



**DJERRIWARRH  
INVESTMENTS  
LIMITED**

ABN 38 006 862 693

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**APPENDIX 4D STATEMENT  
FOR THE HALF-YEAR ENDING 31 DECEMBER 2009**

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**CONTENTS**

- Results for announcement to the market
- Media Release
- Appendix 4D Accounts
- Independent Auditors' Review 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 2009 with the previous corresponding period being the half-year ended 31 December 2008.

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

- Net Operating Profit before net gains on investments was \$20.1 million, 45.5% down from the previous corresponding period. In the opinion of Directors, this is the better measure of the Company's performance in deriving on-going investment, trading and options income from the Company's portfolios.
- Reported profit for the half-year (including net realised capital gains and unrealised losses on open options positions) was \$15.1 million, 49% down from the previous corresponding period. This figure includes realised capital losses on the Company's investment portfolio until its adoption of the new accounting standard AASB 9 on 7 December 2009, this being the earliest available date for adoption.
- Revenue from operating activities (excluding capital gains) was \$16.3 million, 44% down from the previous corresponding period.
- The interim dividend of 10 cents per share fully franked, unchanged from the previous interim period, will be paid on 19 February 2010 to ordinary shareholders on the register on 4 February 2010.
- The final dividend for the 2009 financial year was 16 cents per share, fully franked, and it was paid to shareholders on 25 August 2009.
- The Company operates a Dividend Reinvestment Plan under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Shareholders should note that the Directors have determined that a discount should apply to the price of shares issued under the Dividend Reinvestment Plan for this interim dividend. Consequently, pricing of the new DRP shares will be based on a 5% discount to the average selling price of shares traded on the Australian Securities Exchange in the five days from the day the shares begin trading on an ex-dividend basis. The last date for the receipt of an election notice for participation in the plan is 5.00 pm (Melbourne time) on 4 February 2010.
- Net tangible assets per share before any provision for deferred tax on the unrealised gains on the long-term investment portfolio as at 31 December 2009 were \$4.06 (before allowing for the interim dividend), up from \$3.16 (also before allowing for the interim dividend) at the end of the previous corresponding period.



## **PORTFOLIO RETURN UP 27% DIVIDEND MAINTAINED**

### **MEDIA RELEASE - HALF YEAR RESULT TO 31 DECEMBER 2009**

18 January 2010

In line with the general rise in the market the Company's portfolio return was positive 26.9 percent over the half year compared to the 25.6 percent rise in the S&P/ASX 200 Accumulation Index.

Djerriwarrh's interim dividend has been maintained at 10 cents per share fully franked. It is the Board's current intention, in the absence of any unforeseen events, to maintain the final dividend for the period ending 30 June 2010 at last year's level of 16 cents per share. The discount on the Dividend Reinvestment Plan has been maintained at 5%.

Net Operating Profit, which measures the underlying income generated from the investment and trading portfolios, was down to \$20.1 million from \$37.0 million over the corresponding period last year. This result is in line with the advice provided to the market by Directors in late November 2009.

Reflecting market conditions Djerriwarrh's decline in income was consistent with the substantial cuts in dividends made by companies following the global financial crisis last year. Income from option activity was also down as volatility levels fell, interest rates remained low and markets recovered.

Reported Profit for the half year was \$15.1 million versus \$29.7 million last year. These figures include realised losses up to 7 December 2009 when the Company adopted the new accounting standard dealing with amongst other things the treatment of realised gains and losses, this being the earliest possible date of adoption.

The strongly rising market led to call option positions being exercised across a number of holdings, the largest being Commonwealth Bank, National Australia Bank, Westpac Bank, ANZ and Rio Tinto. However, where it was sensible from an investment perspective, quite a number of option positions were also bought back and moved to positions with higher exercise prices. This has had the effect of moving some option income into the second half of the financial year.

In managing the portfolio during the period the Company also participated in a small number of capital raisings and discounted dividend reinvestment plans. The level of gearing in the portfolio was also reduced as bank debt was repaid and the Convertible Notes were redeemed or converted to shares at the end of September. The Company had a cash position of \$40 million at 31 December 2009.

