



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

---

**APPENDIX 4D STATEMENT  
FOR THE HALF-YEAR ENDING 31 DECEMBER 2015**

---

**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 2015 Annual Report.*

---

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

---

The reporting period is the half-year ended 31 December 2015 with the previous corresponding period being the half-year ended 31 December 2014. The results have been reviewed by the Company's auditors.

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

- Profit for the half-year (including unrealised gains or losses on open option positions) was \$21.1 million, 6.7% up from \$19.8 million in the previous corresponding period.
- Net Operating Result for the half-year was \$25.6 million, 17.8% up from \$21.7 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 \$20.7 million, 5.1% up from \$19.7 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 16 February 2016 to ordinary shareholders on the register on 1 February 2016. There is no conduit foreign income component of the dividend.
- The final dividend for the 2015 financial year was 16 cents per share, fully franked, and it was paid to shareholders on 21 August 2015.
- The Company's Dividend Reinvestment Plan remains suspended.
- 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 2015 were \$3.21 (before allowing for the interim dividend), down from \$3.56 (also before allowing for the interim dividend) at the end of the previous corresponding period.

## Volatile market boosts profit from option activity

### *RESULT SUMMARY TO 31 DECEMBER 2015*

- **Djerriwarrh seeks to provide an enhanced level of fully franked income in part by using option strategies**
- **Half Year Profit increased 6.7% to \$21.1 million**
- **Income from option activity and the Trading Portfolio was \$12.9 million, well ahead of the \$8.5 million generated last half year.**
- **Interim Dividend of 10 cents per share fully franked.**
- **Six month portfolio return was negative 4.1%, including franking it was negative 2.1%.**

### **Profit and Dividend**

Profit for the half year to 31 December 2015 was \$21.1 million, an increase of 6.7% from \$19.8 million in the corresponding period last half year. Heightened volatility over the period combined with the strategy of maintaining call option coverage at the upper end of the Company's indicative range in a falling market, has benefited the option income activity of the Company which in turn has lifted profit. Income from option activity and the Trading Portfolio was \$12.9 million, well ahead of the \$8.5 million generated last half year.

Djerriwarrh's interim dividend has been maintained at 10 cents per share fully franked, the same as last year.

### **Portfolio**

The Australian equity market has seen a marked divergence over the past six months as larger companies in the index have generally underperformed those outside of the top 50. The resource and energy sectors have also been particularly hard hit with rapidly falling commodity prices.

For Djerriwarrh, short term portfolio performance was reflective of the general bias the portfolio has to top 50 stocks; given this is where the options market is most active and the overweight position in energy stocks.

Djerriwarrh's portfolio return including franking for the six months to 31 December 2015 was negative 2.1% whereas the S&P/ASX 200 Accumulation Index return including franking was positive 0.3% (franking added 2.0% to Djerriwarrh's return and 0.8% to the Index). For the year to 31 December 2015, the portfolio return was 0.6% whereas the Index was 4.2% calculated on the same basis including franking.

As a long term investor, notwithstanding the recent under performance to the index, it remains encouraging to see the 10 year performance including franking of 7.7% per annum ahead of the index returns of 7.2% per annum. (see attached performance table).

One of the objectives over the period was to look for opportunities in companies outside of the top 50. In this context Challenger, Mainfreight and Navitas were some of the new companies added to the portfolio. The existing position in Healthscope was also increased. In the larger company space Djerriwarrh participated in the Commonwealth Bank capital raising through the period as well as adding further to the Macquarie Bank holding in the portfolio.

Given the general fall in the market over the half there were few call options exercised, although Asciano (under a takeover offer), Sydney Airport and Sonic Healthcare were the exceptions. Other sales included a lightening in the exposure in the commodities sector (BHP and Santos being the largest of these), the sale of some of the holding in Woolworths early in the half and the complete disposal of 21<sup>st</sup> Century Fox.

As we move into the second half of the financial year elevated volatility is likely to remain a key feature of the market. This along with a relatively higher level of option coverage as a starting position for the portfolio should assist with the generation of income which is one of the main objectives of the Company's investment activities.

