



**DJERRIWARRH  
INVESTMENTS  
LIMITED**  
ABN 38 006 862 693

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**APPENDIX 4D STATEMENT  
FOR THE HALF-YEAR ENDING 31 DECEMBER 2016**

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**CONTENTS**

- Results for announcement to the market
- Media Release
- Appendix 4D Accounts
- Independent Auditors' Review Report

*This half-year report is presented under listing rule 4.2A and should be read in conjunction with the Company's 2016 Annual Report.*

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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The reporting period is the half-year ended 31 December 2016 with the previous corresponding period being the half-year ended 31 December 2015. The results have been reviewed by the Company's auditors.

### Results for announcement to the market

- Six month portfolio return was 11.1%; including franking it was 13.2%.
- Profit for the half-year (including unrealised gains or losses on open option positions) was \$12.4 million, 41.5% down from \$21.1 million in the previous corresponding period.
- Net Operating Result for the half-year was \$16.7 million, 34.8% down from \$25.6 million in the previous corresponding period. In the opinion of Directors, this is a better measure of the Company's performance in deriving on-going investment, trading and options income from the Company's portfolios.
- Revenue from operating activities was \$16.1 million, 22.3% down from \$20.7 million in the previous corresponding period. This excludes trading and option income and capital gains on investments.
- The interim dividend of 10 cents per share fully franked, unchanged from the previous interim period, will be paid on 21 February 2017 to ordinary shareholders on the register on 31 January 2017. There is no conduit foreign income component of the dividend.
- The final dividend for the 2016 financial year was 14 cents per share, fully franked, and it was paid to shareholders on 26 August 2016.
- The Company's Dividend Reinvestment Plan ("DRP") has been reinstated for the interim dividend. Under the DRP 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 a **5% discount** to the average selling price of shares traded on the ASX and Chi-X automated trading systems in the five days from the day the shares begin trading on an ex-dividend basis. The last day for the receipt of an election notice for participation in the plan is 1 February 2017.
- Net tangible assets per share before any provision for deferred tax on the unrealised gains or losses on the long-term investment portfolio as at 31 December 2016 were \$3.29 (before allowing for the interim dividend), up from \$3.21 (also before allowing for the interim dividend) at the end of the previous corresponding period.

## **Djerriwarrh portfolio ahead in strong market**

### **Half Year Report to 31 December 2016**

#### **Key Themes –**

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- **Djerriwarrh seeks to provide an enhanced level of fully franked income in part by using option strategies.**
  - **The market has been strong recently, with previously underperforming sectors such as banks and resources staging a strong recovery through the period.**
  - **In this environment Djerriwarrh bought back selected in-the-money call option positions to capture more of the potential upside of holdings rather than let the call options be exercised in the strongly rising market.**
  - **The Company further reduced exposure to the energy sector whilst adding a small number of new holdings.**
  - **Six month portfolio return was 11.1%; including franking it was 13.2%.**
  - **Share price is trading at a 15% premium to net asset backing. Dividend yield on the share price is 5.1% fully franked, 7.3% grossing up for franking credits.**
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#### **Result Summary –**

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- **Half Year Profit of \$12.4 million, down from \$21.1 million in the corresponding period last year. The fall in profit was a result of:**
    - **A decline in dividends received which was consistent with Djerriwarrh's announcement in July 2016 regarding its reduction in forecast annual dividend payout, and**
    - **Reduced income from options and trading compared with the prior corresponding period.**
  - **Net Operating Result of \$16.7 million, down from \$25.6 million in the prior corresponding period.**
  - **Interim Dividend of 10 cents per share fully franked, unchanged from last half year. Reinstatement of the Dividend Reinvestment Plan at a 5% discount.**
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## **Market Comments**

The Australian equity market rose strongly during the six months to 31 December 2016. Previously underperforming sectors such as banks and resources staged a recovery through the period (up 19.4% and 23.2% respectively) as expectations about global growth improved, particularly out of the US, and the subsequent rise in longer bond yields was also seen to benefit the financial sector.

In contrast, the small and mid-cap industrial market retraced some of their recent gains as investors reassessed the valuations of a number of these companies, many of which had been trading at unrealistically high levels. In some cases this decline was further accentuated by strong growth expectations being dampened by disappointing company updates.