The lower level of option volatility may provide some challenges for generating option income in the second half of the year. However, it is anticipated that there should be a small recovery in dividends as company earnings improve. We remain somewhat guarded about the recent strength of the market recovery and are therefore likely to restore call option coverage over the portfolio during the second half of the year from the present level of 28 per cent to a relatively higher position.

Please direct any enquiries to:

Bruce Teele  
Chairman  
(03) 9679 1361

Ross Barker  
Managing Director  
(03) 9924 0380

Geoff Driver  
General Manager  
(03) 9679 1659

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## MAJOR TRANSACTIONS IN THE INVESTMENT AND TRADING PORTFOLIOS

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<b>Acquisitions (above \$5 million)</b>	<b>Cost (\$'000)</b>
Hastings Diversified Utilities Fund	6,652
National Australia Bank	5,474

<b>Disposals (above \$5 million)</b>	<b>Proceeds (\$'000)</b>
Commonwealth Bank of Australia	27,415
National Australia Bank	23,536
Westpac Banking Corporation	15,687
Australia and New Zealand Banking Group	14,024
Rio Tinto	10,608

Note all of these disposals were as a result of the exercise of call options.

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## TOP INVESTMENTS AS AT 31 DECEMBER 2009

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

Valued at closing prices at 31 December 2009

				<b>Total Value \$ million</b>
1	*	BHP	BHP Billiton	106.0
2	*	WBC	Westpac Banking Corporation	81.1
3	*	NAB	National Australia Bank	47.5
4		TLS	Telstra Corporation	45.5
5	*	WPL	Woodside Petroleum	43.4
6	*	CBA	Commonwealth Bank of Australia	41.5
7	*	OSH	Oil Search	31.9
8	*	ANZ	Australia and New Zealand Banking Group	31.3
9	*	QBE	QBE Insurance Group	26.8
10	*	STO	Santos	23.7
11	*	AMP	AMP	23.6
12	*	RIO	Rio Tinto	20.3
13	*	WOW	Woolworths	20.1
14	*	BXB	Brambles	19.5
15	*	AXA	AXA Asia-Pacific Holdings	19.4
16	*	WAN	West Australian Newspapers Holdings	19.1
17	*	TCL	Transurban Group	15.3
18	*	ORG	Origin Energy	14.3
19	*	AMC	Amcor	13.1
20		HDF	Hastings Diversified Utilities Fund	12.9
				<hr/> <b>656.3</b> <hr/>
			As % of Total Portfolio (excludes Cash)	82.5%

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



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**HALF-YEAR REPORT  
31 DECEMBER 2009**

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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:** Bruce B. Teele, Chairman  
Ross E. Barker, Managing Director  
Peter C. Barnett  
Terrence A. Campbell AO  
Andrew F. Guy  
Graham J. Kraehe AO  
John Paterson, Deputy Chairman

#### 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: GPO Box 2114, Melbourne, Victoria 3001  
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: Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067

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

Facsimile: (03) 9473 2500  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Internet: [www.computershare.com.au](http://www.computershare.com.au)

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

#### Stock 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 2009 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:

B.B. Teele (appointed November 1989)  
R.E. Barker (appointed May 1988)  
P.C. Barnett (appointed October 2007)  
T.A. Campbell AO (appointed November 1989)  
A.F. Guy (appointed December 1989)  
G.J. Kraehe AO (appointed July 2002)  
J. Paterson (appointed July 2002)

### **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**

Djerriwarrh's Net Operating profit after tax was \$20.1 million, down from \$37.0 million or 45.5% over the corresponding period last year. This operating profit 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 reported profit of the Company for the six months to 31 December 2009, which includes the unrealised gains or losses on open option positions in the options written portfolio and realised gains or losses on securities sold from the investment portfolio until 7 December 2009, was \$15.1 million, down from \$29.7 million at the previous corresponding period. After 7 December 2009, realised gains and losses are accounted for through Other Comprehensive Income and the realisation reserve rather than as part of profit under the new accounting standard, a change from the previous corresponding period when all realised losses were considered part of profit.

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



## **Auditors' independence declaration**

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 10.

