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Annual Report 2003

Enhancing Income

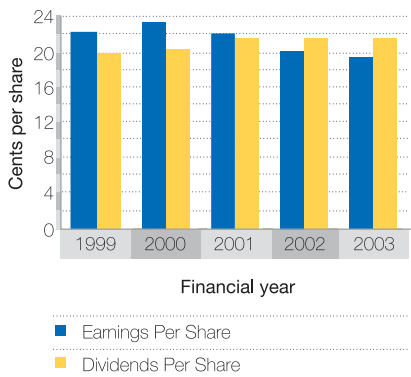
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## Company Highlights

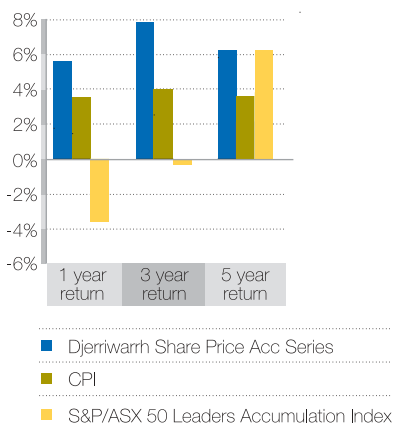
- **Profit after tax** of \$28.5 million, slightly above last financial years profit of \$28.3 million.
- **Earnings per share** over the year of 19.6 cents per share, compared to 20.1 cents per share last year.
- **Fully franked final dividend** of 11.5 cents per share has been declared bringing total dividends for the year to 21.5 cents per share, representing a yield of 7.2 per cent on year end net asset backing.
- **Share price** at 30 June 2003 was \$3.60, down from \$3.63 at the end of the previous financial year. The yield on share price is 6.0 per cent.
- **Net asset backing** per share as at 30 June 2003 was \$3.00 (before allowing for the final dividend of 11.5 cents per share), down from \$3.31 at the end of the previous financial year.
- **Total return to shareholders** based on the change in share price plus dividends over the 12 month period was an increase of 5.6 per cent.
- **Portfolio value** (including cash) as at 30 June 2003 was \$510.7 million, compared to \$547.5 million at 30 June 2002.
- **Management expense ratio** was 0.27 per cent for the year, compared with 0.23 per cent last year.

Earnings Per Share v Dividends Per Share




Note: From November 1999, as a result of a restructure of Djerriwarrh's portfolios, options are written against securities held in the investment portfolio. Gains on disposals of investments as a result of exercise of such options, after applicable tax, are taken to the Asset Realisation Reserve and are available for distribution to shareholders.

Share Price Performance % Per Year



Note: Performance numbers do not include the value of franking credits attached to dividends.

A man in a dark suit and tie is smiling broadly, looking upwards and to the right. He is holding a white folder or document. The background is a blurred, curved ceiling with a grid pattern, illuminated with a strong blue light. The overall mood is professional and optimistic.

The Company also uses  
Exchange Traded Options  
written against the portfolio  
to enhance income return.

## About the Company

Djerriwarrh is a listed investment company investing in Australian equities with a focus on the top 50 ASX shares by market capitalisation. The Company also uses Exchange Traded Options written against the portfolio to enhance income return to investors.

The Company pays out a high percentage of profits as fully franked dividends. Dividends are able to be sourced from current year profits, retained profits and profits from the sale of investments included in the Asset Realisation Reserve.

Djerriwarrh has been in operation since 22 December 1989 and was listed on the ASX on 28 June 1995. The market capitalisation of the Company was \$537.3 million at 30 June 2003.

### Investment Aims

Djerriwarrh aims to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested. In this regard our primary goals are:

- to pay an enhanced level of dividends; and
- to provide attractive total returns over the medium to long term.

### Approach to Investing

The investment philosophy is built on taking a medium to longer term view of value, which means we tend to buy and hold

individual stocks for the long term based on selection criteria which, in summary, include:

- formulation and execution of the business strategy of the companies in which we invest and their underlying business value;
- key financial indicators, including prospective price earnings relative to projected growth, sustainability of earnings and dividend yield (including franking) and balance sheet position including gearing, interest cover and cash flow; and
- corporate governance practices, including sound and well constructed boards and competent management.

At the same time we concentrate on stocks in the S&P/ASX 50 Leaders Index where there is an active options market. This is intended to give scope for the writing of Exchange Traded Options on these stocks, with the level of the portfolio covered by call options typically ranging between 20 to 50 per cent of the total portfolio at any one time.

Djerriwarrh also has issued convertible notes and has access to lines of credit, which allows the Company to gear its balance sheet when appropriate investment returns are available to enhance shareholder returns.

## About the Company *continued*

### Our Structure

The Company has a 'closed end' structure, which means that the number of shares on issue is fixed and set by the Board from time to time. As a result, Djerriwarrh does not issue new shares or cancel them as investors enter and leave the fund. This allows us to concentrate on the performance of the funds invested over the longer term without having to consider any inflow or outflow of monies. The nature of the Listed Investment Company structure and our continued focus on the efficiency of our business also ensures administration costs and management fees are maintained at very competitive levels – in the financial year for 2002–03, this was 0.27 per cent of the portfolio's average market value.

By investing in Djerriwarrh shareholders have access to:

- a diversified portfolio numbering over 60 of Australia's major companies and to a Board and Investment Committee with extensive investment skills and practical business experience;
- capabilities in option trading which are not easily available to retail investors to generate additional income; and
- opportunity for a higher fully franked dividend yield than is typically available from a Listed Investment Company or other managed funds investing in Australian equities.

The portfolio and option positions are continually monitored with the Investment Committee meeting regularly (normally weekly) to review all option trades and to approve investment decisions.

### Investing in Djerriwarrh

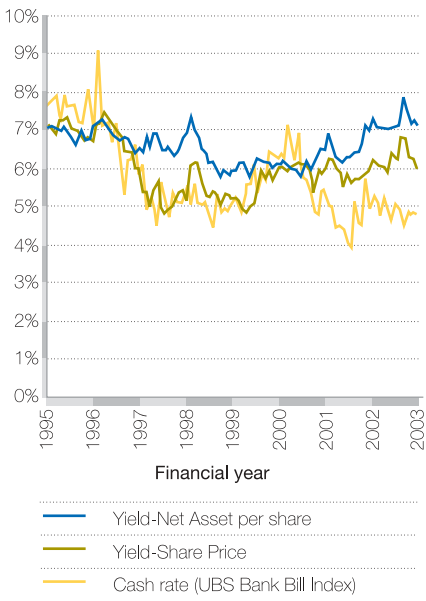
As a Listed Investment Company, Djerriwarrh shares can be bought or sold on the stock market (ASX Code: DJW). The Company does not charge entry or exit fees when shareholders acquire or dispose of their holdings, although transaction costs will be borne when buying or selling through a stockbroker.

### Transparency

We take an active approach to keeping shareholders informed about the Company's activities and performance, including yearly and half yearly profit announcements, regular shareholder briefings and access to all company announcements, including net tangible asset announcements. This information is available through the stock exchange and our website [www.djerri.com.au](http://www.djerri.com.au)

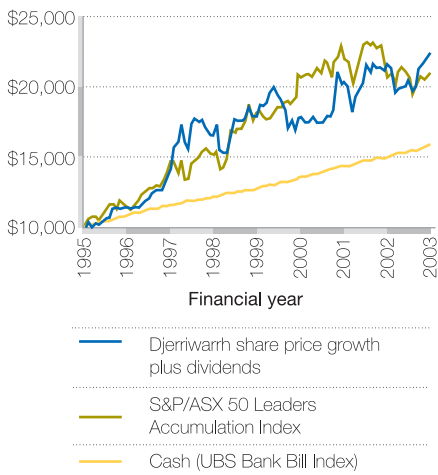
The following chart highlights the relative yield on Djerriwarrh shares and net tangible assets in comparison to the cash rate since listing.

Djerriwarrh Yield v Cash Rate



The chart below highlights the overall wealth creation performance of Djerriwarrh over the past 10 years relative to the S&P/ASX 50 Leaders Accumulation Index.