## **Portfolio Returns**

Djerriwarrh's portfolio return including franking for the six months to 31 December 2016 was 13.2% whereas the S&P/ASX 200 Accumulation Index return including franking was 11.4% (franking added 2.1% to Djerriwarrh's return and 0.8% to the Index). For the year to 31 December 2016, the portfolio return was 14.4% whereas the Index was 13.4% calculated on the same basis including franking (see attached performance table).

Given Djerriwarrh's option activities can limit some of the capital growth of the portfolio in strongly rising markets, the short term performance is encouraging. It is reflective of the repositioning of the portfolio, the bias toward larger companies (given this is where the most active options markets are) and the decision to buy back selected in-the-money call options to maintain holdings into the recent market strength.

## **Profit and Dividend**

Profit for the half year to 31 December 2016 was \$12.4 million, down from \$21.1 million in the previous corresponding period. The fall in profit was a result of the reduction of the dividends received primarily from resource and energy companies in the investment portfolio. This is consistent with expectations in July 2016 when Djerriwarrh announced a reduction in its forecast annual dividend payout.

Income from option activity and the trading portfolio was \$5.0 million, which was behind the contribution generated in the prior corresponding period last year. A large part of the decline was due to the decision to buy back a significant number of in the money call option positions to capture more of the potential upside of holdings rather than have the positions exercised. The reduced level of volatility was another factor.

The net operating result for the half-year was \$16.7 million, down 34.8% per cent from \$25.6 million in the previous corresponding period. In the opinion of Directors, this is a better measure of Djerriwarrh's performance in deriving ongoing investment, trading and options income from the Company's portfolios as it excludes the valuation impact of net unrealised losses on open option positions.

Djerriwarrh's interim dividend has been maintained at 10 cents per share fully franked, the same as last year. The Dividend Reinvestment Plan has been reinstated with a 5% discount.

As previously announced, it is the Board's current expectation that the final dividend for the 2016/17 financial year will be 10 cents per share bringing total dividends for the year to 20 cents per share. This forecast remains subject to economic and market conditions.

## **Portfolio Adjustments**

Whilst Djerriwarrh's portfolio is invested predominantly in larger companies, one of the recent aims has been to look for opportunities in companies outside of the top 50. These are typically strong businesses that have the ability to grow over time given their market positioning. In this context new smaller companies added to the portfolio during the period were NetComm Wireless, Isentia Group and Wellcom Group.

On the other side of these purchases was a further reduction in positions in energy stocks such as Oil Search, Woodside Petroleum and Santos, given the recent rebound in the oil price and the expectation that further price growth in oil is limited. Djerriwarrh also lightened its holding in BHP Billiton (some through the exercise of call options), ASX because of option exercises and completely sold out of Integral Diagnostics.

The composition of the portfolio in terms of the split between large, mid and small companies is now broadly consistent with the index.

In the Trading Portfolio, which is available for short term opportunities, the profitable sale of ASG occurred because of a takeover.

## **Moving Forward**

As we move into the second half of the financial year with the domestic market trading at close to post GFC highs, option coverage is likely to remain relatively high as we believe the market is expensive.

Our expectation is that dividend income from the companies Djerriwarrh invests in will remain under pressure given challenging economic conditions are likely to persist in Australia. However, there may be some improvement in dividends from resource companies following the recent rise in commodity prices.

The other key factor for Djerriwarrh is the level of volatility in the market. While this has declined of late our expectation is that this could well increase over coming months with the change of administration in the US, interest rates rising further and as geo-political factors play out. A lift in volatility would benefit Djerriwarrh's option income.

