



Appendix 4D Statement for the Half-Year ending 31 December 2017



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 2017 Annual Report.

Djerriwarrh Investments Limited ABN 38 006 862 693

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the half-year ended 31 December 2017 with the previous corresponding period being the half-year ended 31 December 2016. The results have been reviewed by the Company's auditors.

Results for announcement to the market

- Six month portfolio return was 7.2%; including franking it was 8.6%.
- Profit for the half-year (including unrealised gains or losses on open option positions) was \$11.9 million, 3.8% down from \$12.4 million in the previous corresponding period.
- Net Operating Result for the half-year was \$16.4 million, 1.9% down from \$16.7 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 \$17.5 million, 8.7% up from \$16.1 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 2018 to ordinary shareholders on the register on 30 January 2018.
- 5 cents of the interim dividend is sourced from prior years' taxable capital gains, on which the Company has paid tax. The amount of the pre-tax attributable gain on this portion of the dividend, known as an "LIC capital gain", is therefore 7.14 cents. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.
- The final dividend for the 2017 financial year was 10 cents per share, fully franked, and it was paid to shareholders on 25 August 2017.
- The Company's Dividend Reinvestment Plan ("DRP") is in operation 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 31 January 2018.
- 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 2017 were \$3.36 (before allowing for the interim dividend), up from \$3.29 (also before allowing for the interim dividend) at the end of the previous corresponding period.

Half Year Report to 31 December 2017

Key Themes –

- Djerriwarrh seeks to provide an enhanced level of fully franked income in part by using option strategies. This will typically reshape the profile of returns producing more immediate income at the expense of potential capital growth. In falling markets income from options may offset some of the loss from declining share prices.
 - The emergence of synchronised global growth moved global indices higher. The Australian market has followed with material and energy stocks performing strongly.
 - In this environment, Djerriwarrh bought back selected in-the-money call option positions to capture more of the potential upside of these holdings rather than let the options be exercised in the rising market.
 - Call option coverage is at the high end of the normal range as the market appears fully valued. Volatility remains at near record lows.
 - Six month portfolio return was 7.2%; including franking it was 8.6%.
 - Twelve Month portfolio return was 8.9%; including franking it was 11.8%.
-

Result Summary –

- Half Year Profit of \$11.9 million, down from \$12.4 million in the corresponding period last year. Key components of the result were:
 - An increase in dividends received, with a large uplift from material and energy companies, and
 - A reduction in contribution of the trading portfolio compared with the prior corresponding period as the gains made last half year were not repeated this half.
 - Net Operating Result of \$16.4 million, down from \$16.7 million in the prior corresponding period.
 - Interim Dividend of 10 cents per share fully franked, unchanged from last half year. Dividend Reinvestment Plan at a 5% discount.
 - Dividend yield on the share price is 5.6% fully franked, 7.9% grossing up for franking credits. Share price is trading at a 7% premium to net asset backing.
-

Market Comments

The Australian equity market rose strongly during the six months to 31 December 2017. Material and energy stocks performed strongly as expectations about improved growth across most major economies, the consequent lift in inflationary expectations and the tighter nature of supply in several commodities resulted in higher share prices.

Despite the good share price performance of companies such as BHP and Rio Tinto over the six month period, the 50 Leaders Accumulation Index was up only 7%. In comparison, the Materials sector was up 20% and the Energy sector increased 27%. Returns from the large cap sector of the market were hindered by the performance of Telstra, as it deals with the commercial impacts of the NBN and the banking sector which faces a more hostile operating environment.

Portfolio Returns

Djerriwarrh's portfolio return including franking for the six months to 31 December 2017 was 8.6% whereas the return from cash, as measured by the Bank Bill Index, was 0.9% and the S&P/ASX 200 Accumulation Index return including franking was 9.2% (franking added 1.4% to Djerriwarrh's return and 0.8% to the Index). For the year to 31 December 2017, the portfolio return was 11.8% whereas the Bank Bill Index was 1.7% and the S&P/ASX 200 Accumulation Index including franking was 13.4% (see attached performance table).

Given Djerriwarrh typically has options written over 30 to 50% of the portfolio (average coverage for the half year was 42% and is currently 44%), the short term performance is very satisfactory in the strongly rising market. It is reflective of the decision to buy back selected in-the-money call options to maintain holdings into the market strength as well as some of the recent adjustments to the portfolio. The more significant contributors to portfolio performance were BHP, Westpac, Wesfarmers, Rio Tinto, South 32 and Macquarie Group.