The Value of \$10,000 Invested



# Review of Operations and Activities

## Profit Performance

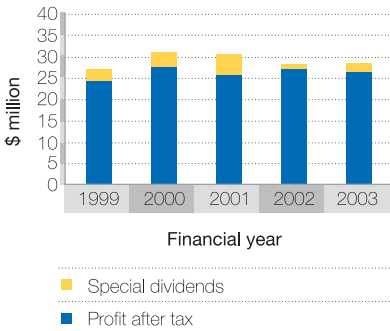
The Company reported a profit for the year of \$28.5 million, a small increase against \$28.3 million reported last year.

In looking at the changes in the composition of profit during the year, franked dividends received increased by \$2.3 million, there was also \$2.0 million of special non-taxable demerger dividends received as part of the demergers of WMC Limited and CSR Limited. Profit from option trading was down \$0.4 million from last year while profit from securities held for trading purposes was down \$3.4 million. The higher component of franked dividends and non-taxable demerger dividends resulted in a fall in our income tax expense of \$1.3 million.

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The subdued conditions in the stock market over the year was one of the key factors in the decline in the contribution from securities held for trading purposes. In this environment however, we operated with a higher level of call options against the portfolio, with an average of approximately 40 per cent of the portfolio covered by options during the year.

### Profit After Tax



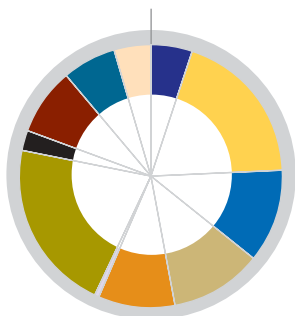
The conditions in the stock market for the year as measured by the S&P/ASX 50 Leaders Accumulation Index were subdued, with this Index being down 3.4 per cent.

The performance of different sectors of the market varied greatly however. It was a year for defensive stocks, particularly those sensitive to progressively falling interest rates. As a result the Property Trust and Utility sectors showed very strong out-performance. The Telecommunications (mostly Telstra), Consumer Discretionary, Materials, Energy and Consumer Staples sectors were relatively flat. The Industrials, Healthcare and IT sectors all had significant falls. Within the Financial sector, the market was very divergent. As mentioned, Property Trusts had large rises generally, but Banks showed flat performance. Within the insurance area some stocks performed well (e.g. QBE Insurance), others performed poorly (e.g. AMP Limited).

A strong rise in the Banking sector in the last quarter (retracing falls earlier in the financial year), meant that for the third year in a row we were contemplating a large proportion of our banking investments being exercised in June. We took the decision to allow some of those positions to be exercised and will be looking to refresh our banking exposure again later in the year when appropriate opportunities arise.

The pie chart below demonstrates the various industry sectors in which the Company has its funds invested.

Investment by Sector as at 30 June 2003



	2003	2002
Energy	5.08%	5.31%
Materials	19.20%	16.66%
Industrials	11.47%	12.44%
Consumer discretionary	11.31%	8.18%
Consumer staples	9.42%	9.35%
Healthcare	0.55%	1.10%
Banks	21.11%	23.12%
Property trusts	2.48%	2.49%
Other financials	8.24%	11.59%
Telecom services	6.61%	6.94%
Utilities	4.53%	2.82%

## Dividends

Directors have declared a final dividend for the year of 11.5 cents per share fully franked. Total dividends paid in respect of the year are 21.5 cents, the same as last year.

There was no distribution of Listed Investment Company capital gains with the dividend.

The dividend yield on the Company's shares based on the net asset backing per share of \$3.00 is 7.2 per cent. Based on a share price of \$3.60 as at 30 June 2003, the yield is 6.0 per cent. If one grosses these dividends up to allow for the franking, they are equivalent to pre-tax income streams of 10.3 per cent and 8.6 per cent respectively.

## Shareholder Returns

Over the year the Company's share price moved from \$3.63 on 30 June 2002 to \$3.60 as at 30 June 2003, a decline of 3 cents, or 0.8 per cent. After allowing for the reinvestment of dividends during the year the total share price return was 5.6 per cent. This compares with the market return as measured by the S&P/ASX 50 Leaders Accumulation Index, which was down 3.4 per cent for the year.

A woman with dark hair pulled back, wearing a purple jacket over a blue turtleneck, is smiling and looking towards the camera. The background is a blurred city skyline with tall buildings under a bright sky. The overall color palette is dominated by blues and purples.

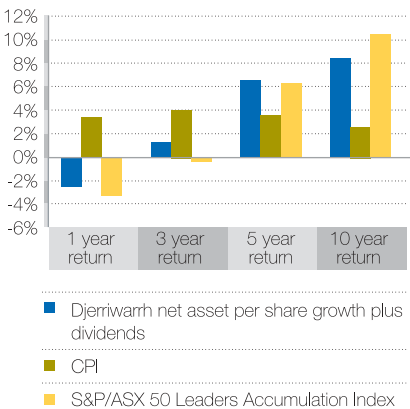
The Company pays out  
a high percentage of profits  
as fully franked dividends.

**Portfolio Returns**

It is also appropriate to measure the Company's performance in terms of the change in net asset backing per share, which reflects the management of the Company's portfolio. The net asset backing per share declined from \$3.31 to \$3.00 on a cum-dividend basis, a drop of 31 cents, or 9.4 per cent. However, after allowing for the reinvestment of dividends, the total portfolio return, as measured by the movement in net asset backing plus dividends, was a decline of 2.6 per cent, which out-performed the S&P/ASX 50 Leaders Accumulation Index.

In making this comparison it should be borne in mind that the S&P/ASX 50 Leaders Accumulation Index does not incur management fees or tax on its returns, whereas the Djerriwarrh return is after management fees, income tax and capital gains tax on realised sales of investments. In addition, the performance numbers do not reflect the franking credits attached to the dividends.

**Portfolio Management Performance  
% Per Year**



**General Factors Influencing Performance**

One of the key components in the Company's ability to pay a high yield is its approach to selling options over a significant part of its investment portfolio. We sell these options with the specific intention of capturing the option premium. We do not sell options with the objective of sale of the underlying shares. From time to time, where the share price increases strongly, we do take decisions to allow the shares to be exercised when we have formed the view that it is in the shareholders' best interest to allow that to occur. It is our usual practice to seek to buy the options back prior to expiry and sell new options further out and preferably at a higher exercise price.

The amount of premium that we are able to generate from this activity depends on a number of factors. The key ones are the level of volatility anticipated for the underlying stock and the level of the exercise price and particularly how far it is from the current share price. The third ingredient in the mix is the time to expiry, i.e. how far the option has to run. The fourth is the level of interest rates, the lower interest rates are, other things being equal, the lower the option premium received. The fifth consideration is the percentage of the portfolio over which we are prepared to sell options.

For most of the current year we have been running at a level of over 40 per cent of the portfolio in an environment where we perceived market risk to be skewed towards the downside. In an environment where the Company felt the market was

## Review of Operations and Activities continued

more likely to rise, then we would tend to have a lower level of the portfolio covered by options because the writing of options effectively limits the return from share price appreciation by converting this return into current income.

Another issue which can affect the Company's reported profit relates to the revaluation of the portfolio and the treatment of gains and losses on the sale of shares. Under Accounting Standards, if as a result of market falls, the Company were required to write off more than the balance in the Asset Revaluation Reserve, the additional write-down would need to be included in profit from ordinary activities. Similarly, if we sold assets from the portfolio at a loss and the loss was greater than the current balance in the Asset Realisation Reserve, this would also need to be included in profit from ordinary activities. In both cases this could affect the Company's reported profit and its ability to continue to pay a high, fully franked dividend.

As at 30 June 2003 the Company's Asset Revaluation Reserve stood at \$29.9 million. The Asset Realisation Reserve was \$31.9 million.

### Capital Changes

During the year the Company issued 7.7 million new shares. In the Dividend Reinvestment Plan for the August dividend in 2002, 0.8 million shares were issued at \$3.57. In the Dividend Reinvestment Plan in March 2003, 0.9 million shares were issued at \$3.27. There was also a Share Acquisition Plan in October 2002. As a result of shareholders taking up their offers

in this Plan, 6.0 million shares were issued at \$3.14. As a result of all these issues the Company's capital base increased by \$24.7 million. During the year we also had a share buy-back arrangement in place to give the Company flexibility to buy back shares at appropriate times and particularly if the shares started trading at a discount to their net asset backing. No shares were bought back during the year because the Company's shares were consistently trading at a premium to net asset backing per share.