Please direct any enquiries to:

Ross Barker  
Managing Director  
(03) 9225 2101

Geoff Driver  
General Manager  
(03) 9225 2102

**14 January 2016**

---

## MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

---

| Acquisitions  | Cost<br>(\$'000) |
|---|------------------|
| Healthscope   | 4,982            |
| Challenger*   | 4,191            |
| Mainfreight*  | 4,135            |
| Commonwealth Bank (includes participation in the 1 for 23 Rights Issues at \$71.50 per share) | 3,630            |
| Macquarie Group   | 3,172            |
| Navitas*  | 3,130            |

\* new stock in the portfolio

| Sales   | Proceeds<br>(\$'000) |
|---|----------------------|
| Asciano #   | 10,093               |
| 21 <sup>st</sup> Century Fox (complete sale of holding) | 9,796                |
| BHP Billiton  | 3,460                |
| Woolworths  | 2,967                |
| Sydney Airport#   | 2,475                |
| Sonic Healthcare#                                       | 2,318                |
| Santos  | 2,052                |

#Sales or partial sales as result of the exercise of call options

---

## TOP INVESTMENTS AS AT 31 DECEMBER 2015

---

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

Valued at closing prices at 31 December 2015

|  | Total Value<br>\$ million | % of<br>Portfolio |
|--|---------------------------|-------------------|
| 1 * Commonwealth Bank of Australia               | 71.9                      | 9.1%              |
| 2 * Westpac Banking Corporation                  | 60.8                      | 7.7%              |
| 3 * National Australia Bank                      | 53.8                      | 6.8%              |
| 4 * Australia & New Zealand Banking Group        | 46.9                      | 5.9%              |
| 5 * Telstra Corporation                          | 40.5                      | 5.1%              |
| 6 * BHP Billiton                                 | 40.2                      | 5.1%              |
| 7 * CSL  | 29.3                      | 3.7%              |
| 8 * Oil Search                                   | 25.9                      | 3.3%              |
| 9 * Wesfarmers                                   | 23.6                      | 3.0%              |
| 10 * Brambles                                    | 20.0                      | 2.5%              |
| 11 * Rio Tinto                                   | 18.2                      | 2.3%              |
| 12 * Woodside Petroleum                          | 18.1                      | 2.3%              |
| 13 * QBE Insurance Group                         | 14.6                      | 1.8%              |
| 14 * AMP   | 13.5                      | 1.7%              |
| 15 * Woolworths                                  | 12.4                      | 1.6%              |
| 16 * Suncorp Group                               | 12.2                      | 1.5%              |
| 17 Mirrabooka Investments                        | 11.6                      | 1.5%              |
| 18 * Incitec Pivot                               | 11.4                      | 1.4%              |
| 19 * Seek  | 10.7                      | 1.4%              |
| 20 * Qube Holdings                               | 9.9                       | 1.3%              |
|  | <u>545.6</u>              |                   |
| As % of Total Portfolio Value<br>(excludes Cash) |                           | 69.1%             |