Profit and Dividend

Profit for the half year to 31 December 2017 was \$11.9 million, down from \$12.4 million in the previous corresponding period. Whilst there was an increase in dividends received, primarily from material and energy companies, income from option activity and the trading portfolio fell from \$5.0 million to \$2.7 million. The gains of \$2.3 million made in the trading portfolio last year were not repeated this half. Option income was in line with the corresponding period last year. A significant number of in-the-money call option positions were bought back and moved into the second half of the financial year at higher exercise prices to capture more of the potential upside of holdings rather than have the positions exercised. This also had the effect of shifting option premium income into the second half.

The net operating result for the half year was \$16.4 million, down slightly from \$16.7 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. A Dividend Reinvestment Plan is in place with a 5% discount.

Portfolio Adjustments

Given the high level of the market, portfolio activity was focused on buying stocks across a wide range of existing holdings when value was on offer, including writing call options against these purchases. This occurred across several holdings with CSL, Woolworths, BHP, National Australia Bank and Macquarie Group the largest of these.

A limited number of new positions were added, although they are small in the context of the portfolio. These were Brickworks, Ansell and Dulux Group.

Major sales were predominantly because of a deterioration in the outlook for some companies. This included Telstra and TPG Telecom. Whilst Djerriwarrh continues to hold positions in these companies, the structural adjustments occurring in the telecommunications industry through the implementation of the NBN has made these holdings less compelling. The position in Mainfreight was reduced marginally as the relative size of this position in the portfolio had become quite large due to the strong rise in its share price.

As a result of these adjustments and the move in company share prices the nature of the top 20 holdings for Djerriwarrh has changed. There has been a reduction in the relative size of banks within the portfolio, Macquarie Group is now a top 20 holding and the size of positions in CSL, James Hardie, Woolworths and BHP have increased substantially.

Moving Forward

As we move into the second half of the financial year option coverage will be maintained at the upper end of the normal range as we believe the market is fully valued. In particular, quality companies displaying better than average growth prospects are trading on very high valuations making it a challenging investment environment. In this context, the strategy of utilising buy and write activities to enhance income returns and reduce the entry price on selected stocks will continue as opportunities arise.

The level of volatility in the market, which is important for the Company's investment activities, has been surprisingly low for some time as investors across major global markets have driven equities higher in an environment of low interest rates. Whilst it is difficult to see an immediate catalyst for any lift in volatility, market falls arising from investor concern about high valuations, unexpected increases in global interest rates or geopolitical events may produce such an outcome. Any increase in volatility would benefit Djerriwarrh's option writing activity and therefore income.

Please direct any enquiries to:

Mark Freeman
Managing Director
(03) 9225 2112

Geoff Driver
General Manager
(03) 9225 2102

18 January 2018

MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions	Cost (\$'000)
--------------	------------------

CSL	7,523
Woolworths	5,885
BHP	5,644
National Australia Bank	5,391
Macquarie Group	4,635

Sales	Proceeds (\$'000)
-------	----------------------

QBE Insurance	4,979
TPG Telecom	3,674
Mainfreight	3,419
Japara Healthcare	3,039
Telstra	2,516

New Companies Added to the Investment Portfolio

Brickworks
Ansell
Dulux Group

TOP INVESTMENTS AS AT 31 DECEMBER 2017

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 29 December 2017

	Total Value \$ million	% of the portfolio
1 * Commonwealth Bank of Australia	67.3	8.3%
2 * Westpac Banking Corporation	62.9	7.8%
3 * BHP	58.9	7.3%
4 * National Australia Bank	40.1	4.9%
5 * Australia & New Zealand Banking Group	38.6	4.8%
6 * CSL	33.1	4.1%
7 * Wesfarmers	28.2	3.5%
8 * Telstra Corporation	22.0	2.7%
9 * Brambles	19.9	2.5%
10 * Woolworths	19.8	2.4%
11 * Rio Tinto	18.7	2.3%
12 * Macquarie Group	17.1	2.1%
13 * James Hardie Industries	17.0	2.1%
14 * Oil Search	16.3	2.0%
15 * Amcor	13.6	1.7%
16 * Seek	13.4	1.7%
17 * Woodside Petroleum	13.4	1.7%
18 * Transurban Group	13.0	1.6%
19 * Qube Holdings	12.8	1.6%
20 * AMP	11.5	1.4%
	537.6	
As % of Total Portfolio Value (excludes Cash)	66.3%	