### Financial Position

Djerriwarrh continues to be in a sound financial position with a capital base in excess of \$440 million. The Company also has issued 21.2 million of Convertible Notes at \$4.00 each which are interest bearing at 7.5 per cent per annum. These Notes may be redeemed at face value on 30 September 2004 or converted into ordinary shares on a 1:1 basis on 30 September 2003, 31 March 2004 or 30 September 2004. On 27 June 2003 the Company announced a buy-back program for the Convertible Notes. At times the Convertible Notes trade on the stock market at prices which do not reflect the premium which the interest rate on the Notes bear to current market interest rates for the period to maturity. The Company has instituted a buy-back program for the Convertible Notes to take advantage of those opportunities.

In addition to the Convertible Notes the Company has also drawn down \$10 million of its borrowing facilities of \$60 million.

## Outlook

Over recent months the equity markets in Australia, the US, UK and Europe have recovered well from depressed levels in the quarter to March 2003. These recoveries have resulted from a reduction in security concerns with the cessation of hostilities in Iraq and less concern about the war on terrorism. Consumer sentiment seems to have improved and there is some evidence of a corresponding pick-up in economic activity in the US and Europe, both of which would be helpful to the Australian economy. Nevertheless, underlying these emerging positive trends there remains significant fragility and risk in the forward outlook. This is clearly in evidence in interest rate markets which have now fallen to low levels. It is still an environment in which to be cautious. We intend to continue with a high level of our portfolio being covered by call options than previously and to run with a low level of put option exposure.

From time to time market setbacks do provide opportunities to add stock to the portfolio and also to undertake buy and write transactions with good return characteristics. We will look to take advantage of these opportunities as they arise during the year, particularly to refresh our exposure to the banking sector and the resources sector.

## Relationship with JBWere

Since the Company was established by JBWere in December 1989 it has had a close relationship with the firm. In particular it has had considerable support in terms of research input and availability of resources.

On the other hand, the firm does not control the Company, and it does not have a significant shareholding in the Company. Accordingly, the Company is a separate entity and is independent of that firm.

A number of shareholders have asked about the impact of the recent announcement by JBWere to enter into the joint venture with Goldman Sachs (to be known as Goldman Sachs JBWere). We are not envisaging any significant change to the way Djerriwarrh operates as a result of this new joint venture. We will continue to be a client of that firm and look forward to continuing the close relationship which has existed. Our client relationship with JBWere is one of many that we maintain with major Australian brokers.

As a client of JBWere we hope to be the beneficiary of the further strength which Goldman Sachs will bring to the new joint venture.



Bruce Teele  
Chairman



Ross Barker  
Managing Director

Administration costs  
and management fees  
are maintained at very  
competitive levels.



## Report of the Directors

This report in relation to the financial year to 30 June 2003 is presented by the Directors of Djerriwarrh Investments Limited ('the Company') in accordance with a resolution of Directors.

### Directors

**Bruce B Teele** Age: 65, Chairman. Chairman of the Investment Committee and Member of the Audit Committee and Nomination Committee. Mr Teele, who has been Chairman since commencement of operations in 1989, is a Company Director.

Chairman of Australian Foundation Investment Company Limited and President of the Walter and Eliza Hall Institute of Medical Research. He was formerly the Executive Chairman of the JBWere Group.

**Ross E Barker** Age: 51, Managing Director and Member of the Investment Committee and Nomination Committee. Appointed Managing Director on 8 February 2001. Director since 1989.

Managing Director of Australian Foundation Investment Company Limited, AMCIL Limited and Mirrabooka Investments Limited. He was formerly a Director of the JBWere Group.

**David J Brydon** Age: 73, was a Company Director from 1989 until his retirement on 25 July 2002.

**Terrence A Campbell** Age: 61, Member of the Investment Committee and Nomination Committee. Mr Campbell who is a Stockbroker was appointed as a Director in 1989.

Executive Chairman of the JBWere Group, Chairman of Mirrabooka Investments Limited and AMCIL Limited and a Director of Australian Foundation Investment Company Limited and the Business Council of Australia.

**Russell J Fynmore AO** Age: 69, Member of the Audit Committee, Investment Committee and Nomination Committee. Appointed as a Director in 1992.

Director of Hartec Limited and Mirrabooka Investments Limited.

**Andrew F Guy** Age: 55, Member of the Investment Committee and Nomination Committee and Chairman of the Audit Committee. Appointed as a Director in 1989.

Chairman of Datafast Telecommunications Limited, Director of PaperlinX Limited and Aviva Australia Holdings Limited. Formerly a Partner of Arthur Robinson & Hedderwicks, now a consultant to Allens Arthur Robinson, solicitors.

## Report of the Directors *continued*

**William H Hodgson** Age: 73, was a company Director from 1990 until his retirement on 25 July 2002.

**Graham J Kraehe AO** Age: 60, Chairman of the Nomination Committee. Appointed as a Director on 25 July 2002.

Chairman of BHP Steel Limited and a Director of Brambles Industries Limited, National Australia Bank Limited and News Corporation Limited.

**John Paterson** Age: 52, Member of the Investment Committee and Nomination Committee. Mr Paterson, who is a Stockbroker was appointed as a Director on 25 July 2002.

Director of the JBWere Group and alternate Director of Australian Foundation Investment Company Limited.

### Company Operations and Results

#### Overview

The Company offers its shareholders and noteholders a medium for generating income from a diversified portfolio of equity and similar securities, predominantly in entities listed on the Australian Stock Exchange. There have been no changes in the nature of the Company's activities during the year. Its major objective is to provide attractive returns to its shareholders through dividends and capital growth. A high proportion of profits is paid out as fully franked dividends.

#### Performance Indicators and Outcomes

Total return, measured by movement in asset backing per share and fully franked dividends, for the year was a decline of 2.6 per cent compared with a decline of 3.4 per cent in the S&P/ASX 50 Leaders Accumulation Index. Last year's return was a decline of 2.4 per cent compared to a decline of 6.8 per cent in the S&P/ASX 50 Leaders Accumulation Index.

Profit was \$28.5 million in the year to 30 June 2003. This includes \$2.0 million received in relation to the dividend component of company demergers. In the preceding year profit was \$28.3 million. Increase in profit was 0.8 per cent.

#### Financial Condition

The Company's financing consists primarily of shareholders' funds. Interest-bearing debt, in the form of convertible notes of \$84.9 million, represents 19 per cent of net assets. The Company also has agreements with the National Australia Bank and Commonwealth Bank of Australia to accept and discount bills of exchange up to a total of \$60 million (see note 12). As at 30 June 2003 \$10 million has been drawdown (2002: nil).

### Likely Developments

The Company intends to continue its investment activities in future years as it has done since its inception in 1989. The results of these investment activities depend upon the performance of the companies and securities in which we invest. Their performance in turn depends on many economic factors. These include economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also industry and company specific issues such as management competence, capital strength, industry economics and competitive behaviour.

We do not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of our investments. Accordingly, we do not provide a forecast of the likely results of our activities. However, the Company's focus is on results over the medium to long term to provide shareholders with attractive returns.

### Significant Changes in the State of the Affairs

Directors are not aware of any other significant changes in the operations of the Company or the environment in which it operates which will adversely affect the results in subsequent years.

### Environmental Regulations

The Company's operations are such that they are not materially affected by environmental regulations.

### Dividends

The dividends paid during the year ended 30 June 2003 were as follows:

	2003 \$'000
Final dividend for the year ended 30 June 2002 of 11.5 cents per share fully franked at 30 per cent, paid on 19 August 2002	16,273
Interim dividend for the year ended 30 June 2003 of 10 cents per share fully franked at 30 per cent paid on 7 March 2003	14,838
	<u>31,111</u>

In addition to the above dividends, since the end of the financial year the Directors have declared a final dividend of \$17,163,053 (11.5 cents per share fully franked at 30 per cent) to be paid on 22 August 2003.

## Report of the Directors *continued*

### Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2003, and the numbers of meetings attended by each Director were:

	Board		Investment		Audit	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
BB Teele	12	11	46	40	2	2
RE Barker	12	11	46	42	-	2 <sup>#</sup>
DJ Brydon	1	1	3	3	-	-
TA Campbell	12	12	46	32	-	-
RJ Fynmore	12	9	46	38	2	2
AF Guy	12	12	46	33	1	1
WH Hodgson	1	1	3	3	1	1
GJ Kraehe	12	11	-	29 <sup>*</sup>	-	-
J Paterson	12	10	46	33	-	-

\* Attended meeting(s) on ex-officio basis.

