

Half-Yearly Review
to 31 December **2011**



Djerriwarrh

AUSTRALIAN EQUITIES, ENHANCED YIELD

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Summary of Results for Six Months to 31 December 2011

Reported Profit

Reported profit was \$23.1 million (last year \$25.6 million). These figures include the movement in the unrealised value of the Company's investments in Hastings Diversified Utilities Fund and Peet Notes.

Net Operating Result

Net operating result, which measures the underlying income generated from the investment and trading portfolios, for the six months to 31 December 2011 was \$19.2 million (last year \$23.4 million).

Earnings Per Share

Earnings per share based on net operating result were 8.9 cents compared with 11.0 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 a discount of 2.5 per cent.

Summary of Results for Six Months to 31 December 2011 continued

Total Portfolio Return

Total portfolio return after management fees and tax on income and realised gains over the half-year to 31 December 2011 (change in net asset backing per share plus dividends reinvested) was a decrease of 7.9 per cent whereas the S&P/ASX 200 Accumulation Index was down 9.7 per cent over the same period. Note these figures do not reflect the benefit of the fully franked nature of the Company's high dividend yield, compared with the market.

Total Shareholder Return

Total shareholder return measured by change in share price plus dividends over the six month period was negative 3.6 per cent.

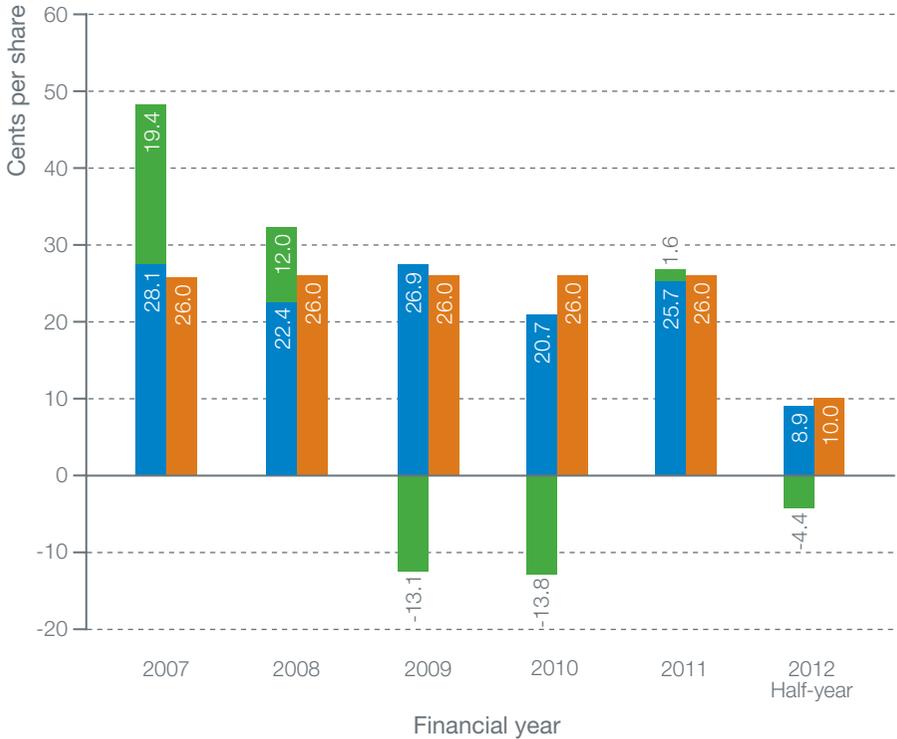
Management Expense Ratio

Management expense ratio on an annualised basis was 0.41 per cent (last year 0.40 per cent).

Net Asset Backing at 31 December 2011

Net asset backing at 31 December 2011 was \$3.15 (before providing for the 10 cent interim dividend). At 30 June 2011 the net asset backing was \$3.59.

Operating Result Per Share versus Dividends Per Share



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

Summary of Results for Six Months to 31 December 2011 continued

Portfolio Performance – Per Annum Return to 31 December 2011*



Note: Djerriwarrh’s portfolio performance is measured by the change in net asset backing per share plus dividends and 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 1.5 per cent additional return when compared with the index.

* Excluding six month figures.

Djerriwarrh Yield versus Market Yield



Note: 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 currently only 83 per cent franked) since the Company was listed.

Review of Operations

Profit Performance and Dividends

For the six months to 31 December 2011 equity markets reflected the poor sentiment about the global economic outlook. Djerriwarrh Investments reported a profit for the half-year of \$23.1 million, which is down 9.5 per cent from \$25.6 million over the corresponding period last year. Note these figures include the movement in the unrealised value of the Company's investments in Hastings Diversified Utilities Fund and Peet Notes, which is required under current accounting standards.

