



2010

Half-Yearly Review
to 31 December

Enhancing Income



Djerriwarrh

AUSTRALIAN EQUITIES, ENHANCED YIELD

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Summary of Results for Six Months to 31 December 2010

Net Operating Profit

Net operating profit, which measures the underlying income generated from the investment and trading portfolios, for the six months to 31 December 2010 was \$23.4 million. This result is 16.2 per cent higher than the corresponding figure of \$20.1 million last year.

Reported Profit

Reported profit was \$25.6 million (last year \$15.1 million). These two figures are not directly comparable because of a change in accounting standards. Last year's figure included realised losses on securities sold from the investment portfolio which are not required to be included this year. The figure for this year also includes the movement in the unrealised value of the Company's investment in Hastings Diversified Utilities Fund.

Earnings Per Share

Earnings per share based on net operating profit were 11.0 cents compared with 9.6 cents last year.

A Fully Franked Interim Dividend

A fully franked interim dividend of 10 cents per share was declared. This interim dividend is unchanged from last year.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan for the interim dividend was maintained with the discount reduced to 2.5 per cent (previously 5 per cent).

Summary of Results for Six Months to 31 December 2010 continued

Total Portfolio Return

Total portfolio return after management fees and tax on income and realised gains over the half-year to 31 December 2010 (change in net asset backing per share plus dividends reinvested) was an increase of 11.1 per cent whereas the S&P/ASX 200 Accumulation Index increased 12.8 per cent over the same period. However, these figures do not reflect the benefit of the fully franked nature of the Company's high dividend yield, when compared with the market.

Total Shareholder Return

Total shareholder return measured by change in share price plus dividends over the six month period was 11.5 per cent. This figure does not reflect the benefit of the fully franked nature of the Company's high dividend yield.

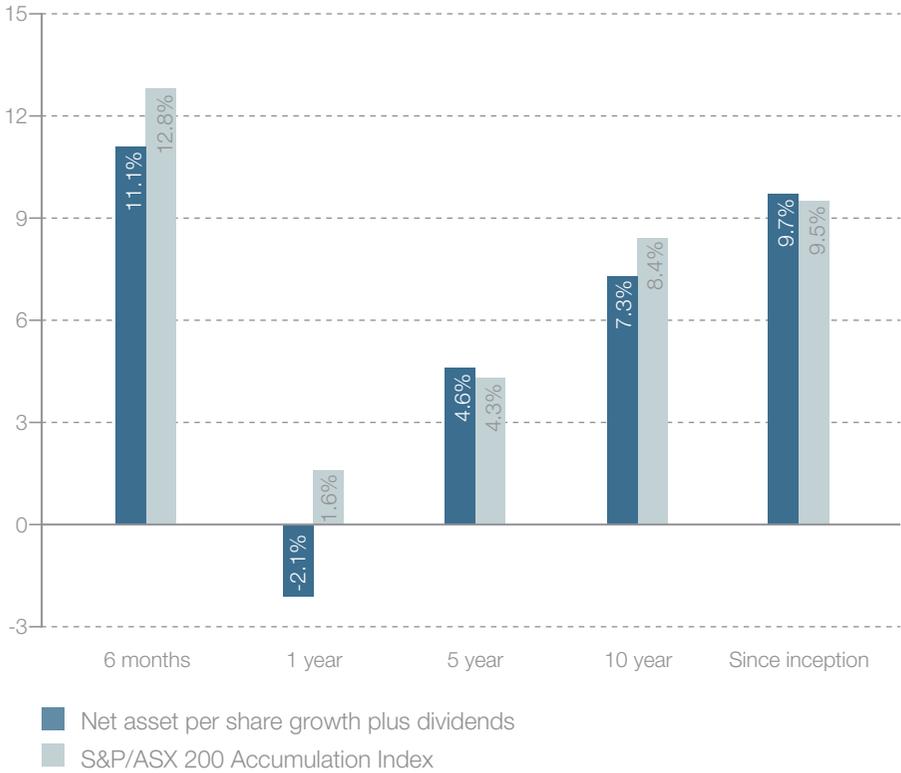
Management Expense Ratio

Management expense ratio on an annualised basis was 0.40 per cent (last year 0.37 per cent).