# Attended meeting(s) by invitation.

### Insurance of Directors and Officers

During the financial year, the Company paid insurance premiums to insure the Directors and officers named in this report. Directors contributed 1 per cent of the total insurance premium. The terms of the insurance contract preclude disclosure of further details.

### Directors' and Executives' Emoluments

Directors of the Company determine the fees of Directors within the aggregate limit established by shareholders in general meeting.

Details of the nature and amounts of each Director's emoluments in respect of the year to 30 June 2003 were as follows:

	Fee	Super-annuation	Total Paid	Retirement Allowance	Total Paid & Provided For
	\$	\$	\$	\$	\$
BB Teele	80,000	7,200	87,200	23,500	110,700
RE Barker*	40,000	3,600	43,600	11,750	55,350
DJ Brydon	2,986	-	2,986	810	3,796
TA Campbell	40,000	3,600	43,600	11,750	55,350
RJ Fynmore	40,000	3,600	43,600	11,750	55,350
AF Guy	40,000	3,600	43,600	11,750	55,350
WH Hodgson	2,986	-	2,986	810	3,796
GJ Kraehe	37,343	3,361	40,704	20,538	61,242
J Paterson	37,343	3,361	40,704	20,538	61,242

\* Directors fees for RE Barker are paid to Australian Foundation Investment Company Limited as part of his employment arrangements.

The retirement allowance is a provision to enable the payment of retirement allowances under the Directors' Deed as approved by shareholders.

The retirement allowance is payable upon the retirement of a Director. It is equal to the total fees that the Director received in the three years immediately preceding retirement where a Director has held office for five or more years and a proportionate part if less than five years service.

## Report of the Directors continued

### Directors' Holdings of Securities Issued by the Company

As at the date of this report, Directors who hold shares or convertible notes issued by the Company for their own benefit or who have an interest in holdings in the name of another party, and the total number of such securities, are as follows:

	Shares	Convertible Notes
BB Teele	899,598	182,945
RE Barker	186,533	59,131
TA Campbell	74,899 <sup>(a)</sup>	34,224 <sup>(a)</sup>
RJ Fynmore	403,184	-
AF Guy	156,669	-
GJ Kraehe	11,592	-
J Paterson	61,023 <sup>(a)</sup>	30,984 <sup>(a)</sup>

(a) Includes 49,077 shares and 30,984 convertible notes held by a trustee company of which TA Campbell and J Paterson are Directors.

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### Shares Under Option and Shares Issued on the Exercise of Options

At 30 June 2003 there were 21,224,767 unsecured convertible notes issued by the Company which may be converted on 31 March or 30 September each year until 30 September 2004 into 21,224,767 shares in the Company. During the year to 30 June 2003, 8,788 such notes were converted into 8,788 shares.

### Events Since Balance Date

The Directors are not aware of any matter or circumstance not otherwise disclosed in the financial statements or the Directors' Report which has arisen since the end of the financial year that has affected or may affect the operations, or the results of those operations, or the state of affairs of the Company in subsequent financial years.

## **Rounding of Amounts**

The Company is of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the Directors' Report. Certain amounts in the Directors' Report have been rounded off in accordance with that Class Order, to the nearest thousand dollars, or, in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Bruce Teele', with a long horizontal flourish extending to the right.

Bruce Teele  
Chairman

Melbourne  
31 July 2003

## Statement of Financial Performance

For the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
Income from investments, deposits and bank bills		25,592	22,180
Income from dealing in securities and derivatives held for trading purposes		13,955	17,840
Income from other operating activities		-	324
<b>Total income from ordinary activities</b>		<b>39,547</b>	<b>40,344</b>
Borrowing expense		(6,700)	(6,572)
Administration expenses		(1,413)	(1,221)
<b>Profit from ordinary activities before income tax expense</b>		<b>31,434</b>	<b>32,551</b>
Income tax expense	2	(2,894)	(4,245)
<b>Profit from ordinary activities after income tax expense</b>		<b>28,540</b>	<b>28,306</b>
Net increase (decrease) in asset revaluation reserve	17	(46,292)	(45,226)
Net increase (decrease) in asset realisation reserve	17	3,342	5,625
<b>Total valuation adjustments recognised directly in equity</b>		<b>(42,950)</b>	<b>(39,601)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(14,410)</b>	<b>(11,295)</b>
		<b>Cents</b>	<b>Cents</b>
Earnings per share	29	<b>19.6</b>	20.1

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

## Statement of Financial Position

As at 30 June 2003

	Notes	30 June 2003 \$'000	30 June 2002 \$'000
<b>Current assets</b>			
Cash	4	8,316	12,777
Receivables	5	39,817	9,564
Trading securities	6	31,570	26,833
<b>Total current assets</b>		<b>79,703</b>	<b>49,174</b>
<b>Non-current assets</b>			
Investment securities at market value	7	475,006	510,878
Future income tax benefit	8	2,400	1,986
<b>Total non-current assets</b>		<b>477,406</b>	<b>512,864</b>
<b>Total assets</b>		<b>557,109</b>	<b>562,038</b>
<b>Current liabilities</b>			
Payables	9	6,887	1,725
Provisions	10	-	16,273
Tax liability		1,297	1,795
Interest bearing liabilities	11	10,000	-
Options written	13	7,085	5,770
<b>Total current liabilities</b>		<b>25,269</b>	<b>25,563</b>
<b>Non-current liabilities</b>			
Provisions	14	662	734
Interest bearing liabilities	15	84,899	84,934
Deferred tax liabilities		43	28
<b>Total non-current liabilities</b>		<b>85,604</b>	<b>85,696</b>
<b>Total liabilities</b>		<b>110,873</b>	<b>111,259</b>
<b>Net assets</b>		<b>446,236</b>	<b>450,779</b>
<b>Shareholders' equity</b>			
Contributed equity	16	365,518	340,814
Reserves	17	61,717	104,666
Retained profits	18	19,001	5,299
<b>Total shareholders' equity</b>	19	<b>446,236</b>	<b>450,779</b>

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

## Statement of Cash Flows

For the year ended 30 June 2003

		2003 \$'000	2002 \$'000
	Notes	Inflows/ (Outflows)	Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Sales of trading securities		36,655	64,238
Purchases of trading securities		(27,319)	(29,702)
Interest received		1,204	2,938
Dividends received		22,287	17,125
Other distributions received		1,608	1,533
Borrowing expenses		(6,701)	(6,486)
Income taxes paid		(4,150)	(852)
Administration expenses		(1,487)	(1,118)
Other receipts		-	298
<b>Net cash inflow/(outflow) from operating activities</b>	20	<b>22,097</b>	<b>47,974</b>
<b>Cash flows from investing activities</b>			
Purchases of investment securities		(100,916)	(183,254)
Sales of investment securities		70,800	147,489
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(30,116)</b>	<b>(35,765)</b>
<b>Cash flows from financing activities</b>			
Proceeds from/(repayment of) borrowings		10,000	(20,000)
Share issues		18,883	3,345
Dividends paid		(25,325)	(14,689)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,558</b>	<b>(31,344)</b>
Net increase/(decrease) in cash held		(4,461)	(19,135)
Cash at the beginning of the financial year		12,777	31,912
<b>Cash at the end of the financial year</b>	4	<b>8,316</b>	<b>12,777</b>

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*This statement should be read in conjunction with the accompanying notes. Note 4 provides details of the composition of cash.*

# Notes to the Financial Statements

## 1. Principal Accounting and Valuation Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. Interpretations of specific relevance to the Company are stated in this note. These policies have not changed since the prior period except as indicated.

### (a) Basis of Accounting

The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with the historical cost convention.

### (b) Holdings of Securities

#### (i) *Balance Sheet Classification*

'Current assets' describe holdings of securities for short term trading purposes. This classification also applies to holdings by Djerriwarrh of rights to take securities from, or put securities to, other parties under option contracts (i.e. options taken).

'Non-current assets' describe holdings of securities which the Directors intend to retain as long term investments or to support the Company's option dealing operations.