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




---

## PORTFOLIO PERFORMANCE TO 31 DECEMBER 2015

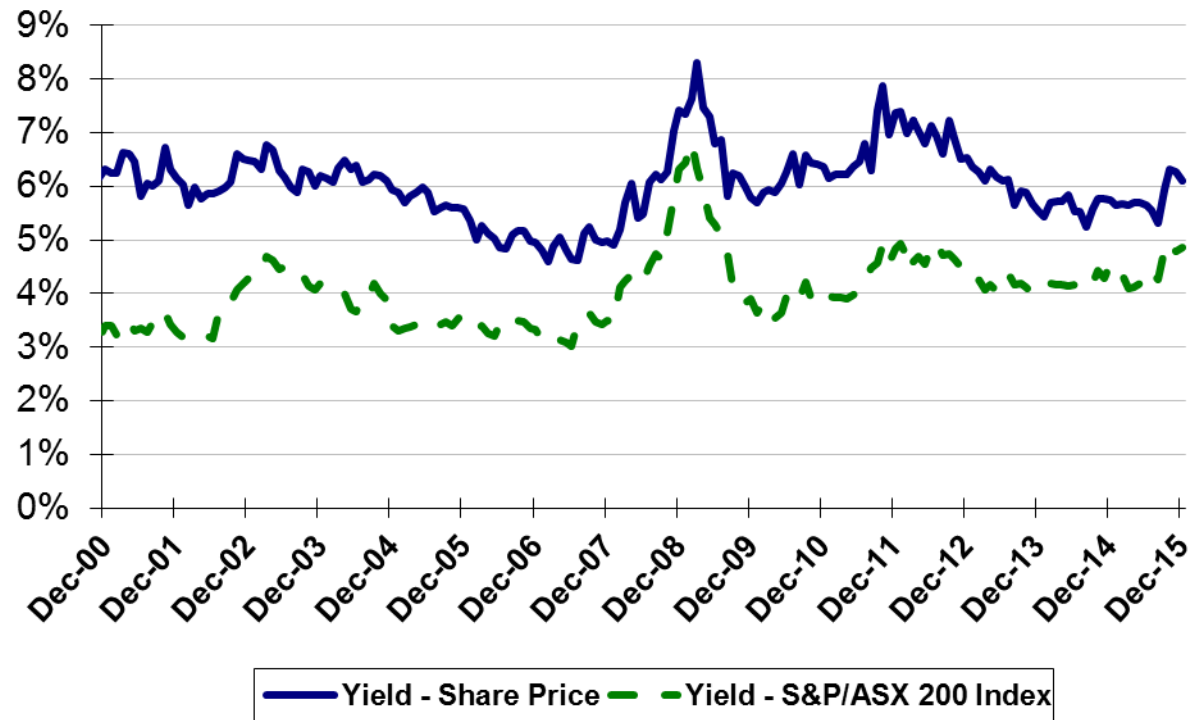
---

| <b>PERFORMANCE MEASURES AT 31 DECEMBER 2015</b>                                       | <b>6 MONTHS</b> | <b>1 YEAR</b> | <b>5 YEARS<br/>%PA</b> | <b>10 YEARS<br/>%PA</b> |
|---|-----------------|---------------|------------------------|-------------------------|
| <b><i>PORTFOLIO RETURN - NET ASSET BACKING INCLUDING<br/>DIVIDENDS REINVESTED</i></b> | <b>-4.1%</b>    | <b>-2.6%</b>  | <b>4.7%</b>            | <b>4.7%</b>             |
| <b>S&amp;P/ASX 200 ACCUMULATION INDEX</b>   | -0.5%           | 2.6%          | 7.0%                   | 5.6%                    |

|  |              |             |             |             |
|--|--------------|-------------|-------------|-------------|
| <b><i>NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS<br/>REINVESTED*</i></b> | <b>-2.1%</b> | <b>0.6%</b> | <b>8.1%</b> | <b>7.7%</b> |
| <b>S&amp;P/ASX 200 GROSS ACCUMULATION INDEX*</b>                                 | 0.3%         | 4.2%        | 8.6%        | 7.2%        |

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

## Djerriwarrh Share Price Yield vs. Market Yield



The chart above highlights the relative dividend yield on Djerriwarrh shares (which is fully franked) in comparison to the dividend yield on the S&P/ASX 200 Index (which is currently only 80% franked) since the Company was listed.





**DJERRIWARRH  
INVESTMENTS  
LIMITED**

ABN 38 006 862 693

---

**HALF-YEAR REPORT  
31 DECEMBER 2015**

---

---

## 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  
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

### Company

**Secretaries:** Simon M. Pordage  
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

---

# DIRECTORS' REPORT

---

This report in relation to the half-year to 31 December 2015 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)  
B.B. Teele (appointed November 1989; retired October 2015)  
A.J.M. Williams (appointed May 2010)

## 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 2015, which includes the unrealised gains or losses on open option positions in the options written portfolio and non-equity investments, was \$21.1 million, up from \$19.8 million at 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 \$25.6 million, up from \$21.7 million or 17.8% 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 -4.1% compared to the return of the S&P/ASX 200 Accumulation Index for the same period which was -0.5%. 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 Class Order 98/100 issued by the Australian Securities & Investments Commission, 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 Class Order.

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

14 January 2016



## Auditor's Independence Declaration

As lead auditor for the review of Djerriwarrh Investments Limited for the half-year ended 31 December 2015, 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 'l c t', is written above the printed name.