Please direct any enquiries to:

Ross Barker  
Managing Director  
(03) 9225 2101

Geoff Driver  
General Manager  
(03) 9225 2102

**19 January 2017**

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## MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

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Acquisitions	Cost (\$'000)
NetComm Wireless	2,491
Isentia Group	2,095
Wellcom Group	2,045

Sales	Proceeds (\$'000)
BHP Billiton <sup>#</sup>	6,712
Oil Search	5,467
Woodside Petroleum	2,968
Santos	2,591
ASX <sup>#</sup>	2,482
Integral Diagnostics (complete disposal)	2,269

<sup>#</sup>Sales as result of the exercise of call options

### New Companies Added to the Investment Portfolio

NetComm Wireless	Cochlear
Isentia Group	Link Administration Holdings
Wellcom Group	Skydive the Beach Group

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## MAJOR TRANSACTIONS IN THE TRADING PORTFOLIO

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Sales	Proceeds (\$'000)
ASG Group <sup>(a)</sup>	5,620
Pacific Brands <sup>(b)</sup>	1,936

- (a) Sold while under takeover offer  
(b) Takeover by Hanesbrands

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## TOP INVESTMENTS AS AT 31 DECEMBER 2016

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*Includes investments held in both the Investment and Trading Portfolios*

Valued at closing prices at 30 December 2016

	Total Value \$ million	% of the portfolio
1 * Commonwealth Bank of Australia	64.1	8.3%
2 * Westpac Banking Corporation	54.9	7.1%
3 * National Australia Bank	48.6	6.3%
4 * Australia & New Zealand Banking Group	45.1	5.9%
5 * BHP Billiton	35.6	4.6%
6 * Telstra Corporation	30.9	4.0%
7 * CSL	26.7	3.5%
8 * Wesfarmers	25.1	3.3%
9 * Rio Tinto	21.9	2.8%
10 * Brambles	20.3	2.6%
11 * Oil Search	15.2	2.0%
12 * QBE Insurance Group	14.0	1.8%
13 * James Hardie Industries	12.6	1.6%
14 * Amcor	12.5	1.6%
15 Mirrabooka Investments	12.4	1.6%
16 * Woolworths	12.3	1.6%
17 * Woodside Petroleum	12.2	1.6%
18 * AMP	11.7	1.5%
19 * Seek	11.6	1.5%
20 * Qube Holdings	11.4	1.5%
	<hr/> <b>499.2</b> <hr/>	
As % of Total Portfolio Value (excludes Cash)	<b>64.8%</b>	

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

## PORTFOLIO PERFORMANCE TO 31 DECEMBER 2016

PERFORMANCE MEASURES AT 31 DECEMBER 2016	6 MONTHS	1 YEAR	5 YEARS %PA	10 YEARS %PA	15 YEARS %PA
<i>PORTFOLIO RETURN - NET ASSET BACKING INCLUDING DIVIDENDS REINVESTED</i>	<b>11.1%</b>	<b>10.7%</b>	<b>8.7%</b>	<b>3.6%</b>	<b>6.8%</b>
<b>S&amp;P/ASX 200 ACCUMULATION INDEX</b>	10.6%	11.8%	11.9%	4.5%	8.0%

<i>NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED*</i>	<b>13.2%</b>	<b>14.4%</b>	<b>12.2%</b>	<b>6.7%</b>	<b>9.9%</b>
<b>S&amp;P/ASX 200 GROSS ACCUMULATION INDEX*</b>	11.4%	13.4%	13.6%	6.1%	9.5%

\*Incorporates the benefit of franking credits for those who can fully utilise them





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**HALF-YEAR REPORT  
31 DECEMBER 2016**

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## COMPANY PARTICULARS

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### Djerriwarrh Investments Limited (DJW)

ABN 38 006 862 693

DJW is a Listed Investment Company. As such it is an investor in equities and similar securities on the stock market primarily in Australia.

**Directors:** John Paterson, Chairman  
Ross E. Barker, Managing Director  
Robert J. Edgar  
Kathryn J. Fagg  
Graham B. Goldsmith  
Andrew F. Guy  
Graham J. Kraehe AO  
Alice J. M. Williams  
Karen J. Wood

#### Company

**Secretaries:** Matthew J. Rowe  
Andrew J. B. Porter

**Auditor:** PricewaterhouseCoopers, Chartered Accountants

**Country of incorporation:** Australia

**Registered office:** Level 21  
101 Collins Street  
Melbourne, Victoria 3000

**Contact Details:** Mail Address: Level 21, 101 Collins Street, Melbourne, Victoria 3000  
Telephone: (03) 9650 9911  
Facsimile: (03) 9650 9100  
Email: [invest@djerri.com.au](mailto:invest@djerri.com.au)  
Internet address: [www.djerri.com.au](http://www.djerri.com.au)