Djerriwarrh's interim dividend has been maintained at 10 cents per share fully franked.

The net operating result, which measures the underlying income generated from the investment and trading portfolios, was \$19.2 million compared with the corresponding figure of \$23.4 million last year, down 18.2 per cent.

Dividend and distribution income was in line with the corresponding period last year.

Option writing activity, which is an important part of Djerriwarrh's investment activities, increased its contribution to \$5.1 million from

\$4.2 million over the corresponding period last year, as the level of volatility in the market improved the returns from writing call options. However, the Company was reluctant to sell too many call options at what it considered a low point in the market. As a result, option coverage over the portfolio finished the half-year at 25 per cent.

The contribution from the trading portfolio was negative \$2.2 million versus positive \$1.2 million last half-year. This can occur from time to time when the market falls. Over Djerriwarrh's history the trading portfolio has been an important part of its income generation activities, however at present it is still relatively small at just under 3 per cent of the total portfolio. Major holdings in this portfolio are Seven West Media, National Australia Bank, Westpac, Oil Search and ANZ.

The Company was fully invested during the period, however given the attractive investment opportunities that are on offer in the market at these low levels, a modest amount of additional debt was utilised to fund investments where it was felt appropriate to do so. Financing costs were \$3.5 million in comparison to \$2.0 million in the corresponding period last year.

Investment Portfolio

In an environment where markets were significantly impacted by negative sentiment Djerriwarrh's portfolio return was negative 7.9 per cent for the six months to 31 December 2011, although ahead of the S&P/ASX 200 Accumulation Index which was negative 9.7 per cent over this period. However, these figures do not reflect the benefit of the fully franked nature of the Company's high dividend yield which over the longer term adds approximately another 1.5 per cent per annum to investor returns when compared with the overall market.

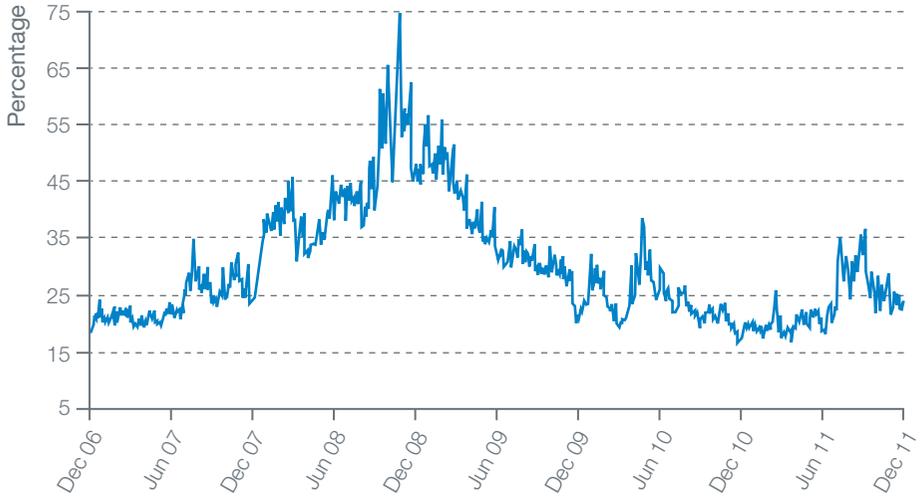
Major acquisitions included Wesfarmers, Rio Tinto, BHP Billiton, National Australia Bank and ANZ.

The major banks form a large part of Djerriwarrh's investment portfolio and are a strong ongoing source of fully franked dividends. Whilst we expect financial system growth to be relatively modest during the year, given current economic conditions, we remain positive about the strength of their balance sheets and ability to generate sound returns during this environment.

Major sales were in Fosters and Eastern Star Gas as a result of takeovers. In addition a number of disposals were made in companies where industry factors are challenging the ability of these companies to produce fully franked dividends, which is an important requirement for Djerriwarrh. In this context there was a complete disposal of holdings from the investment portfolio in APN News and Media, BlueScope Steel, CSR, OneSteel, Peet and Westfield Retail Trust.

Review of Operations continued

Market Implied Volatility of Call Options



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



Outlook

Market conditions are likely to remain volatile for some time as economic uncertainty continues to strongly influence the Australian market. The concerns surrounding the European debt crisis and the uncertainty about measures to alleviate this issue are still heavily influencing investor sentiment. On a more positive note however, the United States economy is showing early signs of improvement and growth in emerging markets, whilst moderating, still appears robust.

To ensure the portfolio is well positioned to generate sustainable fully franked dividend income, Djerriwarrh will maintain its focus on quality companies that are well positioned in their industries and that have the ability to produce reliable cash flows even during uncertain times.