'Current liabilities' include premiums on option contracts under which the Company is obliged to deliver or receive securities at the option of the other party (i.e. options written).

#### (ii) *Sales of Securities*

The treatment of disposals of long term investments is described in note 1 (b)(iii) below. Realised gains or losses on sales of trading securities based on the carrying value of the assets are taken into account in determining the operating profit of the Company.

#### (iii) *Valuation of Holdings of Securities*

Securities, including listed and unlisted shares, notes and options, are initially brought to account at cost.

Non-current securities are revalued to current market values continuously. Increments and decrements are taken to the Asset Revaluation Reserve while it has a positive balance, otherwise they are included in profit from ordinary activities. Where disposal of an investment occurs, any revaluation increment or decrement relating to it is transferred from the Asset Revaluation Reserve to the Asset Realisation Reserve while this reserve has a positive balance, otherwise they are included in profit from ordinary activities.

## Notes to the Financial Statements continued

Each holding of trading securities is reviewed regularly. If Directors were to consider that a loss is almost certain on any holding then it would be written down to realisable value as estimated by Directors. After any individual write-downs have been made, the portfolio is valued at the lower of carrying value and market value in aggregate.

The portfolio of options written is revalued to current market value. Increments and decrements are taken to the Asset Revaluation Reserve while it has a positive balance, otherwise they are included in profit from ordinary activities.

Market value for the purpose of valuing holdings of securities and options is determined by reference to market prices prevailing at balance date where the security is traded on an organised market. When a security is not so traded, its fair value is determined by the Directors.

### *(iv) Income From Holdings of Securities*

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Distributions relating to unlisted securities are recognised as income when received. The premium received on options written is recorded as a current liability of the Company until the option expires, is exercised or is repurchased from the holder. When one of these events occurs, the net gain or loss arising on the option contract is included in profit from ordinary activities.

### **(c) Taxation – Disposal of Long Term Investments**

No provision is made for any taxes that could arise on disposal of securities held as long term investments as there is no intention to dispose of them. Where the Company disposes of investments, tax is calculated on gains made according to the particular tax parcels allocated to the sale, offset against any capital losses carried forward. Any applicable tax is charged to the Asset Realisation Reserve while it has a positive balance, otherwise it is included in profit from ordinary activities.

### **(d) Comparative Figures**

Where necessary, comparative figures are adjusted to conform with changes in presentation in the current year.

### **(e) Cash Flows**

For the purpose of the statement of cash flows, 'cash' includes cash, deposits held at call and discounted bills of exchange.

### **(f) Convertible Notes**

The convertible notes presently outstanding will, if not converted to shares on or before 30 September 2004, be redeemed for cash at their face value of \$4.00 per note on 30 September 2004. Notes outstanding at 30 June 2003 have been classified as non-current borrowings. Interest on the notes is charged against profit as an expense.

#### **(g) Derivative Financial Instruments**

The Company enters into exchange traded option contracts as described in note 13. These options are accounted for as holdings of securities in accordance with note 1(b)(iii) above.

#### **(h) Bills of Exchange**

Bills of exchange have been purchased in the market or drawn under a bank facility, at a discount to face value. The discount is brought to account by amortising it over the life of the bill and is accounted for as interest received or interest paid as applicable.

#### **(i) Net Fair Value of Financial Assets and Liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities of the Company approximates their carrying value.

#### **(j) Director Retirement Benefits**

Liabilities for Director retirement benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for retirement has been developed and a valid expectation has been raised in those Directors affected that the retirement will be carried out. The liabilities for retirement benefits are recognised as current provisions if they are expected to be settled within 12 months. These are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are recognised as non-current provisions. These are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

Note that in prior periods, Director retirement benefits were generally calculated based on current rates. The comparative amount has not been restated as the Directors do not believe that the difference arising would be material.

#### **(k) Change in Accounting Policy for Providing for Dividends**

Provision is only made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

The above policy was adopted with effect from 1 July 2002 to comply with *AASB 1044 Provisions, Contingent Liabilities and Contingent Assets* released in October 2001. In previous periods, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the Directors on or before the end of the period but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the period where the dividend was proposed, recommended or declared between the end of the period and the completion of the financial report.

## Notes to the Financial Statements continued

An adjustment of \$16,273,000 was made against the retained profits at the beginning of the year to reverse the amount provided at 30 June 2002 for the proposed final dividend for that year that was recommended by the Directors between the end of the year and the completion of the financial report. This reduced the current liabilities-provisions and total liabilities at the beginning of the year by \$16,273,000 with corresponding increases in the net assets, retained profits, total equity and the total dividends provided for or paid during the current year.

The restatement of retained profits, current provisions and total dividends provided for or paid during the year set out below show the information that would have been disclosed had the new accounting policy always been applied.

	30 June 2003 \$'000	30 June 2002 \$'000 (Restated)
<b>Restatement of retained profits</b>		
Previously reported retained profits at the end of the previous period	5,299	7,324
Change in accounting policy for providing for dividends	16,273	-
Restated retained profits at the beginning of the period	21,572	7,324
Net profit attributable to members of the Company	28,540	28,306
Total available for appropriation	50,112	35,630
Dividends provided for or paid	(31,111)	(14,058)
Restated retained profits at the end of the period	19,001	21,572
<b>Restatement of current liabilities – provisions</b>		
Previously reported carrying amount at the end of the period	-	16,273
Adjustment for change in accounting policy	-	(16,273)
Restated carrying amount at the end of the period	-	-
<b>Restatement of total dividends provided for or paid</b>		
Previously reported total dividends provided for or paid during the period	31,111	30,331
Adjustment for change in accounting policy	-	(16,273)
Restated total dividends provided for or paid during the period	31,111	14,058

### (l) Rounding of Amounts

The Company is of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order, to the nearest thousand dollars, or in certain cases to the nearest dollar.

## 2. Operating Profit

Profit from ordinary activities before income tax expense includes the following specific gains and expenses:

	2003 \$'000	2002 \$'000
<b>(a) Net Gains</b>		
Dividends	22,794	18,109
Income from trusts	1,592	1,398
Interest from investments	592	1,082
Interest from deposits and income from bank bills	614	1,591
Income from dealing in securities and derivatives held for trading purposes	13,955	17,840
Sundry income	-	324
	<b>39,547</b>	<b>40,344</b>
<b>(b) Expenses</b>		
Borrowing expenses	6,700	6,572
Administration costs	1,322	1,141
Remuneration to the auditors for:		
- auditing the financial statements	41	41
- other assurance services	2	2
- taxation services	37	37
- taxation consulting	11	-
	<b>8,113</b>	<b>7,793</b>
Profit from ordinary activities before income tax	<b>31,434</b>	<b>32,551</b>

## Notes to the Financial Statements continued

### 3. Income Tax

	2003 \$'000	2002 \$'000
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as set out below.		
Prima facie income tax at 30 per cent	9,430	9,765
Tax effect of permanent differences which (reduce)/increase tax payable:		
- franked dividends	(5,746)	(4,745)
- non taxable dividends	(602)	-
- sundry items	(113)	(444)
Prima facie tax adjusted for permanent differences	2,969	4,576
Under/(over) provision in prior year	(75)	(331)
Income tax attributable to profit from ordinary activities	2,894	4,245
Income tax attributable to profit from ordinary activities was comprised of:		
- current	3,367	4,314
- deferred	15	(283)
- future income tax benefit	(413)	545
- Under/(over) provision in prior year	(75)	(331)
	2,894	4,245

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### 4. Current Assets – Cash

Cash at bank and on hand	10	4
Deposits at call	340	816
Discounted bills of exchange	7,966	11,957
Total cash	8,316	12,777

Deposits at call yielded an average floating interest rate of 4.66 per cent (2002: 4.42 per cent). Discounted bank bills of exchange yielded an average fixed return of 4.80 per cent (2002: 4.47 per cent), and had fixed terms of up to six months.

The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest. Purchased bills of exchange are carried on the statement of financial position at an amount less than the amount realisable at maturity. The credit risk exposure of the Company regarding purchased bills of exchange is the carrying value, which is comprised of the cost of the bank bills and the income accrued to balance date.