Charles Christie  
Partner  
PricewaterhouseCoopers

Melbourne  
14 January 2016

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

|  | Note     | Half-year<br>2015<br>\$'000 | Half-year<br>2014<br>\$'000 |
|--|----------|-----------------------------|-----------------------------|
| Dividends and distributions                                      |          | 20,574                      | 19,057                      |
| Revenue from deposits and bank bills                             |          | 115                         | 660                         |
| Other revenue  |          | 29                          | -                           |
| <b>Total revenue</b>   |          | <b>20,718</b>               | <b>19,717</b>               |
| Net gains on trading portfolio                                   |          | 1,799                       | 374                         |
| Income from options written portfolio                            |          | 11,076                      | 8,091                       |
| <b>Income from operating activities</b>                          | <b>3</b> | <b>33,593</b>               | <b>28,182</b>               |
| Finance costs  |          | (2,829)                     | (2,448)                     |
| Administration expenses  |          | (1,974)                     | (1,967)                     |
| Share of net profit from Associate                               |          | 152                         | 100                         |
| <b>Operating result before income tax expense</b>                |          | <b>28,942</b>               | <b>23,867</b>               |
| Income tax expense*  |          | (3,388)                     | (2,174)                     |
| <b>Net operating result for the half-year</b>                    |          | <b>25,554</b>               | <b>21,693</b>               |
| Net unrealised losses on open options positions                  |          | (6,308)                     | (2,692)                     |
| Deferred tax on net unrealised losses on open options positions* |          | 1,900                       | 808                         |
|  |          | (4,408)                     | (1,884)                     |
| <b>Profit for the half-year</b>                                  |          | <b>21,146</b>               | <b>19,809</b>               |
|  |          | <b>Cents</b>                | <b>Cents</b>                |
| Basic earnings per share   | <b>8</b> | 9.67                        | 9.06                        |
|  |          | <b>\$'000</b>               | <b>\$'000</b>               |
| * Total Tax Expense  |          | 1,488                       | 1,366                       |

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

# STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

|  | Half-Year to 31 December 2015 |                   |                 | Half-Year to 31 December 2014 |                   |                 |
|--|-------------------------------|-------------------|-----------------|-------------------------------|-------------------|-----------------|
|  | Revenue<br>\$'000             | Capital<br>\$'000 | Total<br>\$'000 | Revenue<br>\$'000             | Capital<br>\$'000 | Total<br>\$'000 |
| <b>Net Profit</b>  | 25,554                        | (4,408)           | 21,146          | 21,693                        | (1,884)           | 19,809          |
| <b>Other Comprehensive Income</b>                                      |                               |                   |                 |                               |                   |                 |
| <i>Items that will not be recycled through the Income Statement</i>    |                               |                   |                 |                               |                   |                 |
| Losses for the period on equity securities in the investment portfolio | -                             | (52,496)          | (52,496)        | -                             | (20,693)          | (20,693)        |
| Deferred tax expense on above  | -                             | 15,639            | 15,639          | -                             | 6,056             | 6,056           |
| <i>Items that may be recycled through the Income Statement</i>         |                               |                   |                 |                               |                   |                 |
| Net movement in fair value of swap contracts <sup>3</sup>              | -                             | 850               | 850             | -                             | 86                | 86              |
| <b>Total other comprehensive income</b> <sup>1</sup>                   | -                             | (36,007)          | (36,007)        | -                             | (14,551)          | (14,551)        |
| <b>Total comprehensive income</b> <sup>2</sup>                         | 25,554                        | (40,415)          | (14,861)        | 21,693                        | (16,435)          | 5,258           |