## **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.



Bruce Teele  
Chairman  
Melbourne

18 January 2010

PricewaterhouseCoopers  
ABN 52 780 433 757

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77  
Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999

## Auditor's Independence Declaration

As lead auditor for the review of Djerriwarrh Investments Limited for the half year ended 31 December 2009, 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.

This declaration is in respect of Djerriwarrh Investments Limited during the period.



David Coogan  
Partner  
PricewaterhouseCoopers

Melbourne  
18 January 2010

## INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Half-year 2009 \$'000	Half-year 2008 \$'000
Dividends and distributions		15,973	28,832
Revenue from deposits and bank bills		321	439
<b>Total revenue</b>		<b>16,294</b>	<b>29,271</b>
Net gains on trading portfolio		1,586	208
Income from options written portfolio		6,829	20,864
Other income		93	-
<b>Income from operating activities</b>	<b>3</b>	<b>24,802</b>	<b>50,343</b>
Finance costs		(2,015)	(3,580)
Administration expenses		(1,633)	(1,751)
Share of net profit from Associate		139	111
<b>Operating profit before income tax expense</b>		<b>21,293</b>	<b>45,123</b>
Income tax expense*		(1,152)	(8,154)
<b>Net operating profit for the half-year</b>		<b>20,141</b>	<b>36,969</b>
Net gains/(losses) on open options positions		(4,647)	9,128
Deferred tax on net gains/(losses) on open options positions*		1,394	(2,738)
Net losses on securities sold from the investment portfolio		(11,050)	(15,119)
Tax credit on losses on securities sold from the investment portfolio*		9,294	1,478
		(5,009)	(7,251)
<b>Profit for the half-year</b>		<b>15,132</b>	<b>29,718</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>10</b>	7.23	14.49
Diluted earnings per share	<b>10</b>	7.23	14.28
		<b>Half-year 2009 \$'000</b>	<b>Half-year 2008 \$'000</b>
* Total Tax Expense/(Credit)		(9,536)	9,414

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

# STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-Year to 31 December 2009			Half-Year to 31 December 2008		
	Revenue	Capital	Total	Revenue	Capital	Total
	\$'000	\$'000	\$000	\$'000	\$'000	\$'000
<b>Net Profit</b>	<b>20,141</b>	<b>(5,009)</b>	<b>15,132</b>	<b>36,969</b>	<b>(7,251)</b>	<b>29,718</b>
<b>Other Comprehensive Income</b>						
Unrealised gains/(losses) for the period on securities in the portfolio at 31 December	-	154,097	<b>154,097</b>	-	(212,966)	<b>(212,966)</b>
Deferred tax (expense)/credit on above	-	(45,878)	<b>(45,878)</b>	-	67,436	<b>67,436</b>
Plus gains/(losses) for the period on securities realised before 7 December 2009	-	38	<b>38</b>	-	(26,322)	<b>(26,322)</b>
Tax credit/(expense) on above	-	(27)	<b>(27)</b>	-	2,573	<b>2,573</b>
Plus gains for the period on securities realised after 7 December 2009	-	1,523	<b>1,523</b>	-	-	-
Tax expense on above	-	(1,035)	<b>(1,035)</b>	-	-	-
Transfer to Income Statement of cumulative losses on investments realised prior to 7 December	-	11,050	<b>11,050</b>	-	15,119	<b>15,119</b>
Tax credit on above	-	(9,294)	<b>(9,294)</b>	-	(1,478)	<b>(1,478)</b>
Net movement in fair value of swap contracts	-	279	<b>279</b>	-	(1,618)	<b>(1,618)</b>
<b>Total other comprehensive income</b> <sup>1,3</sup>	<b>-</b>	<b>110,753</b>	<b>110,753</b>	<b>-</b>	<b>(157,256)</b>	<b>(157,256)</b>
<b>Total comprehensive income</b> <sup>2</sup>	<b>20,141</b>	<b>105,744</b>	<b>125,885</b>	<b>36,969</b>	<b>(164,507)</b>	<b>(127,538)</b>

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

<sup>2</sup> This is the company's Net Return for the year, which includes the Net Operating Profit 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> Total tax movement in Other Comprehensive Income : 2009 - \$(56.2)m; 2008 - \$68.5m.