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

Telephone: 1800 780 784 (toll free)

**Share Registrar:** Computershare Investor Services Pty Limited  
Mail Address: GPO Box 2975, Melbourne, Victoria 3001  
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067

DJW Shareholder  
enquiry line: 1300 653 915  
+613 9415 4190 (from overseas)

Facsimile: (03) 9473 2500  
Internet: [www.investorcentre.com/contact](http://www.investorcentre.com/contact)

For all enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar as above.

#### Securities Exchange

**Code:** DJW Ordinary shares

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# DIRECTORS' REPORT

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This report in relation to the half-year to 31 December 2016 is presented by the Directors of Djerriwarrh Investments Limited ('the Company') in accordance with a resolution of Directors.

## Directors

The following persons were directors of the Company during the half-year and up to the date of this report:

J. Paterson (appointed July 2002)  
R.E. Barker (appointed May 1988)  
R.J. Edgar (appointed March 2015)  
K.J. Fagg (appointed May 2014)  
G.B. Goldsmith (appointed April 2013)  
A.F. Guy (appointed December 1989)  
G.J. Kraehe AO (appointed July 2002)  
A.J.M. Williams (appointed May 2010)  
K.J. Wood (appointed July 2016)

## Company operations and results

### Overview

The Company offers its shareholders a medium for generating income from a diversified portfolio of equity and similar securities, predominantly in entities listed on the Australian Securities Exchange. There have been no changes in the nature of the Company's activities during the period. Its major objective is to provide attractive returns to its shareholders through dividends and capital growth. A high proportion of profits are paid out as dividends, which to date, have all been fully franked.

### Performance Indicators and Outcomes

The profit of the Company for the half-year to 31 December 2016, which includes the unrealised gains or losses on open option positions in the options written portfolio and non-equity investments, was \$12.4 million, down from \$21.1 million in the previous corresponding period.

The Board considers the Company's net operating result after tax to be a key measure of the Company's performance. This amount excludes the impact of unrealised gains/losses on open options and any gains or losses on non-equity investments on the Company's investment portfolio. Djerriwarrh's net operating result for the half-year was \$16.7 million, down from \$25.6 million or 34.8% over the corresponding period last year. This operating result is made up primarily of dividends received from the investment portfolio, option income and revenue from the trading portfolio, and is reflective of the Company's investment activities.

The portfolio return for the 6 months (measured by change in net asset backing per share plus dividends reinvested) was 11.1% compared to the return of the S&P/ASX 200 Accumulation Index for the same period which was 10.6%. Djerriwarrh's return is after management expenses and taxation whilst the index returns do not include these charges.

The Board has declared a fully franked interim dividend of 10 cents per share.

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 13.

### **Rounding of amounts to nearest thousand dollars**

The company is of a kind referred to in the ASIC Corporations' (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. Unless specifically stated otherwise, amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Instrument.

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

A handwritten signature in black ink, appearing to read 'J. Paterson', with a long horizontal flourish extending to the right.

J. Paterson  
Chairman  
Melbourne

19 January 2017



## Auditor's Independence Declaration

As lead auditor for the review of Djerriwarrh Investments Limited for the half-year ended 31 December 2016, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'Charles Christie', written in a cursive style.

Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
19 January 2017

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 1300 799 615, F: 1300 799 618, [www.pwc.com.au](http://www.pwc.com.au)