Net Asset Backing at 31 December 2010

Net asset backing at 31 December 2010 was \$3.70 (before providing for the 10 cent interim dividend). At 30 June 2010 the net asset backing was \$3.48.

Portfolio Performance – Per Annum Return to 31 December 2010*



Note: Djerriwarrh net asset per share growth plus dividend series is calculated after management fees, income tax and capital gains tax on realised sales of investments. It also does not reflect the value of franking credits attached to the dividends paid by Djerriwarrh which adds approximately 2.7 per cent to the portfolio return and 1.4 per cent additional return when compared to the Index. It should be noted that Index returns for the market do not include the negative impact of management expenses and tax on their performance.

* All figures annualised other than the six month returns.

Summary of Results for Six Months to 31 December 2010 continued

Djerriwarrh Yield versus 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 50 Leaders Index (which is only 83 per cent franked) since the Company was listed.

Review of Operations

Investment Portfolio

The Australian market showed renewed confidence over the first half of this financial year as growth in China remained strong and evidence emerged of an improving economic environment in the United States. The Australian market benefited from these conditions with the resource and related sectors experiencing very strong returns with the S&P/ASX 200 Resources Accumulation Index up 23.5 per cent over this six month period.

Djerriwarrh's portfolio return of 11.1 per cent for the six months to 31 December 2010 was slightly behind the return of 12.8 per cent for the S&P/ASX 200 Accumulation Index given the Company typically does not invest in the speculative end of the resources sector because of the low fully franked dividend yield.

Option writing activity which Djerriwarrh uses to enhance income was affected by the lower levels of option volatility given the more stable conditions that were experienced during the half. As a result the Company looked to increase its option coverage over the period particularly through buy write activity in high yielding shares such as the ANZ and Commonwealth Bank. Djerriwarrh's other major purchases were in Orica, Coca-Cola Amatil, Trust Company (which is a new stock in the portfolio with a high dividend yield) and Woolworths.

Major sales over the period occurred as a result of the strong rise in the share prices of Rio Tinto and Transurban which meant some call options on these stocks were exercised.

However in most instances a number of options in industrial and banking stocks expired out of the money as these sectors underperformed the market. In addition, where there was a prospect of being exercised on companies in rising sectors such as resources and energy, Djerriwarrh was also able to buy back option positions and move them to ones with higher exercise prices.

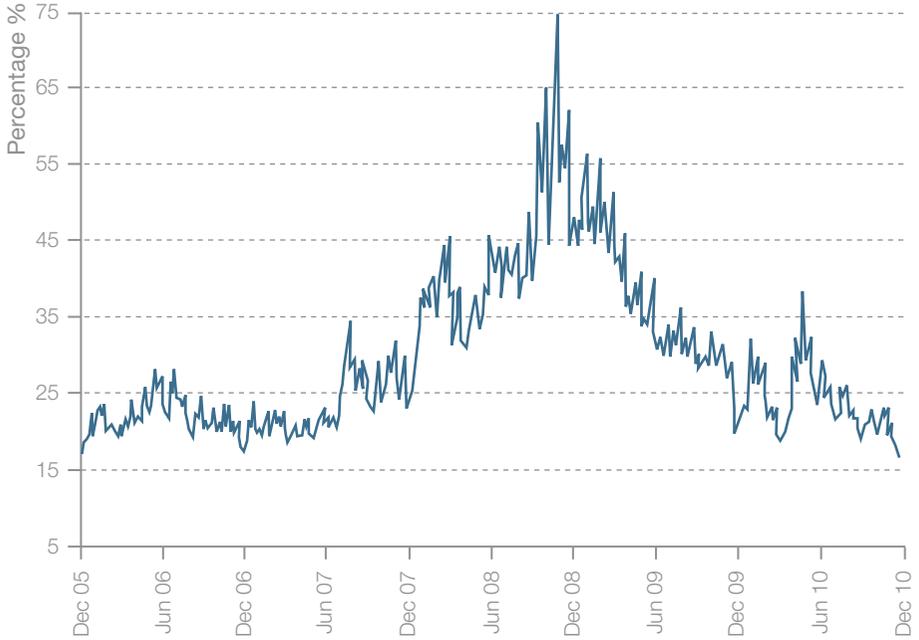
As a result option coverage over the portfolio finished the half-year at 30 per cent which is towards the lower end of the normal range.

