)	-
RJ Fynmore	-	-	-
AF Guy	-	-	-
GJ Kraehe	-	-	-
J Paterson	-	-	-

\$3.90 6.50% Unsecured convertible notes

	Balance at issue	Net changes	Closing balance
BB Teele	442,945	-	442,945
RE Barker	100,131	(100,131)	-
TA Campbell	128,205	-	128,205
RJ Fynmore	-	-	-
AF Guy	-	-	-
GJ Kraehe	10,000	-	10,000
J Paterson	-	-	-

Directors and Director-related entities received normal dividends on these shares and interest at normal rates on unsecured convertible notes.

During the 2005 financial year net changes in share and convertible note holdings included direct, indirect and beneficial purchases of shares and convertible notes by Directors through the DRP and on-market.

Shares acquired by Directors under the DRP were acquired on the same basis as similar transactions with other shareholders.

22. 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 four executives, RE Barker, Managing Director, GN Driver, General Manager - Business Development and Investor Relations, AJB Porter, Chief Financial Officer, and SE Crook, Company Secretary & General Counsel (2004: three executives).

Other than the Managing Director whose Director's fees are paid directly to AFIC, no remuneration is paid to the executives as their services are provided pursuant to the arrangement with AFIC described in Note 3.

GN Driver holds directly, indirectly or beneficially 10,000 DJW ordinary shares (2004 : 2,000), none of which were acquired as remuneration. No other executive other than RE Barker holds Djerriwarrh shares or convertible notes.

23. Related parties

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

	2005 \$'000	2004 \$'000
(a) The Company invests surplus funds in deposits at call with Goldman Sachs JBWere Capital Markets Limited and in bills of exchange		
- interest revenue received or receivable from funds invested with GS JBWere Capital Markets Ltd	157	93
- expense paid or payable for management of the cash and bill portfolio	29	28
- deposits at call (at balance date)	661	1,196
(b) The Company buys and sells securities through Goldman Sachs JBWere Pty Ltd (amongst other brokers)		
- Brokerage expenses and other transaction charges paid or payable	1,279	1,522
(c) The Company obtains the following services from Goldman Sachs JBWere Pty Ltd		
- printing and stationery	-	5

24. Remuneration of auditors

During the year the auditor earned the following remuneration:

PricewaterhouseCoopers

Audit or review of financial reports	73,342	73,755
<u>Non-Audit Services</u>		
Audit of trust deed reporting	4,950	2,310
Tax compliance services	15,477	13,860
Other assurance services#	-	17,878
Other taxation services	-	1,320
Total Non-Audit Services	<u>20,427</u>	<u>35,368</u>
Total remuneration	<u>93,769</u>	<u>109,123</u>

The Other assurance services related to assurance over accounting disclosure with respect to the convertible note issue prospectus. These costs have been included in deferred borrowing costs.

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. The taxation calculation assurance work was considered audit-related, and the Audit Committee after reviewing the proposed scope and cost of such work did not believe that it compromised audit 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 Corporate Governance best practice regarding audit partner rotation every 5 years.

25. Reconciliation of net cash flows from operating activities to Net Profit	2005 \$'000	2004 \$'000
Net Profit	35,061	30,108
- Tax provision included in asset realisation reserve	(5,270)	(62)
- Net adjustment for non cash DRP investments	(7)	(625)
- Amortisation of deferred borrowing costs	139	-
- Decrease (increase) in current receivables	870	33,447
- Less Increase (decrease) in receivables for investment portfolio	(631)	(34,601)
- Decrease (increase) in the trading portfolio	(4,384)	(16,141)
- Decrease (increase) in future income tax benefit	(1,705)	1,641
- Increase (decrease) in options written portfolio	5,149	(4,744)
- Decrease (increase) in market value of options written	(1,041)	(748)
- Increase (decrease) in current accounts payables	477	(5,235)
- Less Decrease (increase) in payables for investment portfolio	(1,155)	5,293
- Less Decrease (increase) in dividends payable	(2)	(9)
- Increase (decrease) in provision for income tax	8,437	(4,096)
- Increase (decrease) in other provisions	-	114
Net cash flows from operating activities	<u>35,938</u>	<u>4,342</u>

26. 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.

27. Impact of adopting Australian equivalents to International Financial Reporting Standards (AIFRS)

The Australian Accounting Standards Board (AASB) has mandated the adoption of Australian equivalents to International Financial Reporting Standards (AIFRS). The adoption of AIFRS will be first reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. The Company has elected not to defer the application of Accounting Standards AASB 132 (Financial Instruments: Disclosure and Presentation) and AASB 139 (Financial Instruments: Recognition and Measurement) as permitted by Accounting Standard AASB 1 (First Time Adoption of AIFRS).