* Indicates that options were outstanding against part of the holding

PORTFOLIO PERFORMANCE TO 31 DECEMBER 2017

PERFORMANCE MEASURES AT 31 DECEMBER 2017	6 MONTHS	1 YEAR	5 YEARS %PA	10 YEARS %PA	15 YEARS %PA
NET ASSET BACKING RETURN INCLUDING DIVIDENDS REINVESTED	7.2%	8.9%	6.9%	3.0%	8.0%
S&P/ASX 200 ACCUMULATION INDEX	8.4%	11.8%	10.2%	4.1%	9.5%
UBS 180 BANK BILLS INDEX	0.9%	1.7%	2.3%	3.6%	4.4%

NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED*	8.6%	11.8%	10.2%	6.2%	11.1%
S&P/ASX 200 GROSS ACCUMULATION INDEX*	9.2%	13.4%	11.9%	5.7%	11.0%

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



DJERRIWARRH INVESTMENTS LIMITED

ABN 38 006 862 693

HALF-YEAR REPORT 31 DECEMBER 2017

COMPANY PARTICULARS

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
Robert J. Edgar
Kathryn J. Fagg
Graham B. Goldsmith
Andrew F. Guy
Alice J. M. Williams
Karen J. Wood
R. Mark Freeman (Managing Director)

Company Matthew J. Rowe
Secretaries: 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
Internet address: 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

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

DIRECTORS' REPORT

This report in relation to the half-year to 31 December 2017 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, retired December 2017)
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, retired October 2017)
A.J.M. Williams (appointed May 2010)
K.J. Wood (appointed July 2016)
R.M. Freeman (appointed January 2018)

Company operations and results

Overview

The Company offers its shareholders a medium for generating above-market 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 2017, which includes the unrealised gains or losses on open option positions in the options written portfolio and non-equity investments, was \$11.9 million, down from \$12.4 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 \$16.4 million, down from \$16.7 million or 1.9% 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 7.2% compared to the return of the S&P/ASX 200 Accumulation Index for the same period which was 8.4%. 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

18 January 2018



Auditor's Independence Declaration

As lead auditor for the review of Djerriwarrh Investments Limited for the half-year ended 31 December 2017, 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 'Nadia Carlin'.

Nadia Carlin
Partner
PricewaterhouseCoopers

Melbourne
18 January 2018

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Half-year 2017 \$'000	Half-year 2016 \$'000
Dividends and distributions		17,339	15,988
Revenue from deposits and bank bills		142	85
Other revenue		-	15
Total revenue		17,481	16,088
Net gains on trading portfolio		64	2,273
Income from options written portfolio		2,648	2,696
Income from operating activities	3	20,193	21,057
Finance costs		(1,580)	(1,519)
Administration expenses		(1,966)	(2,002)
Share of net profit from Associate		485	379
Operating result before income tax expense		17,132	17,915
Income tax expense*		(779)	(1,252)
Net operating result for the half-year		16,353	16,663
Net unrealised losses on open options positions		(6,352)	(6,118)
Deferred tax on net unrealised losses on open options positions*		1,906	1,831
		(4,446)	(4,287)
Profit for the half-year		11,907	12,376
		Cents	Cents
Basic earnings per share	9	5.42	5.66
		\$'000	\$'000
* Total Tax (Expense)/Credit		1,127	579

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-Year to 31 December 2017			Half-Year to 31 December 2016		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the half-year	16,353	(4,446)	11,907	16,663	(4,287)	12,376
Other Comprehensive Income						
<i>Items that will not be recycled through the Income Statement</i>						
Gains for the period on equity securities in the investment portfolio	-	34,020	34,020	-	59,371	59,371
Deferred tax expense on above	-	(10,581)	(10,581)	-	(17,945)	(17,945)
<i>Items that may be recycled through the Income Statement</i>						
Net movement in fair value of swap contracts ³	-	184	184	-	684	684
Total other comprehensive income ¹	-	23,623	23,623	-	42,110	42,110
Total comprehensive income ²	16,353	19,177	35,530	16,663	37,823	54,486

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

² 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.