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# INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Half-year 2016 \$'000	Half-year 2015 \$'000
Dividends and distributions		15,988	20,574
Revenue from deposits and bank bills		85	115
Other revenue		15	29
<b>Total revenue</b>		<b>16,088</b>	<b>20,718</b>
Net gains on trading portfolio		2,273	1,799
Income from options written portfolio		2,696	11,076
<b>Income from operating activities</b>	<b>3</b>	<b>21,057</b>	<b>33,593</b>
Finance costs		(1,519)	(2,829)
Administration expenses		(2,002)	(1,974)
Share of net profit from Associate		379	152
<b>Operating result before income tax expense</b>		<b>17,915</b>	<b>28,942</b>
Income tax expense*		(1,252)	(3,388)
<b>Net operating result for the half-year</b>		<b>16,663</b>	<b>25,554</b>
Net unrealised losses on open options positions		(6,118)	(6,308)
Deferred tax on net unrealised losses on open options positions*		1,831	1,900
		(4,287)	(4,408)
<b>Profit for the half-year</b>		<b>12,376</b>	<b>21,146</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>9</b>	5.66	9.67
		<b>\$'000</b>	<b>\$'000</b>
* Total Tax Expense/(Credit)		(579)	1,488

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

# STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-Year to 31 December 2016			Half-Year to 31 December 2015		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
<b>Net Profit</b>	<b>16,663</b>	<b>(4,287)</b>	<b>12,376</b>	<b>25,554</b>	<b>(4,408)</b>	<b>21,146</b>
<b>Other Comprehensive Income</b>						
<i>Items that will not be recycled through the Income Statement</i>						
Gains/(Losses) for the period on equity securities in the investment portfolio	-	59,371	<b>59,371</b>	-	(52,496)	<b>(52,496)</b>
Deferred tax expense on above	-	(17,945)	<b>(17,945)</b>	-	15,639	<b>15,639</b>
<i>Items that may be recycled through the Income Statement</i>						
Net movement in fair value of swap contracts <sup>3</sup>	-	684	<b>684</b>	-	850	<b>850</b>
<b>Total other comprehensive income</b> <sup>1</sup>	-	<b>42,110</b>	<b>42,110</b>	-	<b>(36,007)</b>	<b>(36,007)</b>
<b>Total comprehensive income</b> <sup>2</sup>	<b>16,663</b>	<b>37,823</b>	<b>54,486</b>	<b>25,554</b>	<b>(40,415)</b>	<b>(14,861)</b>

<sup>1</sup> Net capital gains/(losses) not accounted through the Income Statement.

<sup>2</sup> This is the company's Net Return for the half-year, which includes the Net Operating result plus the net realised and unrealised gains or losses on the Company's investment portfolio and net gains/(losses) on open options positions.

<sup>3</sup> It is currently anticipated that the swaps will be held to maturity and consequently that they will not be recycled through the Income Statement.

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

## BALANCE SHEET AS AT 31 DECEMBER 2016

		31 Dec 2016 \$'000	30 June 2016 \$'000
	Note		
<b>Current assets</b>			
Cash		19,512	954
Receivables		961	6,417
Trading portfolio		-	4,575
<b>Total current assets</b>		<u>20,473</u>	<u>11,946</u>
<b>Non-current assets</b>			
Investment portfolio		786,400	752,655
Deferred tax assets		2,376	-
Deferred tax assets - investment portfolio	5	493	19,295
Shares in associate		1,412	1,148
<b>Total non-current assets</b>		<u>790,681</u>	<u>773,098</u>
<b>Total assets</b>		<u><u>811,154</u></u>	<u><u>785,044</u></u>
<b>Current liabilities</b>			
Payables		782	2,865
Tax payable		(35)	627
Borrowings – bank debt		75,000	76,500
Interest-rate hedging contracts		426	1,110
Options written portfolio	4	16,040	8,351
<b>Total current liabilities</b>		<u>92,213</u>	<u>89,453</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		-	533
<b>Total non-current liabilities</b>		<u>-</u>	<u>533</u>
<b>Total liabilities</b>		<u><u>92,213</u></u>	<u><u>89,986</u></u>
<b>Net Assets</b>		<u><u>718,941</u></u>	<u><u>695,058</u></u>
<b>Shareholders' equity</b>			
Share Capital	6	634,225	634,225
Revaluation Reserve		49,488	1,677
Realised Capital Gains Reserve	7	(12,021)	5,295
Interest-rate Hedging Reserve		(426)	(1,110)
Retained Profits		47,675	54,971
<b>Total shareholders' equity</b>		<u><u>718,941</u></u>	<u><u>695,058</u></u>