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

## BALANCE SHEET AS AT 31 DECEMBER 2009

		31 Dec 2009 \$'000	30 June 2009 \$'000
	Note		
<b>Current assets</b>			
Cash		40,205	57,905
Receivables		1,130	6,228
Trading portfolio	4	6,818	-
Income tax credit receivable		1,643	-
<b>Total current assets</b>		<b>49,796</b>	<b>64,133</b>
<b>Non-current assets</b>			
Investment portfolio		801,885	730,165
Shares in associate		371	274
Deferred tax assets		20,868	12,230
<b>Total non-current assets</b>		<b>823,124</b>	<b>742,669</b>
<b>Total assets</b>		<b>872,920</b>	<b>806,802</b>
<b>Current liabilities</b>			
Payables		692	8,719
Tax payable		-	4,286
Borrowings – bank debt		-	60,000
Borrowings – convertible notes	6	-	32,002
Interest-rate hedging contracts		-	279
Options written portfolio	5	12,859	12,678
<b>Total current liabilities</b>		<b>13,551</b>	<b>117,964</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities - investment portfolio	7	68,165	11,162
<b>Total non-current liabilities</b>		<b>68,165</b>	<b>11,162</b>
<b>Total liabilities</b>		<b>81,716</b>	<b>129,126</b>
<b>Net Assets</b>		<b>791,204</b>	<b>677,676</b>
<b>Shareholders' equity</b>			
Share Capital	8	608,317	587,649
Revaluation Reserve		51,180	(58,767)
'Impairment' revaluation charge reserve		-	(2,273)
Realised Capital Gains Reserve		74,842	86,600
Interest-rate Hedging Reserve		-	(279)
Retained Profits		56,865	64,746
<b>Total shareholders' equity</b>		<b>791,204</b>	<b>677,676</b>

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

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Half-Year 2009	Note	Share Capital \$000	Revaluation Reserve \$000	'Impairment' Revaluation Charge \$000	Realised Capital Gains \$000	Interest-Rate Hedging \$000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the half-year (as reported)	14	587,649	(11,350)	(49,690)	86,600	(279)	64,746	677,676
Adoption of AASB 9	14	-	(47,417)	47,417	-	-	-	-
<b>Revised total equity at the beginning of the half-year</b>	<b>14</b>	<b>587,649</b>	<b>(58,767)</b>	<b>(2,273)</b>	<b>86,600</b>	<b>(279)</b>	<b>64,746</b>	<b>677,676</b>
Dividends paid	9	-	-	-	(8,256)	-	(24,769)	(33,025)
Shares issued - Dividend Reinvestment Plan	8	4,916	-	-	-	-	-	4,916
- Exercise of Convertible Notes	8	15,752	-	-	-	-	-	15,752
<b>Total transactions with share-holders</b>		<b>20,668</b>	<b>-</b>	<b>-</b>	<b>(8,256)</b>	<b>-</b>	<b>(24,769)</b>	<b>(12,357)</b>
Profit for the half-year		-	-	-	(1,756)	-	16,888	15,132
Transfer of Impairment Charge Reserve to Realisation Reserve		-	-	2,273	(2,273)	-	-	-
<b>Other Comprehensive Income</b>								
Net unrealised gains for the period for investments held at 31 December		-	108,219	-	-	-	-	108,219
Net gains for the period on investments realised before 7 December 2009		-	11	-	-	-	-	11
Transfer to Income Statement of cumulative losses on investments realised before 7 December 2009		-	1,756	-	-	-	-	1,756
Net gains for the period on investments realised after 7 December 2009		-	488	-	-	-	-	488
Transfer to Realisation Reserve of cumulative gains on investments realised after 7 December 2009		-	(527)	-	527	-	-	-
Net movement in fair value of swap contracts		-	-	-	-	279	-	279
Other Comprehensive Income for the half-year		-	109,947	-	527	279	-	110,753
<b>Total equity at the end of the half-year</b>		<b>608,317</b>	<b>51,180</b>	<b>-</b>	<b>74,842</b>	<b>-</b>	<b>56,865</b>	<b>791,204</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 2009 (2008 COMPARATIVES)