## 5. Current Assets – Receivables

	2003 \$'000	2002 \$'000
Dividends receivable	2,763	2,256
Trust income receivable	429	445
Outstanding settlements – Trading securities	1,373	39
Outstanding settlements – Investment securities	35,232	6,806
Other receivables	20	18
	<b>39,817</b>	<b>9,564</b>

Receivables are non-interest bearing and unsecured. Outstanding settlements are on the usual terms operating in the securities industry, which require settlement within three days of the date of a transaction.

The credit risk exposure of the Company in relation to receivables is the carrying amount.

## 6. Current Assets – Trading Securities

	2003 \$'000	2002 \$'000
Listed securities at carrying value		
- shares and trust units	12,077	22,583
- converting and convertible notes and other interest bearing securities	19,493	4,250
	<b>31,570</b>	<b>26,833</b>
Listed securities at market value		
- shares and trust units	13,884	25,565
- converting and convertible notes and other interest bearing securities	20,579	4,065
	<b>34,463</b>	<b>29,630</b>

Credit risk exposures to the Company arise in relation to converting and convertible notes and other interest bearing instruments to the extent of their carrying values in the event of a shortfall on winding-up of the issuing companies.

## Notes to the Financial Statements continued

### 7. Non-current Assets – Investment Securities

	2003 \$'000	2002 \$'000
Listed securities:		
- shares and trust units at market value	470,017	505,113
- converting and convertible notes at market value	4,901	4,621
Unlisted securities at Directors' valuation	88	1,144
	<b>475,006</b>	<b>510,878</b>

If all securities held as non-current investments had been sold immediately after balance date a net capital gains tax liability of \$15.3 million (2002: \$23.3 million) would have arisen. However, Directors do not intend to dispose of the portfolio and therefore do not expect that the tax associated with such a disposal would be incurred.

Credit risk exposures to the Company arise in relation to converting and convertible notes to the extent of their carrying values in the event of a shortfall on winding-up of the issuing companies.

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### 8. Non-Current Assets – Future Income Tax Benefit

The Company's future income tax benefit of \$2,400,220 (2002: \$1,986,089) arises from timing differences in the incidence of taxation. The key contributors are:

- tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out; and
- provisions and expenses charged to the accounting profit which are not yet tax deductible.

The future income tax benefit arising from provisions and expenses charged but not yet tax deductible, will be obtained when the relevant items become tax deductible, provided that the Company derives sufficient assessable income to enable the benefit from the deductions to be taken in that year and there are no intervening changes in tax legislation adversely affecting the Company's ability to claim the tax deduction.

### 9. Current Liabilities – Payables

	2003 \$'000	2002 \$'000
Interest payable	1,592	1,561
Outstanding settlements – Investment securities	5,293	136
Other payables	2	28
	<b>6,887</b>	<b>1,725</b>

Payables are non-interest bearing and unsecured. Outstanding settlements are on the usual terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

## 10. Current Liabilities – Provisions

	2003 \$'000	2002 \$'000
Dividends	-	16,273
	-	16,273

Refer to note 14 for the movements in provisions reconciliation.

## 11. Current Liabilities – Interest Bearing Liabilities

Unsecured interest bearing liabilities outstanding at balance date

- bank bills (facilities \$60 million)	10,000	-
	10,000	-

## 12. Associated Financial Arrangements

Standby arrangements and credit facilities.

The Company is party to an agreement under which National Australia Bank has agreed to accept or accept and discount bills of exchange up to a total amount of \$40 million (2002: \$40 million). The Company is also party to an agreement under which the Commonwealth Bank of Australia will accept or accept and discount bills of exchange up to a total amount of \$20 million (2002: \$20 million). \$10 million was drawn down on the National Australia Bank facility at 30 June 2003 (2002: \$0 drawn down).

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## 13. Current Liabilities – Options Written

	2003 \$'000	2002 \$'000
Listed securities at market value:		
- options written by the Company		
- calls	6,824	3,613
- puts	261	2,157
	7,085	5,770

The Company enters into option contracts for the purpose of enhancing returns, offsetting risk or providing opportunities to acquire or sell stock at advantageous prices. Most of these contracts are exchange-traded share options and are entered into within the constraints and controls imposed by the Australian Derivatives Market and the Australian Stock Exchange Limited or the New Zealand Futures and Options Exchange. Dealing and administrative (including settlement) functions are separated. The total exposure position is determined daily. The Investment Committee meets regularly (normally weekly) to consider, review and approve the investment, trading and sub-underwriting transactions of the Company and related matters.

Collateral security to cover written option positions and actual and prospective margin calls is lodged with the Options Clearing House and/or the Sydney Futures Exchange Clearing House as required by their rules.

Option-related contracts are accounted for in accordance with the accounting policy described in Note 1(b)(i) to (iv).

## Notes to the Financial Statements continued

Trading opportunities have arisen in the past and may recur where attractive 'over the counter' options and other derivatives are available to the Company. The Company has participated in such transactions and may choose to participate in such transactions in the future provided that the risk is acceptable and they relate to the Company's holding of underlying listed securities.

Collateral security to cover 'over the counter' written option positions is lodged with the counter party.

### 14. Non-Current Liabilities – Provisions

	2003 \$'000	2002 \$'000
Director retirement benefits	662	734
	<b>662</b>	<b>734</b>

### Movements in Provisions

Movements in each class of provision, other than employee benefits, are set out below.

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	Directors Retirement Benefits \$'000	Dividends \$'000	Total \$'000
Carrying amount at the start of the year	734	16,273	17,007
Adjustment from change in accounting policy (note 1(k))	-	(16,273)	(16,273)
Additional provisions recognised	113	-	113
Payments	(185)	-	(185)
Carrying amount at the end of the year	662	-	662

Provision is made for Directors retirement benefits in accordance with the accounting policy described in note 1(j).

### 15. Non-Current Liabilities – Interest Bearing Liabilities

Non-current unsecured:

- convertible notes*	84,899	84,934
	<b>84,899</b>	<b>84,934</b>

\* There were 21,224,767 convertible notes outstanding on 30 June 2003 (2002: 21,233,555). The notes have a face value of \$4.00 each and carry an interest entitlement of 7.5 per cent per annum. They may be converted at the option of the holder into ordinary shares at a rate of one share per note on 31 March or 30 September each year until 30 September 2004. Notes not converted will be redeemed at their face value on 30 September 2004. Terms of the notes are regulated under a trust deed between the Company and Perpetual Trustees Consolidated Limited.

The net fair value to the Company of the convertible notes was their carrying value.

## 16. Shareholders' Equity – Contributed Equity

	2003 Shares '000	2003 \$'000	2002 Shares '000	2002 \$'000
<b>(a) Paid-up Capital</b>				
Ordinary shares – fully paid	149,244	365,518	141,507	340,814

(b) Movements in Issued and Paid-up Capital of the Company During the Past Two Years were as Follows:

Date	Details	Notes	Number of Shares '000	Issue Price	Paid-up Capital \$'000
30/06/2001	Opening balance		139,616		333,949
07/03/2002	Dividend Reinvestment Plan issues	(a)	904	\$3.73	3,371
Various	Conversion of unsecured convertible notes	(b)	37	\$4.00	149
04/10/2001	Share Acquisition Plan issues	(c)	1,118	\$3.51	3,925
Various	Buy-backs	(d)	(168)		(541)
Various	Cost of share issues		-		(39)
30/06/2002	Balance		141,507		340,814
Various	Conversion of unsecured convertible notes	(b)	9	\$4.00	35
19/08/2002	Dividend Reinvestment Plan issues	(a)	835	\$3.57	2,981
19/12/2002	Share Acquisition Plan issues	(c)	6,035	\$3.14	18,951
07/03/2003	Dividend Reinvestment Plan issues	(a)	858	\$3.27	2,805
Various	Cost of share issues		-		(68)
30/06/2003	Balance		149,244		365,518

(a) The Company operates a Dividend Reinvestment Plan under which shareholders may elect to have all or part of their dividend payment reinvested in ordinary shares. Pricing of such shares is determined by the average selling price of shares traded on the Australian Stock Exchange in the five days after the shares begin trading on an ex-dividend basis.