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



## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Half-Year to 31 December 2016	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Interest- Rate Hedging \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the half-year		634,225	1,677	5,295	(1,110)	54,971	695,058
Dividends paid	8	-	-	(10,931)	-	(19,672)	(30,603)
<b>Total transactions with shareholders</b>		-	-	(10,931)	-	(19,672)	(30,603)
Profit for the half-year		-	-	-	-	12,376	12,376
<b>Other Comprehensive Income</b>							
Net gains for the period on equity securities in the investment portfolio		-	41,426	-	-	-	41,426
Net movement in fair value of swap contracts		-	-	-	684	-	684
<b>Other Comprehensive Income for the half-year</b>		-	41,426	-	684	-	42,110
Transfer to Realised Capital Gains Reserve of net cumulative losses on investments sold		-	6,385	(6,385)	-	-	-
<b>Total equity at the end of the half-year</b>		634,225	49,488	(12,021)	(426)	47,675	718,941

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

**STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016 (2015  
COMPARATIVES)**

<b>Half-Year to 31 December 2015</b>	<b>Note</b>	<b>Share Capital \$'000</b>	<b>Revaluation Reserve \$'000</b>	<b>Realised Capital Gains \$'000</b>	<b>Interest- Rate Hedging \$'000</b>	<b>Retained Profits \$'000</b>	<b>Total \$'000</b>
<b>Total equity at the beginning of the half-year</b>		<b>634,225</b>	<b>50,126</b>	<b>26,132</b>	<b>(1,421)</b>	<b>55,740</b>	<b>764,802</b>
Dividends paid	8	-	-	(15,301)	-	(19,673)	<b>(34,974)</b>
<b>Total transactions with shareholders</b>		-	-	<b>(15,301)</b>	-	<b>(19,673)</b>	<b>(34,974)</b>
Profit for the half-year		-	(45)	-	-	21,191	<b>21,146</b>
<b><i>Other Comprehensive Income</i></b>							
Net losses for the period on equity securities in the investment portfolio		-	(36,857)	-	-	-	<b>(36,857)</b>
Net movement in fair value of swap contracts		-	-	-	850	-	<b>850</b>
<b>Other Comprehensive Income for the half-year</b>		-	<b>(36,857)</b>	-	<b>850</b>	-	<b>(36,007)</b>
Transfer to Realised Capital Gains Reserve of net cumulative losses on investments sold		-	2,419	(2,419)	-	-	-
<b>Total equity at the end of the half-year</b>		<b>634,225</b>	<b>15,643</b>	<b>8,412</b>	<b>(571)</b>	<b>57,258</b>	<b>714,967</b>

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

## CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year 2016 \$'000 INFLOWS/ (OUTFLOWS)	Half-year 2015 \$'000 INFLOWS/ (OUTFLOWS)
<b>Cash flows from operating activities</b>		
Sales from trading portfolio	9,366	13,415
Purchases for trading portfolio	(2,078)	(7,782)
Interest received	85	115
Proceeds from entering into options in options written portfolio	16,199	13,767
Payment to close out options in options written portfolio	(11,932)	(4,278)
Dividends and distributions received	20,638	21,365
	<u>32,278</u>	<u>36,602</u>
Other receipts	15	29
Administration expenses	(2,006)	(2,216)
Finance costs paid	(1,477)	(2,804)
Taxes paid	(1,941)	(3,377)
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>26,869</u></b>	<b><u>28,234</u></b>
<b>Cash flows from investing activities</b>		
Sales from investment portfolio	45,877	49,219
Purchases for investment portfolio	(22,015)	(84,365)
Tax paid on capital gains	(70)	(11,062)
<b>Net cash inflow/(outflow) from investing activities</b>	<b><u>23,792</u></b>	<b><u>(46,208)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowing	11,000	45,500
Repayment of borrowings	(12,500)	(34,000)
Dividends paid	(30,603)	(34,874)
<b>Net cash inflow/(outflow) from financing activities</b>	<b><u>(32,103)</u></b>	<b><u>(23,374)</u></b>
Net increase/(decrease) in cash held	18,558	(41,348)
Cash at the beginning of the half-year	954	41,967
<b>Cash at the end of the half-year</b>	<b><u>19,512</u></b>	<b><u>619</u></b>

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 1. Basis of preparation of half-year financial report

This general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report should be read in conjunction with the 2016 Annual Report and public announcements made by the Company during the half-year, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

In the interests of transparency in its reporting, the Company uses the phrase “market value” in place of the AASB terminology “fair value for actively traded securities.”