Half-Year 2008	Note	Share Capital \$000	Revaluation Reserve \$000	'Impairment' Revaluation Charge \$000	Realised Capital Gains \$000	Interest- Rate Hedging \$000	Retained Profits \$'000	Total \$'000
<b>Total equity at the beginning of the half-year</b>		579,243	60,076	-	134,010	1,044	34,919	809,292
Dividends paid	9	-	-	-	(20,430)	-	(12,225)	(32,655)
Shares issued - Dividend Reinvestment Plan		4,623	-	-	-	-	-	4,623
- Exercise of Convertible Notes		752	-	-	-	-	-	752
On-market share buybacks		(11)	-	-	-	-	-	(11)
<b>Total transactions with share-holders</b>		<b>5,364</b>	<b>-</b>	<b>-</b>	<b>(20,430)</b>	<b>-</b>	<b>(12,225)</b>	<b>(27,291)</b>
Profit for the half-year		-	-	-	-	-	29,718	29,718
<b><i>Other Comprehensive Income</i></b>								
Net unrealised losses for the period for investments held at 31 December		-	(145,530)	-	-	-	-	(145,530)
Net losses for the period on investments sold		-	(23,749)	-	-	-	-	(23,749)
Transfer to Income Statement of cumulative losses on investments sold		-	13,641	-	-	-	-	13,641
Net movement in fair value of swap contracts		-	-	-	-	(1,618)	-	(1,618)
Other Comprehensive Income for the half-year		-	(155,638)	-	-	(1,618)	-	(157,256)
<b>Total equity at the end of the half-year</b>		<b>584,607</b>	<b>(95,562)</b>	<b>-</b>	<b>113,580</b>	<b>(574)</b>	<b>52,412</b>	<b>654,463</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 2009

	Half-year 2009 \$'000 INFLOWS/ (OUTFLOWS)	Half-year 2008 \$'000 INFLOWS/ (OUTFLOWS)
<b>Cash flows from operating activities</b>		
Sales from trading portfolio	11,254	39,232
Purchases for trading portfolio	(14,417)	(11,906)
Interest received	462	75
Proceeds from entering into options in options written portfolio	24,810	16,077
Payment to close out options in options written portfolio	(22,447)	(5,777)
Dividends and distributions received	11,573	28,849
	11,235	66,550
Other receipts	93	-
Administration expenses	(1,629)	(1,798)
Finance costs paid	(3,091)	(3,597)
Taxes paid	(4,228)	(9,034)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,380</b>	<b>52,121</b>
<b>Cash flows from investing activities</b>		
Sales from investment portfolio	108,941	102,921
Purchases for investment portfolio	(24,665)	(65,254)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>84,276</b>	<b>37,667</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	145,000	144,300
Repayment of borrowings	(221,250)	(162,300)
Payment for shares bought back	-	(11)
Dividends paid	(28,106)	(28,034)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(104,356)</b>	<b>(46,045)</b>
Net increase/(decrease) in cash held	(17,700)	43,743
Cash at the beginning of the half-year	57,905	298
<b>Cash at the end of the half-year</b>	<b>40,205</b>	<b>44,041</b>

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



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# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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## 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 2009 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, with the exception of the following:

### **AASB 101 (revised): *Presentation of Financial Statements***

With effect from 1 July 2009, the Company has adopted the revised AASB 101 – *Presentation of Financial Statements*. This standard requires the presentation of a new Statement of Comprehensive Income separate from changes in equity arising from transactions with shareholders.

The adoption of this new standard has no impact on the Company's net assets, net profit or total recognised gains and losses, but changes the statement where certain gains and losses are presented. Previously, unrealised gains / (losses) on the investment portfolio and the associated deferred tax (charge) / credit were presented in the Statement of Changes in Equity. These items are now presented as components of "other comprehensive income" in the new Statement of Comprehensive Income.

### **AASB 9: *Financial Instruments***

The Company has also early adopted AASB 9 – *Financial Instruments*, with effect from 7 December 2009, this being the earliest available date for adoption. Under this new standard, the Company has designated the investments in the investment portfolio held at that date as at "fair value through other comprehensive income". Application of the new standard results in realised gains and losses arising from the disposal of investments in the investment portfolio (and the associated tax charge / (credit)) being recognised as "other comprehensive income" in the new Statement of Comprehensive Income instead of forming a component of profit in the Income Statement.