## Notes to the Financial Statements continued

- (b) As described in Note 15, in 1997 the Company issued unsecured convertible notes at a face value of \$4.00 each. The notes may be converted on 31 March or 30 September each year at the election of the holder into ordinary shares, at a rate of one share for each note, or be redeemed at their face value on 30 September 2004.
- (c) The Company operated a Share Acquisition Plan which permits Directors to allot shares to a maximum value per year of \$5,000 per holder of shares or convertible notes (2002: \$3,000 per holder). On 19 December 2002 6,035,357 shares were issued under this Plan at a price of \$3.14 each (4 October 2001: \$3.51), being 2.5 per cent less than the average closing price on the Australian Stock Exchange in the five trading days up to and including 14 November 2002 (2001: 14 August).
- (d) The Company introduced an on-market Share Buy-back Program in February 2001. To 30 June 2003 the Company had not bought back any shares (2002: 168,286 shares at an average price of \$3.21).

### 17. Shareholders' Equity – Reserves

	2003 \$'000	2002 \$'000
<b>(a) Balances</b>		
Asset revaluation reserve	29,861	76,153
Asset realisation reserve	31,856	28,513
	<b>61,717</b>	<b>104,666</b>
<b>(b) Movements</b>		
<i>(i) Asset Revaluation Reserve</i>		
- opening balance	76,153	121,379
- revaluation of long-term investments	(42,719)	(37,747)
- revaluation of options written	137	68
- transfer to asset realisation reserve	(3,710)	(7,547)
Closing balance	<b>29,861</b>	<b>76,153</b>
<i>(ii) Asset Realisation Reserve</i>		
- opening balance	28,513	22,888
- transfer from asset revaluation reserve	3,710	7,547
- tax on disposals of long-term investments	(367)	(1,922)
Closing balance	<b>31,856</b>	<b>28,513</b>

### (c) Nature and Purpose of Reserves

#### (i) Asset Revaluation Reserve

This reserve is used to record increments and decrements on the revaluation of non-current assets as described in accounting policy note 1(b)(iii).

#### (ii) Asset Realisation Reserve

This reserve records gains or losses arising from disposal of long-term investments as described in accounting policy note 1(b)(iii). It is adjusted for applicable tax, if any, on such disposals as described in note 1(c). As the balance relates to net realised gains it may be distributed as cash dividends at the discretion of Directors.

### 18. Shareholders' Equity – Retained Profits

	2003 \$'000	2002 \$'000
Opening balance	5,299	7,324
Adjustment resulting from change in accounting policy for providing for dividends	16,273	-
Net profit of the Company	28,540	28,306
Dividends provided for or paid	(31,111)	(30,331)
Closing balance	19,001	5,299

### 19. Total Shareholders' Equity

Total equity at the beginning of the financial year	450,779	485,540
Adjustment resulting from change in accounting policy for providing for dividends	16,273	-
Total changes in equity recognised in the statement of financial performance	(14,410)	(11,295)
Transactions with owners as owners:		
- contributions of equity, net of transaction costs	24,670	7,257
- conversions of convertible notes to shares	35	149
- buy-backs	-	(541)
- dividends provided for or paid	(31,111)	(30,331)
Total equity at the end of the financial year	446,236	450,779

## Notes to the Financial Statements continued

### 20. Reconciliation of Net Cash Flows From Operating Activities to Profit From Ordinary Activities After Income Tax

	2003 \$'000	2002 \$'000
Profit from ordinary activities after income tax:	28,540	28,306
- capital gains tax provision included in asset realisation reserve	(367)	(1,922)
- decrease/(increase) in current receivables	(1,827)	700
- decrease/(increase) in trading securities	(4,737)	16,582
- decrease/(increase) in future income tax benefit	(414)	515
- increase/(decrease) in options written	1,452	(1,044)
- increase/(decrease) in current payables	6	(39)
- increase/(decrease) in provision for current tax liability	(498)	5,106
- Increase/(decrease) in provision for deferred tax liability	14	(291)
- increase/(decrease) in other provisions	(72)	61
Net cash inflows/(outflows) from operating activities	22,097	47,974

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### 21. Dividends

Final dividend of 11.5 cents per share fully franked paid on 19 August 2002 recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of the financial year due to the change in accounting policy for providing for dividends (note 1 (k)).

16,273	16,273
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Interim dividend of 10 cents per share fully franked, paid 7 March 2003 (2002: 10 cents fully franked per share paid 7 March 2002)

14,838	14,058
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31,111	30,331
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### Dividends Declared After Balance Date

Since the end of the year Directors have declared a final dividend of 11.5 cents per share, fully franked at 30 per cent. The aggregate amount of the final dividend for the year to 30 June 2003 to be paid on 22 August 2003, but not recognised as a liability at the end of the financial year as a result of the change in accounting policy for providing for dividends (note 1 (k)).

17,163
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## 22. Franking Credits

	2003 \$'000	2002 \$'000
Balance of the franking account after allowing for tax payable in respect of the current year's profits, the receipt of dividends recognised as receivables and the payment of dividends recognised as a liability at the reporting date.	7,124 Credit	2,009 Credit

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, plus tax imputed on dividends received. Prior to that date, franking credits were based on after tax profits and the amount of franked dividends received. The amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of those dividends. In accordance with this legislation, the franking credits available at 30 June 2002 of \$4,688,000 based on after tax profits, were converted so that the opening balance on 1 July 2002 reflected the underlying tax paid amount of \$2,009,000 which is shown as the comparative amount above.

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## 23. Related Parties

Persons who were Directors of Djerriwarrh Investments Limited for part or all of the financial year ended 30 June 2003 were:

BB Teele  
RE Barker  
DJ Brydon (retired on 25 July 2002)  
TA Campbell  
RJ Fynmore  
AF Guy  
WH Hodgson (retired on 25 July 2002)  
GJ Kraehe (appointed on 25 July 2002)  
J Paterson (appointed on 25 July 2002)

All transactions with related parties are made on normal commercial terms and conditions and approved by independent Directors.

## Notes to the Financial Statements continued

	2003 \$'000	2002 \$'000
(a) Income received by the Company from:		
- JBWere Capital Markets Limited and JBWere Futures Limited for interest	131	158
- JBWere Limited re sub-underwriting and placements	-	272
(b) Expenses paid by the Company to:		
- JBWere Limited for brokerage	1,053	1,074
- JBWere Limited for printing services	5	-
- JBWere Capital Markets Limited for interest expense	-	15
(c) Purchases of securities from JBWere Limited as principal	925	-
(d) Purchases of bank bills from JBWere Capital Markets Limited as principal (includes replacement of bills maturing)	120,452	303,555
(e) Sales of bank bills to JBWere Capital Markets Limited as principal	66,848	74,436
(f) Expense paid or payable to JBWere Capital Markets Limited for management of the cash and bank bill portfolio	3	-
(g) Deposits held at call with:		
- JBWere Capital Markets Limited	340	816

TA Campbell was interested in the above transactions as a Director, employee and/or shareholder of JBWere Limited, JBWere Capital Markets Ltd, JBWere Group Holdings Pty Ltd and JBWere Futures Ltd.

J Paterson was interested in the above transactions as a Director, employee and/or shareholder of JBWere Limited, JBWere Capital Markets Ltd and JBWere Group Holdings Pty Ltd.

BB Teele was interested in the above transactions as a consultant to, and shareholder of, the JBWere Group in the 2002 financial year.

RE Barker was interested in the transactions described above as a shareholder of the JBWere Group in the 2002 financial year.

Prior to 30 June 2002, BB Teele and RE Barker ceased to be shareholders and from 30 June 2002 BB Teele ceased to be a consultant to the JBWere Group.

- (h) Transactions of Directors and Director related entities concerning shares or share options.

Aggregate numbers of shares and share options of Djerriwarrh Investments Limited acquired or disposed of by Directors of the Company or their Director-related entities:

	2003 Units	2002 Units
Acquisition:		
- shares	1,428,416**	53,876
- convertible notes	-	45,000
Disposals:		
- shares	14,542,037**	2,032,093*
- convertible notes	-	29,844

\* Disposal of nil shares (2002: 50,000 shares) beneficially held by a trustee company of which is a related entity of TA Campbell and J Paterson.

\*\* Acquisition of 1,377,129 shares (2002: nil) and disposal of 14,542,037 shares (2002: 1,982,093 shares) beneficially held by Invia Custodian for JBWere Capital Markets Limited which is a related entity of TA Campbell and J Paterson. These disposals were due to conversion by holders of JBWere Capital Markets Exchangeable notes (Djerriwarrh series).