## 2. Financial reporting by segments

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

### (a) Segment information provided to the Board

The internal reporting provided to the Board for the Company’s assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards, except that net assets are reviewed both before and after the effects of capital gains tax on investments (as reported in the Company’s Net Tangible Asset announcements to the ASX).

The Board considers the Company’s operating result after tax to be a key measure of the Company’s performance. This amount excludes the impact of unrealised gains/losses on open options and any gains or losses on non-equity investments on the Company’s investment portfolio and reconciles to the Company’s profit before tax as follows:

	<b>Half-year 2016 \$'000</b>	<b>Half-year 2015 \$'000</b>
<b>Net Operating Result after income tax expense</b>	<b>16,663</b>	<b>25,554</b>
Net losses (after tax) on open options positions	(4,287)	(4,408)
<b>Profit for the half-year after tax</b>	<b>12,376</b>	<b>21,146</b>
Add : Total Tax Expense	(579)	1,488
<b>Profit for the half-year before tax</b>	<b>11,797</b>	<b>22,634</b>

In addition, the Investment Committee regularly reviews the net asset value per share both before and after provision for deferred tax on the unrealised gains or losses in the Company’s long-term investment portfolio. The relevant amounts as at 31 December 2016 and 31 December 2015 were as follows:

	2016	2015
	\$	\$
<b>Net tangible asset backing per share</b>		
Before Tax	3.29	3.21
After Tax	3.29	3.27

### (b) Other segment information

Revenues from external parties are derived from the receipt of dividend, distribution and interest income, and income arising on the trading portfolio and realised income from the options portfolio.

The Company is domiciled in Australia and the Company's income is derived predominantly from Australian entities or entities that have a listing on the Australian Securities Exchange. The Company has a diversified portfolio of investments, with only one investment comprising more than 10% of the Company's income, including realised income from the trading and options written portfolios – ASG Group, sold under takeover from the Company's trading portfolio for a realised gain of \$2.2 million or 10.5% of the total income from operating activities (2015: Nil).

3. Income from operating activities	Half-year 2016 \$'000	Half-year 2015 \$'000
Income from operating activities is comprised of the following:		
Dividends & distributions		
• securities held in investment portfolio	15,988	20,450
• securities held in trading portfolio	-	-
	<u>15,988</u>	<u>20,450</u>
Interest income		
• securities held in investment portfolio	-	124
• deposits and income from bank bills	85	115
	<u>85</u>	<u>239</u>
Net gains/(losses) and write downs		
• realised gains from trading portfolio sales	2,273	1,864
• realised gains on options written portfolio	2,696	11,076
• unrealised gains in trading portfolio	-	-
• unrealised gains/(losses) on non-equity instruments	-	(65)
	<u>4,969</u>	<u>12,875</u>
Other income	15	29
<b>Income from operating activities</b>	<u><b>21,057</b></u>	<u><b>33,593</b></u>

### 4. Current liabilities – options written portfolio

As at balance date there were call options outstanding which potentially required the Company, if they were all exercised, to deliver securities to the value of \$328.9 million (30 June 2016: \$325.3 million). As at balance date there were also put options outstanding which potentially required the Company if they were all exercised to purchase \$20.1 million of securities (30 June 2016: \$13.4 million). The total income for the half-year on the options written portfolio of \$2.7 million (Half-Year to 31 December 2015: \$11.1 million) plus the unrealised loss on the open options position of \$6.1

million (Half-Year to 31 December 2015 : \$6.3 million) was a pre-tax net loss of \$3.4 million (Half-Year to 31 December 2015: gain of \$4.8 million).