Trading Portfolio

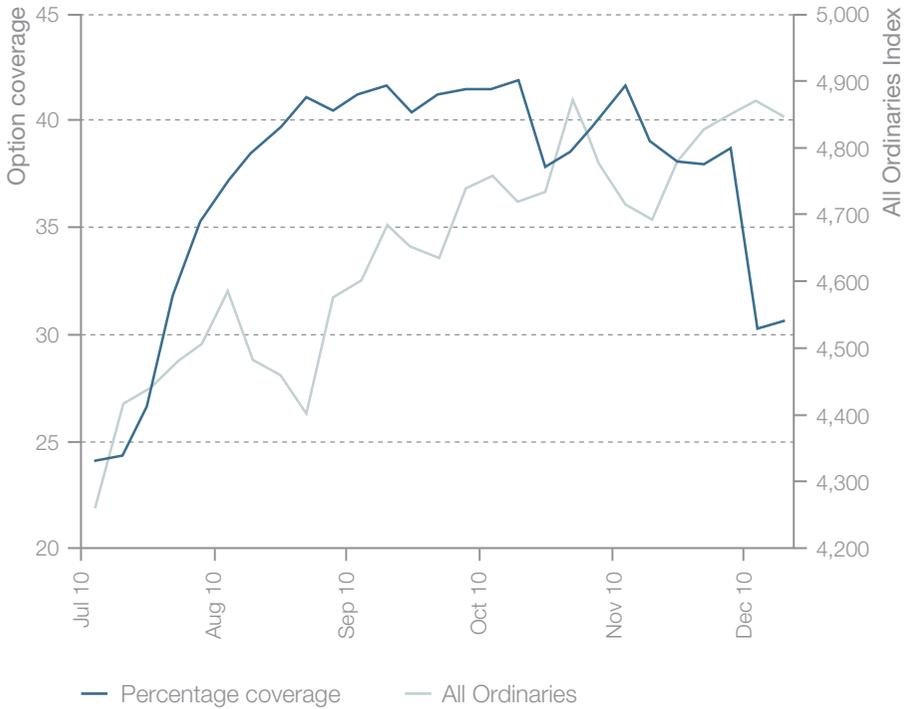
The Company was more active in using the trading portfolio during the period as market conditions improved. At 31 December 2010, there was \$18.7 million of securities in the portfolio versus \$10.5 million at 30 June 2010. Major holdings in this portfolio are National Australia Bank, Oil Search, Westfield Group and Westpac. The trading portfolio is still relatively small at just over 2 per cent of the total portfolio.

Review of Operations continued

Market Implied Volatility of Call Options



Option Coverage of the Portfolio versus Movement in the All Ordinaries Index



Option coverage fell at the end of the calendar year as a number of option contracts expired unexercised.

Review of Operations continued

Profit Performance and Dividends

Net operating profit, which measures the underlying income generated from the investment and trading portfolios, for the six months to 31 December 2010 was \$23.4 million. This result is 16.2 per cent higher than the corresponding figure of \$20.1 million last year.

The increase was driven primarily by the recovery in dividends paid by companies in which Djerriwarrh invests, in particular the major banks and participation in the recent Woolworths' buy-back of its shares. As a result income from investments increased to \$21.4 million from \$16.0 million over the corresponding period last year.