The Company has analysed and quantified below what the effects of the change in accounting standards would be to the Profit and Loss Statement and to the Balance Sheet that are reported at 30 June 2005 under Australian Generally Accepted Accounting Principles (“AGAAP”) . Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004. Whilst there may be changes to these figures as a result of future pronouncements or clarifications from the AASB, the below quantifications are held to be materially correct at the time of publication :

a) Trading portfolio to be measured at market value

Under AIFRS the trading portfolio will be revalued to fair market value continuously with all increments and decrements being included in Net Profit, whereas currently the trading portfolio is currently valued at the lower of carrying value and market value in aggregate. Depending on the size of the Trading Portfolio this change may result in increased volatility in reported results.

At balance date the amount by which the carrying value of the trading portfolio was exceeded by its market value was \$5.3 million and the unrealised gains for the year through the Profit and Loss Statement would have resulted in a profit of \$1.8 million.

b) Income tax impact of measuring trading portfolio at market value

Under AIFRS, the Company will be required to recognise an additional tax asset or liability reflecting the deferred tax effect of measuring the trading portfolio at market value as described in (a) above. The additional deferred tax liability or asset on the trading portfolio will be reflected in income tax expense.

At balance date this would require recognition of an additional deferred tax liability of \$1.6 million and the effect on the Profit and Loss Statement would have been an income tax expense of \$0.5 million.

c) Realised gains and losses of investment portfolio included in Net Profit

Under AIFRS, the realised gains of the investment portfolio (net of tax) will be included in Net Profit rather than treated as a direct equity adjustment.

The realised gains will be reclassified from direct equity adjustment to Net Profit. For this Financial Year this would be \$21.4 million. There would be no change to shareholders’ equity.

d) Recognition of deferred capital gains tax on investment portfolio

Under AIFRS, the Company must recognise an additional deferred tax liability amount for the capital gains tax payable on unrealised gains in the investment portfolio (apart from hybrid & convertible securities) as disclosed in Note 8. This additional deferred tax liability is offset against the unrealised gains on the investment portfolio recognised in the Asset Revaluation Reserve of the Company.

At balance date this would require recognition of an additional deferred tax liability of \$50.4 million with a corresponding reduction in the Asset Revaluation Reserve. The adjustment for the year of \$13.4 million will be reflected as a direct equity adjustment.

e) Hybrids & Convertible Securities

Under AIFRS, the Company must either :

- remove the embedded derivative component of a hybrid security, account for this at fair value through the Profit and Loss Statement and fair value the remaining 'bond' part of the security through the Revaluation Reserve, or
- account for the entire asset at market value through the Profit and Loss Statement.

The Company has elected to do the latter. This would result in a reclassification of \$0.6 million from the Revaluation Reserve to Retained Earnings.

During the year this would have had the effect of reversing \$0.4 million of unrealised gains from direct equity adjustments to a loss through Net Profit

f) Recognition of deferred capital gains tax on unrealised gains on Hybrids and Convertible Securities

Under AIFRS, the Company must account for deferred capital gains tax on the unrealised gain on hybrids and convertible securities that form part of the investment portfolio, as they are being measured at fair value through the Profit and Loss Statement. At balance date this would require recognition of an additional tax deferred liability of \$0.2 million with a corresponding charge to Retained Earnings. The effect for the year on Net Profit would be a tax credit of \$0.1 million.

g) Unrealised gains or losses of options written portfolio included in Net Profit

Under AIFRS, the unrealised gains or losses of the options written portfolio will be included in net profit. At present they are recognised against the unrealised gains and losses of the investment portfolio in the asset revaluation reserve.

At balance date there was \$1.6 million unrealised loss on the options written portfolio that would be reclassified from the Revaluation Reserve to Net Profit. During the year this would have had the effect of reclassifying \$1.0 million of loss from direct equity adjustments to Net Profit.

h) Income Tax Impact of options written portfolio accounting

Under AIFRS, the Company must recognise the deferred tax amount of the unrealised gains and losses of the options written portfolio, with the amount recognised being included in tax expense.

At balance date this would result in deferred tax asset of \$0.5 million and a tax credit of \$0.3 million to Net Profit.

i) Interest Rate Swaps

Under AIFRS, if an interest rate swap is not designated as a "perfect hedge", then it will appear on the Balance Sheet at fair value, and changes to that fair value during the year are recorded through the Profit and Loss Statement.