<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 2015

|   |      | 31 Dec<br>2015<br>\$'000 | 30 June<br>2015<br>\$'000 |
|---|------|--------------------------|---------------------------|
|   | Note |                          |                           |
| <b>Current assets</b>                           |      |                          |                           |
| Cash  |      | 619                      | 41,967                    |
| Receivables                                     |      | 1,075                    | 6,683                     |
| Trading portfolio                               |      | -                        | -                         |
| <b>Total current assets</b>                     |      | <u>1,694</u>             | <u>48,650</u>             |
| <b>Non-current assets</b>                       |      |                          |                           |
| Investment portfolio                            |      | 800,165                  | 827,351                   |
| Deferred tax assets                             |      | 889                      | -                         |
| Deferred tax assets - investment portfolio      | 5    | 13,265                   |                           |
| Shares in associate                             |      | 1,071                    | 965                       |
| <b>Total non-current assets</b>                 |      | <u>815,390</u>           | <u>828,316</u>            |
| <b>Total assets</b>                             |      | <u><u>817,084</u></u>    | <u><u>876,966</u></u>     |
| <b>Current liabilities</b>                      |      |                          |                           |
| Payables  |      | 1,002                    | 11,918                    |
| Tax payable                                     |      | 3,228                    | 12,820                    |
| Borrowings – bank debt                          |      | 86,500                   | 75,000                    |
| Interest-rate hedging contracts                 |      | 571                      | 1,421                     |
| Options written portfolio                       | 4    | 10,816                   | 6,100                     |
| <b>Total current liabilities</b>                |      | <u>102,117</u>           | <u>107,259</u>            |
| <b>Non-current liabilities</b>                  |      |                          |                           |
| Deferred tax liabilities                        |      | -                        | 1,109                     |
| Deferred tax liabilities - investment portfolio | 5    | -                        | 3,796                     |
| <b>Total non-current liabilities</b>            |      | <u>-</u>                 | <u>4,905</u>              |
| <b>Total liabilities</b>                        |      | <u><u>102,117</u></u>    | <u><u>112,164</u></u>     |
| <b>Net Assets</b>                               |      | <u><u>714,967</u></u>    | <u><u>764,802</u></u>     |
| <b>Shareholders' equity</b>                     |      |                          |                           |
| Share Capital                                   | 6    | 634,225                  | 634,225                   |
| Revaluation Reserve                             |      | 15,643                   | 50,126                    |
| Realised Capital Gains Reserve                  |      | 8,412                    | 26,132                    |
| Interest-rate Hedging Reserve                   |      | (571)                    | (1,421)                   |
| Retained Profits                                |      | 57,258                   | 55,740                    |
| <b>Total shareholders' equity</b>               |      | <u><u>714,967</u></u>    | <u><u>764,802</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 2015

| Half-Year to 31 December 2015   | Note | Share<br>Capital<br>\$'000 | Revaluation<br>Reserve<br>\$'000 | Realised<br>Capital<br>Gains<br>\$'000 | Interest-<br>Rate<br>Hedging<br>\$'000 | Retained<br>Profits<br>\$'000 | Total<br>\$'000 |
|---|------|----------------------------|----------------------------------|--|--|-------------------------------|-----------------|
| <b>Total equity at the beginning of the half-year</b>                                   |      | 634,225                    | 50,126                           | 26,132                                 | (1,421)                                | 55,740                        | 764,802         |
| Dividends paid  | 7    | -                          | -                                | (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>Other Comprehensive Income</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.

**STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (2014  
COMPARATIVES)**

| <b>Half-Year to 31 December 2014</b>   | <b>Note</b> | <b>Share<br/>Capital<br/>\$'000</b> | <b>Revaluation<br/>Reserve<br/>\$'000</b> | <b>Realised<br/>Capital<br/>Gains<br/>\$'000</b> | <b>Interest-<br/>Rate<br/>Hedging<br/>\$'000</b> | <b>Retained<br/>Profits<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|-------------|-------------------------------------|---|--|--|--|-------------------------|
| <b>Total equity at the beginning of the half-year</b>                                  |             | <b>634,225</b>                      | <b>100,901</b>                            | <b>15,658</b>                                    | <b>(1,939)</b>                                   | <b>50,298</b>                          | <b>799,143</b>          |
| Dividends paid   | 7           | -                                   | -   | (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   |             | -                                   | 18  | -  | -  | 19,791                                 | <b>19,809</b>           |
| <b><i>Other Comprehensive Income</i></b>   |             |                                     |   |  |  |  |                         |
| Net losses for the period on equity securities in the investment portfolio             |             | -                                   | (14,637)                                  | -  | -  | -                                      | <b>(14,637)</b>         |
| Net movement in fair value of swap contracts   |             | -                                   | -   | -  | 86   | -                                      | <b>86</b>               |
| <b>Other Comprehensive Income for the half-year</b>                                    |             | -                                   | <b>(14,637)</b>                           | -  | <b>86</b>  | -                                      | <b>(14,551)</b>         |
| Transfer to Realised Capital Gains Reserve of net cumulative gains on investments sold |             | -                                   | (7,068)                                   | 7,068  | -  | -                                      | -                       |
| <b>Total equity at the end of the half-year</b>  |             | <b>634,225</b>                      | <b>79,214</b>                             | <b>7,425</b>                                     | <b>(1,853)</b>                                   | <b>50,416</b>                          | <b>769,427</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 2015