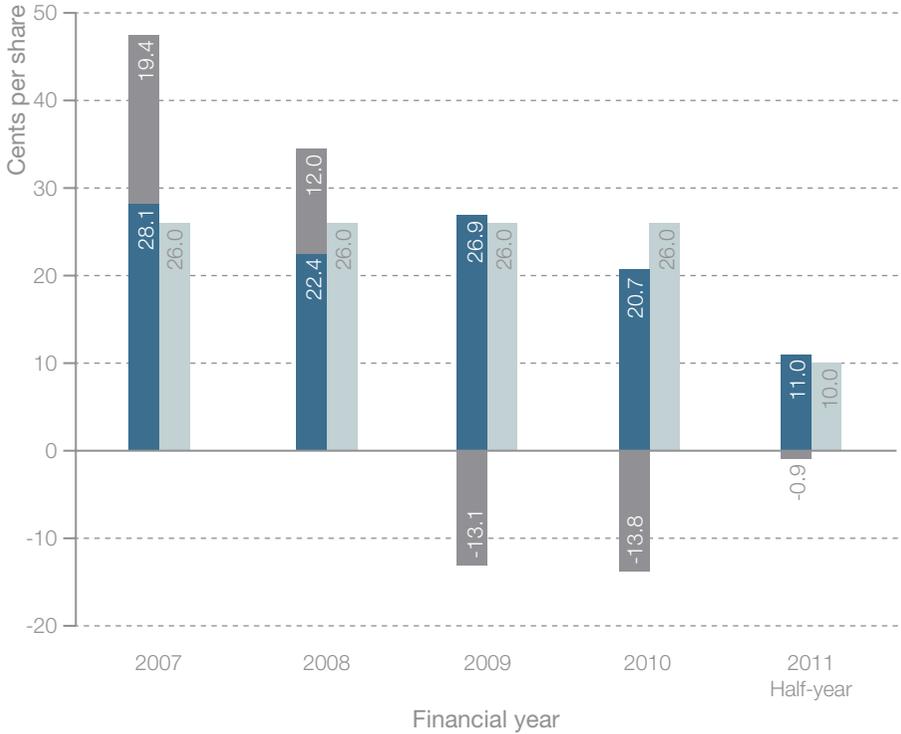
Income from dealing in securities and derivatives which includes the Company's option writing activities and the net gains in the trading portfolio was \$5.4 million compared with \$8.4 last half-year. This decline was as a result of a number of factors. Firstly, the lower levels of option volatility meant call option premium declined. Secondly, the Company bought back

some options positions to move the expiry date into the second half of the year with higher exercise prices. Thirdly, there was a reluctance to write options over some stocks like Telstra and QBE Insurance where share prices had fallen to low levels.

Reported profit for the half-year was \$25.6 million versus \$15.1 million last half-year. These two figures are not directly comparable because of a change in accounting standards. Last year's figure included realised losses on securities sold from the investment portfolio which are not required to be included this year. The figure for this year also includes the movement in the unrealised value of the Company's investment in Hastings Diversified Utilities Fund.

Djerriwarrh's interim dividend has been maintained at 10 cents per share fully franked. The discount on the Dividend Reinvestment Plan has been reduced to 2.5 per cent (previously 5 per cent). The current dividend yield on the share price is 6.2 per cent fully franked.

Earnings Per Share versus Dividends Per Share



- Net operating profit per share
- Realised gains/losses per share
- Dividends per share

Review of Operations continued

Outlook

Along with a number of market commentators we expect the Australian equity market to continue its improvement over the second half of the financial year as major developed markets display better growth and emerging markets, including China, maintain relatively robust economic conditions. These conditions should provide the background for ongoing growth in Australia particularly in the resources and energy sectors of the market.

However these outcomes are not without risk given the level of government debt in developed markets globally remain very high and the necessary degree of fiscal adjustment remains challenging. In addition the prospect of rising interest rates in Australia and the strong Australian dollar against the background of divergent growth across different sectors of the market will also test the strength of ongoing market recovery.

Top 20 Investments

As at 31 December 2010

Includes investments held in both the investment and trading portfolios.

Valued at Closing Prices at 31 December 2010

	Total Value \$ Million
1 BHP Billiton*	111.6
2 Westpac Banking Corporation*	70.7
3 Commonwealth Bank of Australia*	55.7
4 Australia & New Zealand Banking Group*	49.1
5 National Australia Bank*	44.2
6 Woodside Petroleum*	40.2
7 Telstra Corporation	37.0
8 Oil Search*	33.6
9 Santos*	23.8
10 QBE Insurance Group*	23.0
11 Hastings Diversified Utilities Fund	20.7
12 Woolworths*	19.6
13 AMP*	18.8
14 Brambles*	18.1
15 AXA Asia Pacific Holdings	16.2
16 Transurban Group*	16.0
17 Origin Energy*	15.8
18 Wesfarmers* ^(a)	15.2
19 Rio Tinto*	14.9
20 West Australian Newspapers Holdings*	14.5
Total	658.7

As percentage of total portfolio value (excludes cash) 81.2%

(a) Includes \$4.2 million WESN partially protected securities.