## 5. Deferred tax liabilities/assets – investment portfolio

In accordance with AASB 112 *Income Taxes*, deferred tax assets have been recognised for Capital Gains Tax gains on the unrealised gains or losses in the investment portfolio at current tax rates (30%) totalling \$0.5 million (30 June 2016 : \$19.3 million). As the Directors do not intend to dispose of the portfolio, this tax asset may not be crystallised at this amount. In addition, a deferred tax asset of \$0.9 million in respect of capital losses has been recorded. The Company expects to set-off this loss against future capital gains.

## 6. Shareholders' equity – share capital

Movements in Share Capital of the Company during the half-year were as follows:

Date	Details	Notes	Number of shares '000	Paid-up Capital \$'000
01/07/2016	Opening Balance		218,590	634,225
31/12/2016	Balance		218,590	634,225

The Company has a Dividend Reinvestment Plan under which shareholders can elect to have all or part of their dividend payment reinvested in new ordinary shares. The DRP was previously suspended but has been reactivated for the interim dividend due to be paid on 21 February 2017.

## 7. Realised Capital Gains Reserve

	Half-year 2016 \$'000			Half-year 2015 \$'000		
	Taxable realised gains (net of tax)	Difference between tax and accounting costs	Total	Taxable realised gains (net of tax)	Difference between tax and accounting costs	Total
Opening balance at 1 July	56,224	(50,929)	<b>5,295</b>	71,531	(45,399)	<b>26,132</b>
Dividends paid	(10,931)	-	<b>(10,931)</b>	(15,301)	-	<b>(15,301)</b>
Cumulative taxable realised (losses)/gains for period	(3,073)	(4,168)	<b>(7,241)</b>	4,627	(5,644)	<b>(1,017)</b>
Tax on realised (losses)/gains	856	-	<b>856</b>	(1,402)	-	<b>(1,402)</b>
	43,076	(55,097)	<b>(12,021)</b>	59,455	(51,043)	<b>8,412</b>

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio. The difference between tax and accounting costs is a result of realised gains or losses being accounted for on an average cost basis, whilst taxable gains or losses are made based on the specific cost of the actual stock sold – i.e. on a parcel selection basis. These differences also include non-taxable realised gains or losses, e.g. losses under off-market buy-backs.

<b>8. Dividends</b>	<b>Half-year 2016 \$'000</b>	<b>Half-year 2015 \$'000</b>
Dividends (fully franked) paid during the period	30,603 (14 cents per share)	34,974 (16 cents per share)

<b>Dividends not recognised at period end</b>	<b>2016 \$'000</b>
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Since the end of the half-year the Directors have declared an interim dividend of 10 cents per share fully franked. The aggregate amount of the proposed interim dividend expected to be paid on 21 February 2017, but not recognised as a liability at the end of the half-year is

21,859

<b>9. Earnings per Share</b>	<b>Half-year 2016</b>	<b>Half-year 2015</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	218,589,718	218,589,718
<b>Basic earnings per share</b>	<b>\$'000</b>	<b>\$'000</b>
Net profit for half-year	12,376	21,146
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	5.66	9.67
<b>Net operating result per share</b>	<b>\$'000</b>	<b>\$'000</b>
Net operating result for half-year	16,663	25,554
	<b>Cents</b>	<b>Cents</b>
Net operating result per share	7.62	11.69

As at 31 December 2016, there were no dilutive instruments on issue, and therefore the diluted earnings per share and net operating result per share figure is the same as basic earnings and net operating result per share.

## **10. Events subsequent to balance date**

Since 31 December 2016 to the date of this report there has been no event of which the Directors are aware which has had a material effect on the Company or its financial position.

## **11. 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.

## **12. Associated Entity**

The Company owns 25% of Australian Investment Company Services Ltd (“AICS”).

AICS provides administration services to the Company and to other Listed Investment Companies in Australia.



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## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 24 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance, as represented by the results of the operations, changes in equity and cash flows, for the half-year ended on that date; and
- (b) 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.



J. Paterson  
Chairman  
Melbourne

19 January 2017



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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Djerriwarrh Investments Limited (the company), which comprises the balance sheet as at 31 December 2016, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration.

### ***Directors' responsibility for the half-year financial report***

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Djerriwarrh Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Djerriwarrh Investments Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Charles Christie'.

Charles Christie  
Partner

Melbourne  
19 January 2017