³ 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 2017

		31 Dec 2017 \$'000	30 June 2017 \$'000
	Note		
Current assets			
Cash		779	8,378
Receivables		1,163	44,587
Tax refund		957	-
Total current assets		2,899	52,965
Non-current assets			
Investment portfolio		826,582	750,239
Deferred tax assets		4,709	-
Deferred tax assets - investment portfolio	5	-	4,619
Shares in associate		758	419
Total non-current assets		832,049	755,277
Total assets		834,948	808,242
Current liabilities			
Payables		745	1,412
Tax payable		-	226
Borrowings – bank debt		78,000	84,500
Interest-rate hedging contracts		253	437
Options written portfolio	4	15,802	6,318
Total current liabilities		94,800	92,893
Non-current liabilities			
Deferred tax liabilities		-	466
Deferred tax liabilities - investment portfolio	5	9,039	-
Total non-current liabilities		9,039	466
Total liabilities		103,839	93,359
Net Assets		731,109	714,883
Shareholders' equity			
Share Capital	6	639,519	636,888
Revaluation Reserve		75,503	40,612
Realised Capital Gains Reserve	7	(31,717)	(9,298)
Interest-rate Hedging Reserve		(253)	(437)
Retained Profits		48,057	47,118
Total shareholders' equity		731,109	714,883

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

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Half-Year to 31 December 2017	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		636,888	40,612	(9,298)	(437)	47,118	714,883
Dividends paid	8	-	-	(10,967)	-	(10,968)	(21,935)
Shares issued under Dividend Reinvestment Plan	6	2,642	-	-	-	-	2,642
Share Issue Costs	6	(11)	-	-	-	-	(11)
Total transactions with shareholders		2,631	-	(10,967)	-	(10,968)	(19,304)
Profit for the half-year		-	-	-	-	11,907	11,907
Other Comprehensive Income							
Net gains for the period on equity securities in the investment portfolio		-	23,439	-	-	-	23,439
Net movement in fair value of swap contracts		-	-	-	184	-	184
Other Comprehensive Income for the half-year		-	23,439	-	184	-	23,623
Transfer to Realised Capital Gains Reserve of net cumulative losses on investments sold		-	11,452	(11,452)	-	-	-
Total equity at the end of the half-year		639,519	75,503	(31,717)	(253)	48,057	731,109

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 2017 (2016 COMPARATIVES)

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)
Total transactions with shareholders		-	-	(10,931)	-	(19,672)	(30,603)
Profit for the half-year		-	-	-	-	12,376	12,376
Other Comprehensive Income							
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
Other Comprehensive Income for the half-year		-	41,426	-	684	-	42,110
Transfer to Realised Capital Gains Reserve of net cumulative losses on investments sold		-	6,385	(6,385)	-	-	-
Total equity at the end of the half-year		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.

CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-year 2017 \$'000 INFLOWS/ (OUTFLOWS)	Half-year 2016 \$'000 INFLOWS/ (OUTFLOWS)
Cash flows from operating activities		
Sales from trading portfolio	5,187	9,366
Purchases for trading portfolio	-	(2,078)
Interest received	142	85
Proceeds from entering into options in options written portfolio	14,330	16,199
Payment to close out options in options written portfolio	(8,549)	(11,932)
Dividends and distributions received	16,179	20,638
	<u>27,289</u>	<u>32,278</u>
Other receipts	-	15
Administration expenses	(2,027)	(2,006)
Finance costs paid	(1,552)	(1,477)
Taxes paid	(1,989)	(1,941)
Net cash inflow/(outflow) from operating activities	<u>21,721</u>	<u>26,869</u>
Cash flows from investing activities		
Sales from investment portfolio	78,946	45,877
Purchases for investment portfolio	(82,462)	(22,015)
Tax paid on capital gains	-	(70)
Net cash inflow/(outflow) from investing activities	<u>(3,516)</u>	<u>23,792</u>
Cash flows from financing activities		
Proceeds from borrowing	8,000	11,000
Repayment of borrowings	(14,500)	(12,500)
Share Issue costs	(11)	-
Dividends paid	(19,293)	(30,603)
Net cash inflow/(outflow) from financing activities	<u>(25,804)</u>	<u>(32,103)</u>
Net increase/(decrease) in cash held	(7,599)	18,558
Cash at the beginning of the half-year	8,378	954
Cash at the end of the half-year	<u>779</u>	<u>19,512</u>

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 2017

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 2017 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:

	Half-year 2017 \$'000	Half-year 2016 \$'000
Net Operating Result after income tax expense	16,353	16,663
Net losses (after tax) on open options positions	(4,446)	(4,287)
Profit for the half-year after tax	11,907	12,376
Add : Total Tax Expense	(1,127)	(579)
Profit for the half-year before tax	10,780	11,797

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 2017 and 31 December 2016 were as follows:

	2017	2016
Net tangible asset backing per share	\$	\$
Before Tax	3.36	3.29
After Tax	3.32	3.29

(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 two investments comprising more than 10% of the Company's income, excluding realised income from the trading and options written portfolios – Westpac (10.8%) and Commonwealth Bank (10.7%) (2016: Commonwealth Bank 11.0%, National Australia Bank 10.1%, Westpac 10.0%).