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

Income Statement

For the Half-Year Ended 31 December 2010

	Half-Year 2010 \$'000	Half-Year 2009 \$'000
Dividends and distributions	21,368	15,973
Revenue from deposits and bank bills	962	321
Net gains on trading portfolio	1,168	1,586
Income from options written portfolio	4,190	6,829
Other income	-	93
Total income	27,688	24,802
Finance costs	(1,987)	(2,015)
Administration expenses	(1,609)	(1,494)
Operating profit	24,092	21,293
Income tax expense	(692)	(1,152)
Net operating profit	23,400	20,141
Net capital gains/(losses) on investments		
Net losses on ordinary securities sold from the investment portfolio before 7 December 2009	-	(11,050)
Net losses on open options positions	(1,914)	(4,647)
Net gains on 'puttable instruments'	4,996	-
Tax (expense)/credit on above	(925)	10,688
	2,157	(5,009)
Profit for the half-year (including capital losses)	25,557	15,132
	Cents	Cents
Net operating profit per share	10.97	9.62
Profit for the half-year (including capital gains) per share	11.98	7.23

Balance Sheet

As at 31 December 2010

	31 Dec 2010 \$'000	30 June 2010 \$'000
Current assets		
Cash	28,750	69,706
Receivables	1,623	6,459
Interest-rate hedging contracts	149	-
Trading portfolio	18,651	10,497
Total current assets	49,173	86,662
Non-current assets		
Investment portfolio	800,222	712,993
Shares in associate	540	465
Deferred tax assets	-	1,214
Total non-current assets	800,762	714,672
Total assets	849,935	801,334
Current liabilities		
Payables	1,423	2,563
Tax payable	174	4,794
Borrowings – bank debt	50,000	50,000
Interest-rate hedging contracts	-	324
Options written portfolio	7,367	3,235
Total current liabilities	58,964	60,916
Non-current liabilities		
Deferred tax liabilities – other	198	-
Deferred tax liabilities – investment portfolio	30,098	14,202
Total non-current liabilities	30,296	14,202
Total liabilities	89,260	75,118
Net assets	760,675	726,216
Shareholders' equity		
Share capital	616,628	611,436
Revaluation reserve	46,724	4,045
Realised capital gains reserve	38,905	49,360
Interest-rate hedging reserve	149	(324)
Retained profits	58,269	61,699
Total shareholders' equity	760,675	726,216

Statement of Changes in Equity

For the Half-Year Ended 31 December 2010

	Half-Year 2010 \$'000	Half-Year 2009 \$'000
Total equity at the beginning of the half-year	726,216	677,676
Dividends paid	(33,987)	(33,025)
Dividend Reinvestment Plan	5,192	4,916
Exercise of convertible notes	-	15,752
Total transactions with shareholders	(28,795)	(12,357)
Revaluation of investment portfolio	53,579	165,067
Provision for tax on revaluation	(14,397)	(55,120)
Net revaluation of investment portfolio	39,182	109,947
Realised gains not taken through the Income Statement	281	1,641
Tax expense on realised gains not taken through the Income Statement	(2,239)	(1,114)
Net realised gains not taken through the Income Statement	(1,958)	527
Net movement in fair value for interest rate swaps	473	279
Total Other Comprehensive Income	37,697	110,753
Profit for the half-year	25,557	15,132
Total equity at the end of the half-year	760,675	791,204

A full set of Djerriwarrh's interim accounts are available on the Company's website.

Holdings of Securities

As at 31 December 2010

Details of the Company's portfolios are given below. The list should not be used to evaluate portfolio performance or to determine the net asset backing per share (which is advised to the Australian Securities Exchange each month and recorded on the toll free telephone service at 1800 780 784 and is available on the Company's website www.djerri.com.au).

Individual holdings in the portfolios may change significantly during the course of the year. In addition, holdings may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale.

Ordinary shares, trust units or stapled securities (unless otherwise stated).