The Board has designated the swap as a perfect hedge, and intends to maintain short-term borrowings of at least \$60 million, and therefore no change will be necessary under AIFRS. Should the short term borrowings not be maintained, then the swap will be shown at fair value and all prior changes to fair value be recorded in Retained Earnings and the Profit and Loss Statement for the relevant year.

Summary of Impact of Adopting AIFRS

Profit and Loss Statement for the Year Ended 30 June 2005

	As per Profit & Loss \$'000	Adjustment \$'000	AIFRS \$'000
Revenue from investment portfolio	31,895		31,895
Income from trading portfolio	10,885	1,797 a)	12,682
Revenue from Deposits & Bank Bills	540		540
Other income	3,321		3,321
Total income from ordinary activities	46,641	1,797	48,438
Administration & borrowing expenses	(9,857)		(9,857)
Operating profit	36,784	1,797	38,581
Income tax expense	(1,723)	(539) b)	(2,262)
Net operating profit	35,061	1,258	36,319
Realised gains on Ordinary Securities in investment portfolio	-	26,597 c)	26,597
Realised gains on Other Securities in investment portfolio	-	120 c)	120
Unrealised gains on Other Securities in investment portfolio	-	(431) e)	(431)
Unrealised (losses) on options (written)	-	(1,041) g)	(1,041)
Tax on unrealised losses on options (written)	-	312 h)	312
Tax on gains in investment portfolio	-	(5,142) c)& f)	(5,142)
Net Profit	35,061	21,673	56,734
Direct adjustments against equity			
Realised gains/(losses) on investment portfolio (net of tax)	21,447	(21,447) c)	-
Unrealised gains/(losses) on investment portfolio (net of tax under AIFRS)	56,692	(12,970) e)	43,722
Unrealised gains/(losses) on options written portfolio	(1,041)	1,041 g)	-
Total valuation adjustments recognised directly in equity	77,098	(33,376)	43,722
Net profit plus direct equity adjustments	112,159	(11,703)	100,456

Balance Sheet

	As per Balance Sheet		Adjustment		As per AIFRS	
	30/06/05	30/06/04	30/06/05	30/06/04	30/06/05	30/06/04
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trading portfolio a)	52,095	47,711	5,271	3,474	57,366	51,185
Future income tax benefit	2,421	716			2,421	716
Investment Portfolio c) & e)	622,841	570,849			622,841	570,849
Other assets	71,212	10,816			71,212	10,816
Total assets	748,569	630,092	5,271	3,474	753,840	633,566
Deferred tax liability b),d) f) & h)	-	-	(51,680)	(38,180)	51,680	38,180
Other liabilities	132,698	95,946			132,698	95,946
Total liabilities	132,698	95,946	(51,680)	(38,180)	184,378	134,126
Net assets	615,871	534,146	(46,409)	(34,706)	569,462	499,440
Shareholders' equity						
Share Capital	396,739	393,192			396,739	393,192
Reserves	199,913	123,929	(103,251)	(70,990)	96,662	52,939
Retained Earnings	19,219	17,025	56,842	36,284	76,061	53,309
Total shareholders' equity	615,871	534,146	(46,409)	(34,706)	569,462	499,440

DIRECTORS' DECLARATION

In the Directors' opinion:

- 1) the financial statements and notes set out on pages 10 to 32 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 2005 and of its performance, as represented by the results of its operations and its cash flows, 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.

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 2005. 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 B Teele
Chairman

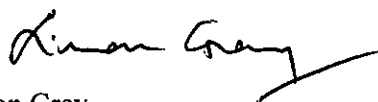
Melbourne
1 August 2005

Auditors' Independence Declaration

As lead auditor for the audit of Djerriwarrh Investments Limited for the year ended 30 June 2005, 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.



Simon Gray
Partner
PricewaterhouseCoopers

Melbourne
1 August 2005

Independent audit report to the members of Djerriwarrh Investments Limited

Audit opinion

In our opinion, the financial report of Djerriwarrh Investments Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Djerriwarrh Investments Limited as at 30 June 2005, and of its performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, profit and loss statement, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Djerriwarrh Investments Limited ("the Company"), for the year ended 30 June 2005.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

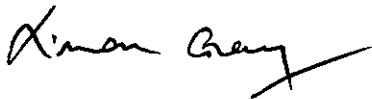
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers
Chartered Accountants



Simon Gray
Partner

Melbourne
1 August 2005