Under the old accounting standard where there was objective evidence of impairment, an impairment charge was required to be booked through the income statement, even where no loss had been realised. There are no such impairment provisions for the Company's investments in the new standard.

The adoption of this accounting standard has no impact on the valuation of the Company's investments and therefore no impact on the Company's net assets or total comprehensive income.

The adoption of both of these standards results in all realised and unrealised gains and losses on the investment portfolio being reported through the Statement of Comprehensive Income.

AASB 9 may only be applied retrospectively for those investments held on the date of adoption, 7 December 2009. However, investments which were sold prior to 7 December 2009 continue to be accounted for under AASB 139, resulting in the realised gains and losses on these sales continuing to form a component of profit. Therefore both the comparative period and the current period profits include realised gains and losses from the sale of investments from the investment portfolio. All sales from the investment portfolio subsequent to 7 December 2009 will be accounted for through other comprehensive income and not profit.

Comparatives have only been restated in respect of those investments the Company held at 7 December 2009. This restatement only impacts the allocation of reserves at 30 June 2009, with no impact on net profit for the half-year or net assets. Further information has been provided in note 14.

The Company has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

<b>Phrase</b>	<b>AASB Terminology</b>
Market Value	Fair Value for Actively Traded Securities as quoted on the ASX

## **2. Financial reporting by segments**

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

## **3. Income from operating activities**

	<b>Half-year 2009 \$'000</b>	<b>Half-year 2008 \$'000</b>
Income from operating activities is comprised of the following:		
Dividends & distributions		
• securities held in investment portfolio	15,917	28,614
• securities held in trading portfolio	56	218
	<u>15,973</u>	<u>28,832</u>
Interest income		
• securities held in investment portfolio	-	-
• deposits and income from bank bills	321	439
	<u>321</u>	<u>439</u>
Net gains/(losses) and write downs		
• realised gains from trading portfolio sales	1,032	958
• realised gains on options written portfolio	6,829	20,864
• unrealised gains/(losses) in trading portfolio	554	(750)
	<u>8,415</u>	<u>21,072</u>
Other income	93	-
<b>Income from operating activities</b>	<u><b>24,802</b></u>	<u><b>50,343</b></u>

#### 4. Current assets – trading portfolio

The Company enters into option contracts in the trading portfolio for the purpose of enhancing returns, offsetting risk or providing opportunities to acquire or sell securities at advantageous prices.

As at balance date there were call options outstanding which potentially required the Company, if they were exercised, to deliver securities to the value of \$1.9 million (30 June 2009 : Nil).

#### 5. Current liabilities – options written portfolio

As at balance date there were call options outstanding which potentially required the Company, if they were exercised, to deliver securities to the value of \$204.0 million (30 June 2009: \$335.0 million). As at balance date the Company had sold put options which at the option of the purchaser may require the Company to buy prior to the respective expiry dates, if they were exercised, certain securities at prices which in aggregate totalled \$1.1 million (30 June 2009: \$Nil). The total income for the half-year of \$6.8 million (2008 : \$20.9 million) plus the unrealised loss on the open options position of \$4.6 million (2008 : \$9.1 million gain) was a pre-tax net gain of \$2.2 million (2008: \$30.0 million).

#### 6. Non-current liabilities - borrowings

The Company redeemed the convertible notes that had not been converted into ordinary shares on 30 September 2009.

#### 7. Deferred tax Liabilities – investment portfolio

In accordance with AASB 112 *Income Taxes*, deferred tax liabilities have been recognised for Capital Gains Tax liabilities on the unrealised gains in the investment portfolio at current tax rates (30%) totalling \$68.2 million (30 June 2009 : \$11.2 million). As the Directors do not intend to dispose of the portfolio, this tax asset may not be crystallised at this amount.

#### 8. 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
01/07/2009	Opening Balance		206,406		587,649
25/08/2009	Dividend Reinvestment Plan	i	1,223	4.02	4,916
30/09/2009	Note conversions	ii	4,039	3.90	15,752
31/12/2009	Balance		<u>211,668</u>		<u>608,317</u>

- i The Company has a Dividend Reinvestment Plan under which shareholders elected to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares was based at a 5% discount to the average selling price of shares traded on the Australian Securities Exchange in the five days from the day the shares begin trading on an ex-dividend basis.