Code	Company Name	Number Held '000	Market Value \$'000
AGK*	AGL Energy	602	9,115
AIX	Australian Infrastructure Fund	4,649	8,741
AMC*	Amcor	1,905	12,638
AMH	AMCIL	10,599	7,049
AMP*	AMP	3,546	18,759
ANZ*	Australia and New Zealand Banking Group	2,112	49,085
APN	APN News & Media	1,919	3,714
AWC*	Alumina	3,818	8,899
AXA	AXA Asia Pacific Holdings	2,564	16,177
BHP*	BHP Billiton	2,515	111,596
BLD*	Boral	1,141	5,477
BSL	Bluescope Steel	102	229
BXB*	Brambles	2,636	18,101
CBA*	Commonwealth Bank of Australia	1,102	55,742
CCL*	Coca-Cola Amatil	1,187	12,858
CPU*	Computershare	812	8,593
CSR	CSR	939	1,578
ESG	Eastern Star Gas	3,180	2,560
FGL*	Foster's Group	1,550	8,786
HDF	Hastings Diversified Utilities Fund	12,232	20,672

Holdings of Securities continued

As at 31 December 2010

Code	Company Name	Number Held '000	Market Value \$'000
HXL	Hexima	280	98
IAG*	Insurance Australia Group	2,152	8,292
IPL*	Incitec Pivot	670	2,537
MIR	Mirrabooka Investments	4,616	8,240
MTS	Metcash	1,050	4,316
NAB*	National Australia Bank	1,869	44,200
ORG*	Origin Energy	958	15,820
ORI*	Orica	343	8,438
OSH*	Oil Search	4,972	33,564
OST*	OneSteel	1,148	2,974
PMV	Premier Investments	838	5,194
PNA	PanAust	3,646	3,245
PPC	Peet	1,696	3,392
PPT*	Perpetual	139	4,303
QBE*	QBE Insurance Group	1,277	23,047
RIO*	Rio Tinto	180	14,936
STO*	Santos	1,810	23,766
TCL*	Transurban Group	3,149	15,991
TLS	Telstra Corporation	13,264	37,007
TOL*	Toll Holdings	857	4,903
TRU	Trust Company	370	2,331
WAN*	West Australian Newspapers Holdings	2,250	14,467
WBC*	Westpac Banking Corporation	3,194	70,732
WDC	Westfield Group	340	3,257
WES*	Wesfarmers	347	10,945
WESN	Wesfarmers Partially Protected Shares	131	4,217
WOW*	Woolworths	731	19,642
WPL*	Woodside Petroleum	948	40,204
WRT	Westfield Retail	420	1,080
Total			811,506

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

Major Changes to the Investment Portfolio

Acquisitions (Above \$5 Million)	Cost \$'000
Australia and New Zealand Banking Group	12,132
Commonwealth Bank of Australia	9,813
Orica	6,437

Disposals (Above \$5 Million)	Proceeds \$'000
Rio Tinto*	9,061

* As a result of the exercise of call options.

Company Particulars

Djerriwarrh Investments Limited
ABN 38 006 862 693

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
Alice JM Williams

Company Secretaries

Simon M Pordage
Andrew JB Porter

Auditor

PricewaterhouseCoopers
Chartered Accountants

Country of Incorporation

Australia

Registered Office

Level 21
101 Collins Street
Melbourne Victoria 3000

Mail Address

GPO Box 2114
Melbourne Victoria 3001

Contact Details

Telephone (03) 9650 9911
Facsimile (03) 9650 9100
Email invest@djerrri.com.au
Website 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)

Shareholder Information

Share Registrar

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Shareholder

Enquiry Lines 1300 653 915
+613 9415 4190 (from overseas)
Facsimile (03) 9473 2500
Email web.queries@computershare.com.au
Website www.computershare.com.au

Securities Exchange Code

DJW Ordinary shares

Shareholder Meetings

Melbourne Meeting

Time 2.30pm
Date Monday 21 March 2011
Venue The Hilton on the Park
Location 192 Wellington Parade
East Melbourne

Canberra Meeting

Time 2.30pm
Date Tuesday 22 March 2011
Venue Hyatt Hotel
Location Commonwealth Avenue
Yarralumla

Sydney Meeting

Time 2.30pm
Date Monday 28 March 2011
Venue Four Seasons Hotel
Location 199 George Street
Sydney

Brisbane Meeting

Time 2.30pm
Date Tuesday 29 March 2011
Venue Stamford Plaza
Location Cnr Edward and Margaret Streets
Brisbane

Perth Meeting

Time 2.30pm
Date Monday 4 April 2011
Venue Pan Pacific Hotel
Location 207 Adelaide Terrace
Perth

Other Meetings

Meetings of shareholders will be arranged in other centres later in the financial year. Shareholders with addresses within reasonable proximity will be notified well ahead of the meeting date.