|  | Half-year<br>2015<br>\$'000 | Half-year<br>2014<br>\$'000 |
|--|-----------------------------|-----------------------------|
|  | INFLOWS/<br>(OUTFLOWS)      | INFLOWS/<br>(OUTFLOWS)      |
| <b>Cash flows from operating activities</b>                      |                             |                             |
| Sales from trading portfolio                                     | 13,415                      | 3,313                       |
| Purchases for trading portfolio                                  | (7,782)                     | (2,846)                     |
| Interest received  | 115                         | 549                         |
| Proceeds from entering into options in options written portfolio | 13,767                      | 9,332                       |
| Payment to close out options in options written portfolio        | (4,278)                     | (2,531)                     |
| Dividends and distributions received                             | 21,365                      | 22,168                      |
|  | 36,602                      | 29,985                      |
| Other receipts   | 29                          | -                           |
| Administration expenses  | (2,216)                     | (2,005)                     |
| Finance costs paid   | (2,804)                     | (3,013)                     |
| Taxes paid   | (3,377)                     | (1,007)                     |
| <b>Net cash inflow/(outflow) from operating activities</b>       | <b>28,234</b>               | <b>23,960</b>               |
| <b>Cash flows from investing activities</b>                      |                             |                             |
| Sales from investment portfolio                                  | 49,219                      | 126,180                     |
| Purchases for investment portfolio                               | (84,365)                    | (73,882)                    |
| Tax paid on capital gains  | (11,062)                    | (13,033)                    |
| <b>Net cash inflow/(outflow) from investing activities</b>       | <b>(46,208)</b>             | <b>39,265</b>               |
| <b>Cash flows from financing activities</b>                      |                             |                             |
| Proceeds from borrowing  | 45,500                      | -                           |
| Repayment of borrowings  | (34,000)                    | -                           |
| Dividends paid   | (34,874)                    | (34,974)                    |
| <b>Net cash inflow/(outflow) from financing activities</b>       | <b>(23,374)</b>             | <b>(34,974)</b>             |
| Net increase/(decrease) in cash held                             | (41,348)                    | 28,251                      |
| Cash at the beginning of the half-year                           | 41,967                      | 18,354                      |
| <b>Cash at the end of the half-year</b>                          | <b>619</b>                  | <b>46,605</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 2015

## 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 2015 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<br>2015<br>\$'000 | Half-year<br>2014<br>\$'000 |
|--|-----------------------------|-----------------------------|
| <b>Net Operating Result after income tax expense</b> | <b>25,554</b>               | <b>21,693</b>               |
| Net losses (after tax) on open options positions     | (4,408)                     | (1,884)                     |
| <b>Profit for the half-year after tax</b>            | <b>21,146</b>               | <b>19,809</b>               |
| Add : Total Tax Expense                              | 1,488                       | 1,366                       |
| <b>Profit for the half-year before tax</b>           | <b>22,634</b>               | <b>21,175</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 2015 and 31 December 2014 were as follows:

|   | 2015 | 2014 |
|---|------|------|
|   | \$   | \$   |
| <b>Net tangible asset backing per share</b> |      |      |
| Before Tax                                  | 3.21 | 3.56 |
| After Tax                                   | 3.27 | 3.52 |

