

Corporate Governance Statement

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

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

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

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

Principle 1: Laying Solid Foundations for Management and Oversight

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

Role of the Board

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

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

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

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

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

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

Delegation to Board Committees

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

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

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

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

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

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

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

Delegation to Management

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

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

Principle 2: Structuring the Board to Add Value

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

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

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

Corporate Governance Statement continued

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

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

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

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

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

Appointment and Renewal

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

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

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

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

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

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

Nomination Committee

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

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

In order to provide a specific opportunity for performance matters to be discussed with each Director, the Company has established

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

Independence of Directors

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

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

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

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

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

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

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

Principle 3: Promotion of Ethical and Responsible Decision-making

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

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

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

Corporate Governance Statement continued

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

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

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

Principle 4: Safeguarding Integrity in Financial Reporting

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

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

The Audit Committee is responsible for reviewing:

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

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

Written Affirmations

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

External Audit

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

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

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

Principle 5: Making Timely and Balanced Disclosure

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

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

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

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

Principle 6: Respecting the Rights of Shareholders

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

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

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

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

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

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

Principle 7: Recognising and Managing Risk

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

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

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

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

- investment risk; and
- operational risk.

Investment Risk

Investment risk includes:

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

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

Operational Risk

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

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

Written Affirmations

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

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

Principle 8: Remunerating Fairly and Responsibly

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

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

Directors' Remuneration

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

Djerriwarrh does not pay any performance-based remuneration.

Management Remuneration Approach

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

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

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

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