3. Income from operating activities	Half-year 2017 \$'000	Half-year 2016 \$'000
Income from operating activities is comprised of the following:		
Dividends & distributions		
• securities held in investment portfolio	17,339	15,988
• securities held in trading portfolio	-	-
	<u>17,339</u>	<u>15,988</u>
Interest income		
• securities held in investment portfolio	-	-
• deposits and income from bank bills	142	85
	<u>142</u>	<u>85</u>
Net gains/(losses) and write downs		
• realised gains from trading portfolio sales	64	2,273
• realised gains on options written portfolio	2,648	2,696
• unrealised gains in trading portfolio	-	-
• unrealised gains/(losses) on non-equity instruments	-	-
	<u>2,712</u>	<u>4,969</u>
Other income	-	15
Income from operating activities	<u>20,193</u>	<u>21,057</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 \$369.2 million (30 June 2017: \$256.8 million). As at balance date there were also put options outstanding which potentially required the Company if they were all exercised to purchase \$8.8 million of securities (30 June 2017: \$13.8 million). The total income for the half-year on the options written portfolio of \$2.6 million (Half-Year to 31 December 2016: \$2.7 million) plus the unrealised loss on the open options position of \$6.4

million (Half-Year to 31 December 2016 : \$6.1 million) was a pre-tax net loss of \$3.8 million (Half-Year to 31 December 2016: loss of \$3.4 million).

5. Deferred tax liabilities/assets – investment portfolio

In accordance with AASB 112 *Income Taxes*, deferred tax liabilities have been recognised for Capital Gains Tax gains on the unrealised gains or losses in the investment portfolio at current tax rates (30% - see Note 13) totalling \$9.0 million (30 June 2017 : \$4.6 million asset). As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at this amount. In addition, a deferred tax asset of \$3.1 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	Issue price \$	Paid-up Capital \$'000
01/07/2017	Opening Balance		219,352		636,888
25/08/2017	Dividend Reinvestment Plan		768	3.44	2,642
Various	Share Issue Costs		-		(11)
31/12/2017	Balance		<u>220,120</u>		<u>639,519</u>

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.

7. Realised Capital Gains Reserve

	Half-year 2017 \$'000			Half-year 2016 \$'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	46,553	(55,851)	(9,298)	56,224	(50,929)	5,295
Dividends paid	(10,967)	-	(10,967)	(10,931)	-	(10,931)
Cumulative taxable realised (losses)/gains for period	(10,253)	(4,275)	(14,528)	(3,073)	(4,168)	(7,241)
Tax on realised (losses)/gains	3,076	-	3,076	856	-	856
	<u>28,409</u>	<u>(60,126)</u>	<u>(31,717)</u>	<u>43,076</u>	<u>(55,097)</u>	<u>(12,021)</u>

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.

8. Dividends	Half-year 2017 \$'000	Half-year 2016 \$'000
Dividends (fully franked) paid during the period	21,935 (10 cents per share)	30,603 (14 cents per share)

Dividends not recognised at period end	2017 \$'000
---	------------------------

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 2018, but not recognised as a liability at the end of the half-year is

22,012

9. Earnings per Share	Half-year 2017	Half-year 2016
	Number	Number
Weighted average number of ordinary shares used as the denominator	219,886,110	218,589,718
Basic earnings per share	\$'000	\$'000
Net profit for half-year	11,907	12,376
	Cents	Cents
Basic earnings per share	5.42	5.66
Net operating result per share	\$'000	\$'000
Net operating result for half-year	16,353	16,663
	Cents	Cents
Net operating result per share	7.44	7.62

As at 31 December 2017, 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 2017 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.

13. Taxation Rate

The Company has assumed that the changes announced by the Federal Government to disallow access by investment companies to the lower corporate tax rate will be legislated with effect from 1 July 2017. Consequently, a rate of 30% has been used for the half-year ended 31 December 2017.

DIRECTORS' DECLARATION

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 2017 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

18 January 2018



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 2017, the statement of comprehensive income, statement of changes in equity, cash flow statement and income 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 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 entity's financial position as at 31 December 2017 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



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:

1. giving a true and fair view of the entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature in black ink, consisting of a series of connected loops and strokes.

PricewaterhouseCoopers

A stylized, handwritten signature in black ink, consisting of a series of connected loops and strokes.

Nadia Carlin
Partner

Melbourne
18 January 2018