### (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 no investments comprising more than 10% of the Company's income, including realised income from the options written portfolio (2014: Nil)

| 3. Income from operating activities                             | Half-year<br>2015<br>\$'000 | Half-year<br>2014<br>\$'000 |
|---|-----------------------------|-----------------------------|
| Income from operating activities is comprised of the following: |                             |                             |
| Dividends & distributions                                       |                             |                             |
| • securities held in investment portfolio                       | 20,450                      | 18,933                      |
| • securities held in trading portfolio                          | -                           | -                           |
|   | <u>20,450</u>               | <u>18,933</u>               |
| Interest income   |                             |                             |
| • securities held in investment portfolio                       | 124                         | 124                         |
| • deposits and income from bank bills                           | 115                         | 660                         |
|   | <u>239</u>                  | <u>784</u>                  |
| Net gains/(losses) and write downs                              |                             |                             |
| • realised gains from trading portfolio sales                   | 1,864                       | 348                         |
| • realised gains on options written portfolio                   | 11,076                      | 8,091                       |
| • unrealised gains in trading portfolio                         | -                           | -                           |
| • unrealised gains/(losses) on non-equity instruments           | (65)                        | 26                          |
|   | <u>12,875</u>               | <u>8,465</u>                |
| Other income  | 29                          | -                           |
| <b>Income from operating activities</b>                         | <u><b>33,593</b></u>        | <u><b>28,182</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 \$352.7 million (30 June 2015: \$384.0 million). As at balance date there were also put options outstanding which potentially required the Company if they were all exercised to purchase \$11.0 million of securities (30 June 2015: \$4.4 million). The total income for the half-year on the options written portfolio of \$11.1 million (Half-Year to 31 December 2014: \$8.1 million) plus the unrealised loss on the open options position of

\$6.3 million (Half-Year to 31 December 2014 : \$2.7 million) was a pre-tax net gain of \$4.8 million (Half-Year to 31 December 2014: \$5.4 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 \$13.3 million (30 June 2015 : \$3.8 million liability). As the Directors do not intend to dispose of the portfolio, this tax asset may not be crystallised at this amount.

## 6. Shareholders' equity – share capital

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

| Date       | Details         | Notes | Number<br>of shares<br>'000 | Paid-up<br>Capital<br>\$'000 |
|------------|-----------------|-------|-----------------------------|------------------------------|
| 01/07/2015 | Opening Balance |       | 218,590                     | 634,225                      |
| 31/12/2015 | 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. However, the DRP is currently suspended.

| 7. Dividends  | Half-year<br>2015<br>\$'000       | Half-year<br>2014<br>\$'000       |
|---|-----------------------------------|-----------------------------------|
| Dividends (fully franked) paid during the period  | 34,974<br>(16 cents<br>per share) | 34,974<br>(16 cents<br>per share) |
| <b>Dividends not recognised at period end</b>   | <b>2015<br/>\$'000</b>            |                                   |
| 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 16 February 2016, but not recognised as a liability at the end of the half-year is | 21,859                            |                                   |

| <b>8. Earnings per Share</b>                                       | <b>Half-year<br/>2015</b> | <b>Half-year<br/>2014</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   | 21,146                    | 19,809                    |
|  | <b>Cents</b>              | <b>Cents</b>              |
| Basic earnings per share   | 9.67                      | 9.06                      |
| <b>Net operating result per share</b>                              | <b>\$'000</b>             | <b>\$'000</b>             |
| Net operating result for half-year                                 | 25,554                    | 21,693                    |
|  | <b>Cents</b>              | <b>Cents</b>              |
| Net operating result per share                                     | 11.69                     | 9.92                      |

As at 31 December 2015, 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.

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

Since 31 December 2015 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.

#### **10. 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.

#### **11. 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.

---

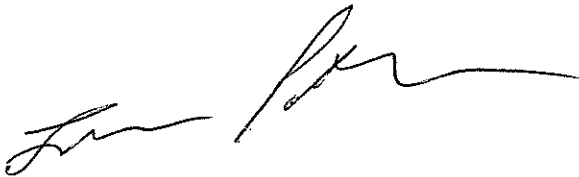
## DIRECTORS' DECLARATION

---

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 23 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 2015 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

14 January 2016





## **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 2015, 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 2015 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**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://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:

- a) giving a true and fair view of the company's financial position as at 31 December 2015 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 black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Charles Christie'.

Charles Christie  
Partner

Melbourne  
14 January 2016