- ii The Company issued shares at 30 September 2009 as a result of the conversion of convertible notes (see Note 6). All remaining Notes were redeemed at their face value (\$3.90)

<b>9. Dividends</b>	<b>Half-year 2009 \$'000</b>	<b>Half-year 2008 \$'000</b>
Dividends paid during the period	33,025 (16 cents per share)	32,655 (16 cents per share)

#### **Dividends not recognised at period end**

Since the end of the half-year the Directors have determined an interim dividend of 10 cents per share fully franked. The aggregate amount of the proposed interim dividend expected to be paid on 19 February 2010, but not recognised as a liability at the end of the half-year is

<b>10. Earnings per Share</b>	<b>Half-year 2009</b>	<b>Half-year 2008</b>
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Weighted average number of ordinary shares used as the denominator	<b>Number</b> 209,276,373	<b>Number</b> 205,034,564
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<b>Basic earnings per share</b>	<b>\$'000</b>	<b>\$'000</b>
Net profit for half-year	15,132	29,718

	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	7.23	14.49

<b>Net operating profit per share</b>	<b>\$'000</b>	<b>\$'000</b>
Net operating profit for half-year	20,141	36,969

	<b>Cents</b>	<b>Cents</b>
Net operating profit per share	9.62	18.03

<b>Diluted earnings per share</b>	<b>Number</b>	<b>Number</b>
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Weighted average number of ordinary shares used as the denominator	209,276,373	213,336,694
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	<b>\$'000</b>	<b>\$'000</b>
Earnings used in calculating diluted earnings per share	15,132	30,455

	<b>Cents</b>	<b>Cents</b>
Diluted earnings per share	7.23	14.28

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

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

Since 31 December 2009 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.

## 12. 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.

## 13. 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.

## 14. Effect of Changes in Accounting Standards

The impact on comparative profit, other comprehensive income and the allocation of the company’s reserves resulting from the adoption of AASB 9 is summarised below:-

### (i) Net profit

The adoption of AASB 9 has no impact on the profit for the 6 months ended 31 December 2008.

### (ii) Other comprehensive income

The adoption of AASB 9 has no impact on the other comprehensive income for the 6 months ended 31 December 2008.

### (iii) Shareholders’ equity

During the year ended 30 June 2009, under the old AASB 139, the Company was required to book an impairment charge. There are no provisions for impairment in the new standard, which is retrospectively applied to investments held at the date of adoption, 7 December. The Company has not sold the majority of the investments against which an impairment charge was taken at 30 June 2009, and therefore retrospectively applying AASB 9 at 30 June 2009 results in the reversal of most of this impairment charge (as this will be taken as an unrealised loss through other comprehensive income instead of an impairment loss through profit).

The remainder of the impairment charge has been reversed out during the 6 months ending 31 December 2009 by the sale of the impaired securities, and is included in the net gains on securities sold from the investment portfolio.

This results in the following restatement of reserves on the 30 June 2009 balance sheet :

	<b>As previously reported \$'000</b>	<b>Reverse impairment charge \$'000</b>	<b>Restated \$'000</b>
Share capital	587,649	-	587,649
Revaluation reserve	(11,350)	(47,417)	(58,767)
Impairment reserve	(49,690)	47,417	(2,273)
Realised capital gains reserve	86,600	-	86,600
Retained profits	64,746	-	64,746
Interest rate hedging reserve	(279)	-	(279)
<b>Total shareholders’ equity</b>	<b>677,676</b>	<b>-</b>	<b>677,676</b>

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## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 21 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 2009 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.



Bruce Teele  
Chairman  
Melbourne

18 January 2010

## 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 statements of Djerriwarrh Investments Limited, which comprise the balance sheet as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Djerriwarrh Investments Limited (the company).

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

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 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 2009 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

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

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

*Independence*

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

*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 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

  
PricewaterhouseCoopers

  
David Coogan  
Partner

Melbourne  
18 January 2010