In addition, Djerriwarrh will seek to capture the market's current volatility in its options activities by looking to increase call option coverage during periods of market strength. We will seek to do this without surrendering too much of the potential upside if there is a market recovery.

Top Investments

As at 31 December 2011

Includes investments held in both the investment and trading portfolios.

Valued at Closing Prices at 31 December 2011

Investments	Total Value \$ Million
1 BHP Billiton*	81.5
2 Westpac Banking Corporation*	65.6
3 Commonwealth Bank of Australia*	62.5
4 National Australia Bank*	48.1
5 Australia and New Zealand Banking Group*	47.1
6 Telstra Corporation	44.2
7 Oil Search*	31.1
8 Woodside Petroleum*	29.0
9 Hastings Diversified Utilities Fund	24.5
10 AMP*	22.9
11 Santos*	22.2
12 Rio Tinto*	21.1
13 Woolworths*	19.6
14 Brambles*	18.4
15 Wesfarmers ^{*(a)}	18.4
16 QBE Insurance Group*	18.3
17 Transurban Group*	17.6
18 Origin Energy*	15.6
19 Coca-Cola Amatil*	13.7
20 Amcor*	12.3
Total	633.7

As a percentage of total portfolio value (excludes cash)

86.2%

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

(a) Includes \$3.9 million WESN partially protected securities.

Income Statement

For the Half-Year Ended 31 December 2011

	Half-Year 2011 \$'000	Half-Year 2010 \$'000
Dividends and distributions	21,450	21,368
Revenue from deposits and bank bills	1,119	962
Net (losses)/gains on trading portfolio	(2,248)	1,168
Income from options written portfolio	5,137	4,190
Other income	26	-
Total income	25,484	27,688
Finance costs	(3,541)	(1,987)
Administration expenses	(1,635)	(1,609)
Operating result	20,308	24,092
Income tax expense	(1,156)	(692)
Net operating result	19,152	23,400
Net capital gains/(losses) on investments		
Net gains/(losses) on open options positions	362	(1,914)
Net gains on 'puttable instruments' and non-equity investments	5,308	4,996
Tax (expense)/credit on above	(1,700)	(925)
	3,970	2,157
Profit for the half-year (including capital losses)	23,122	25,557
	Cents	Cents
Net operating result per share	8.88	10.97
Profit for the half-year (including capital gains) per share	10.72	11.98

Balance Sheet

As at 31 December 2011

	31 Dec 2011 \$'000	30 June 2011 \$'000
Current assets		
Cash	44,921	54,913
Receivables	2,381	9,150
Trading portfolio	21,081	23,317
Total current assets	68,383	87,380
Non-current assets		
Investment portfolio	714,671	790,574
Shares in associate	630	566
Deferred tax assets	3,224	412
Deferred tax assets – Investment portfolio	3,378	-
Total non-current assets	721,903	791,552
Total assets	790,286	878,932
Current liabilities		
Payables	2,026	2,165
Tax payable	543	3,538
Borrowings – bank debt	100,000	100,000
Interest rate hedging contracts	2,610	493
Options written portfolio	1,074	2,044
Total current liabilities	106,253	108,240
Non-current liabilities		
Deferred tax liabilities – investment portfolio	-	17,696
Total non-current liabilities	-	17,696
Total liabilities	106,253	125,936
Net assets	684,033	752,996
Shareholders' equity		
Share capital	625,390	619,986
Revaluation reserve	(27,765)	20,153
Realised capital gains reserve	21,963	44,242
Interest rate hedging reserve	(2,610)	(493)
Retained profits	67,055	69,108
Total shareholders' equity	684,033	752,996

Statement of Changes in Equity

For the Half-Year Ended 31 December 2011

	Half-Year 2011 \$'000	Half-Year 2010 \$'000
Total equity at the beginning of the half-year	752,996	726,216
Dividends paid	(34,334)	(33,987)
Dividend Reinvestment Plan	5,404	5,192
Total transactions with shareholders	(28,930)	(28,795)
Revaluation of investment portfolio	(74,300)	53,579
Provision for tax on revaluation	22,666	(14,397)
Net revaluation of investment portfolio	(51,634)	39,182
Realised (losses)/gains not taken through the Income Statement	(12,177)	281
Tax credit/(expense) on realised gains not taken through the Income Statement	2,773	(2,239)
Net realised (losses)/gains not taken through the Income Statement	(9,404)	(1,958)
Net movement in fair value for interest rate swaps	(2,117)	473
Total Other Comprehensive Income	(63,155)	37,697
Profit for the half-year	23,122	25,557
Total equity at the end of the half-year	684,033	760,675

This half-yearly review is not a full set of statutory interim financial statements. The full statutory interim Financial Report is available on the Company's website.

Holdings of Securities

As at 31 December 2011

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, stapled securities or convertible notes (unless otherwise stated).

Code	Company Name	Number Held '000	Market Value \$'000
AGK*	AGL Energy	602	8,618
AIX	Australian Infrastructure Fund	4,649	8,973
AMC*	Amcor	1,705	12,250
AMH	AMCIL	10,599	6,784
AMP*	AMP	5,643	22,923
ANZ*	Australia and New Zealand Banking Group	2,301	47,117
AWC*	Alumina	3,718	4,143
BHP*	BHP Billiton	2,373	81,453
BLD*	Boral	1,153	4,142
BXB*	Brambles	2,586	18,400
CBA*	Commonwealth Bank of Australia	1,272	62,512
CCL*	Coca-Cola Amatil	1,187	13,658
CPU*	Computershare	812	6,456
HDF	Hastings Diversified Utilities Fund	11,958	24,514
HXL	Hexima	280	85

Code	Company Name	Number Held '000	Market Value \$'000
IAG*	Insurance Australia Group	2,152	6,404
IPL*	Incitec Pivot	1,680	5,221
MIR	Mirrabooka Investments	4,616	7,756
MTS	Metcash	1,050	4,242
NAB*	National Australia Bank	2,062	48,106
ORG*	Origin Energy	1,169	15,592
ORI*	Orica	443	10,736
OSH*	Oil Search	4,987	31,115
PMV	Premier Investments	838	3,979
PNA*	PanAust	729	2,314
PPCG	Peet 9.5 per cent convertible notes	26	2,288
PPT	Perpetual	94	1,925
QBE*	QBE Insurance Group	1,415	18,325
RIO*	Rio Tinto	350	21,101
STO*	Santos	1,818	22,223
SWM*	Seven West Media	3,022	9,781
TCL*	Transurban Group	3,149	17,589
TLS	Telstra Corporation	13,264	44,170
TOL*	Toll Holdings	812	3,422
TRU	Trust Company	370	1,854
TWE	Treasury Wine Estates	517	1,901
WBC*	Westpac Banking Corporation	3,284	65,637
WES*	Wesfarmers	492	14,498
WESN	Wesfarmers Partially Protected Shares	131	3,884
WOW*	Woolworths	781	19,555
WPL*	Woodside Petroleum	948	29,032
Total			734,678

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

Major Transactions in the Investment Portfolio

Acquisitions (Above \$2 million)	Cost \$'000
Wesfarmers	3,447
Rio Tinto	3,331
BHP Billiton	2,836
National Australia Bank	2,284
ANZ Banking Group	2,079

Disposals (Above \$2 million)	Proceeds \$'000
Foster's Group [#]	7,556
Eastern Star Gas [*]	2,736

[#] Takeover by SAB Miller.

^{*} Complete disposal, under a takeover offer by Santos.

Portfolio Performance

To 31 December 2011

Performance Measures	Annualised Returns				
	6 Month %	1 Year %	3 Years %	5 Years %	10 Years %
Djerriwarrh's Net Asset Backing	-7.9	-8.2	7.7	-1.3	5.8
S&P/ASX 200 Accumulation Index	-9.7	-10.5	7.6	-2.3	6.2
Djerriwarrh's Net Asset Backing Gross Accumulation*	N/A	-5.1	10.8	1.5	8.5
S&P/ASX 200 Gross Accumulation Index*	N/A	-9.1	9.0	-0.9	7.6

Note: Djerriwarrh's performance is measured by the change in net asset backing per share plus dividends and is calculated after management fees, income tax and capital gains tax on realised sales of investments. The gross accumulation return is calculated on the same basis but also incorporates the benefit of franking credits for those who can fully utilise them.

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

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.djerrri.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
+61 3 9415 4190 (from overseas)
Facsimile (03) 9473 2500
Website www.investorcentre.com/contact

Securities Exchange Code

DJW Ordinary shares

Shareholder Meetings

Melbourne Meeting

Time 2.30pm
Date Monday 19 March 2012
Venue Hilton on the Park
Location 192 Wellington Parade
East Melbourne

Canberra Meeting

Time 2.30pm
Date Monday 26 March 2012
Venue Hyatt Hotel
Location Commonwealth Avenue
Yarralumla

Sydney Meeting

Time 2.30pm
Date Tuesday 27 March 2012
Venue Four Seasons Hotel
Location 199 George Street
Sydney

Perth Meeting

Time 2.30pm
Date Tuesday 3 April 2012
Venue Pan Pacific
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.



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