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Shares acquired by the Directors and Director related entities include shares acquired under the Dividend Reinvestment Plan and Share Acquisition Plan on the same basis as similar transactions with other shareholders.

(i) Holdings of securities

At balance date, securities issued by the Company and held directly or indirectly by Directors of the Company, or by entities to which they were related were:

- shares	1,744,421	15,290,784
- unsecured convertible notes	276,300	300,535

Directors and their related entities received normal dividends on the shares and interest at normal rates on unsecured convertible notes.

The above year 2003 figures include 49,077 shares (2002: 49,077 shares) and 30,984 unsecured convertible notes (2002: 30,984) beneficially owned by a trustee company which is a related entity of TA Campbell and J Paterson.

The above year 2003 figures include nil shares (2002: 13,164,908 shares) beneficially owned by JBWere Capital Markets Limited which is a related entity of TA Campbell and J Paterson.

The change in the number of shares held by JBWere Capital Markets Limited is due to conversion by holders of JBWere Capital Markets Exchangeable notes (Djerriwarrh series).

All other related party information is included in the notes to the financial statements.

## Notes to the Financial Statements continued

### 24. Directors' and Executives' Remuneration

	2003 \$	2002 \$
<b>(a) Directors' Remuneration</b>		
Income paid or payable, or otherwise made available, to Directors by the Company in connection with the management of affairs of the Company.		
Fees	320,658	288,936
Provision for retirement benefits	113,196	61,000
Superannuation Guarantee amounts	28,322	16,560
	<b>462,176</b>	<b>366,496</b>

The numbers of Directors whose total income, excluding retirement benefits, from the entity was within the specified bands are as follows:

	Number of Directors	
\$0 - \$9,999	2	-
\$30,000 - \$39,999	-	4
\$40,000 - \$49,999	6	2
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	1	-
	<b>\$</b>	<b>\$</b>

### (b) Executive Remuneration

The Company has no employees, other than its Managing Director.

### 25. Retirement Benefits of Directors

Benefit paid to DJ Brydon in connection with his retirement as a Director on 25 July 2002	92,560	-
Benefit paid to WH Hodgson in connection with his retirement as a Director on 25 July 2002	92,560	-
	<b>185,120</b>	<b>-</b>

The Directors retirement allowances paid to DJ Brydon and WH Hodgson and shown as a provision in the Directors' and executives' emoluments section of the Report of the Directors in previous years' annual reports, were approved by shareholders at the 1999 Annual General Meeting. The approval was given as part of the adoption of the Directors Deeds at that meeting.

## 26. Superannuation Commitments

The Company contributes to various external superannuation funds to meet its obligations in respect of Superannuation Guarantee Charges. Retirement benefits payable to Directors on retirement are provided for but are not separately funded. There are no other superannuation arrangements.

## 27. Directors' Service and Retirement Benefits Agreements

Service agreements, in a form approved by the Company in a general meeting, have been entered into with each Director which include provisions for retirement benefits. Entitlements of Directors under these agreements are provided for in determining profit but are not separately funded.

## 28. Financial Reporting by Segments

The Company operates predominantly in the securities industry in Australia.

## 29. Earnings Per Share

	2003 Cents	2002 Cents
Basic earnings per share	19.6	20.1
	Number	Number
Weighted average number of ordinary shares used as the denominator	145,692,861	140,606,583
	\$'000	\$'000
Earnings used in calculating basic earnings per share	28,540	28,306

## 30. Contingencies

As at balance date the Company had sold put options which at the option of the holders may require the Company to buy prior to the respective expiry dates certain shares at prices which in aggregate total \$5.6 million (2002: \$34.1 million). In addition, there were call options outstanding at balance date which potentially required the Company to deliver securities to the value of \$174.0 million (2002: \$138.6 million) held by the Company. There were no other material contingent liabilities or contingent assets.

## Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 20 to 41:

- (a) comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's financial position as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, 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.

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Bruce Teele  
Chairman

Melbourne  
31 July 2003

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Melbourne Victoria 3001  
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Independent audit report to members of Djerriwarrh Investments Limited.

## Audit Opinion

In our opinion, the financial report of Djerriwarrh Investments Limited:

- gives a true and fair view of the financial position of Djerriwarrh Investments Limited at 30 June 2003, and of its performance for the year ended on that date; and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia.

This opinion must be read in conjunction with the rest of our audit report.

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## Scope

### The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Djerriwarrh Investments Limited, for the year ended 30 June 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

## Independent Audit Report continued

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

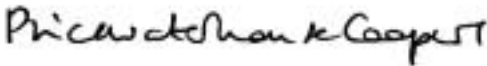
We read the other information in the Annual Report to determine whether it contained any material inconsistencies with the financial report.

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

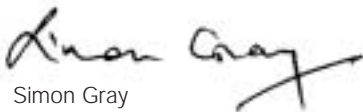
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers  
Chartered Accountants



Simon Gray  
Partner

Melbourne  
31 July 2003

## Corporate Governance

### Board Role

The role of the Board of Directors is to set goals and policies for the operation of the Company, to oversee the Company's activities, to regularly review performance and to generally monitor the Company's affairs in the best interests of its shareholders. For these responsibilities, the Board is accountable to its shareholders.

The Board has been supervising the Company to enable it to meet its objective of providing attractive returns to shareholders through dividends and capital growth.

The Directors are committed to the highest standards of compliance, ethical behaviour and corporate governance applicable to the Company's particular activities.

In March 2003 the ASX Corporate Governance Council published its 'Principles of Good Corporate Governance and Best Practice Recommendations'. The ASX requires listed companies to comply with these recommendations, or if they do not, to explain departures from them, in Annual Reports published from 2004. The Directors are currently reviewing the Company's corporate governance policies in light of the ASX Corporate Governance Council report.

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### Board Membership

The Board is comprised of a Non-Executive Chairman, Managing Director and five Non-Executive Directors.

Selection of Directors to fill vacancies, and their nomination for election at the next meeting of shareholders, is a matter for the Board as a whole. Matters considered by the Board include the ability of the Director to contribute towards achievement of the Company's goals, breadth of business experience and knowledge of the Australian investment scene.

The Directors meet formally as a Board at least 11 times per year. Additional commitment of time is required for committee meetings described below.

### Investment Committee

The Investment Committee approves all investment orders and transactions, trading portfolio share and option transactions, reviews the performance of investments, sets investment policies, reviews sub-underwriting offers and deals with other portfolio related activities such as voting instructions and lodgement of proxies. The Committee comprises six Directors and meets regularly (normally weekly).

### **Audit Committee**

An Audit Committee comprised of three Directors (AF Guy, Chairman of the Committee, BB Teele, and RJ Fynmore) meets periodically to review issues relating to the controls applied to the Company's activities, accounting policies, the content of financial statements and related issues. Meetings of the Committee are attended by a Partner from the Company's auditors, PricewaterhouseCoopers and the Managing Director, RE Barker, by invitation.

### **Nomination Committee**

During the year the Board constituted a Nomination Committee, comprising all members of the Board with GJ Kraehe as Chairman. The Nomination Committee will consider matters relating to the orderly renewal of the Board, Board performance and how to attract and retain Directors of high calibre with the appropriate experience and skill to contribute successfully to the oversight of the Company.

Consideration of potential Directors to fill vacancies is also undertaken by the Board Nomination Committee. Matters to be considered by the Committee will include the ability of the proposed Director to contribute towards achievement of the Company's goals, breadth of business experience and knowledge of the Australian investment scene.

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### **Continuous Disclosure**

As a listed entity, the Company has an obligation under the Listing Rules to maintain an informed market with respect to its securities. Accordingly, we keep the market advised of all information required to be disclosed under the Rules which we believe would have material affect on the price or value of the Company's securities.

In addition to the Half Yearly and Annual reporting requirements, there is a constant stream of information being provided to the Stock Exchange. Of particular note, is the disclosure after each month-end of the Company's Net Asset Backing per Share. This is also disclosed at other times if a material change in value has occurred. All important Stock Exchange announcements are also posted to the Company's internet website.

### **Risk Management**

The Company seeks to reduce investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

In addition to the Company's Investment Portfolio we also operate a Trading Portfolio for short term opportunities. We seek to enhance the return from the portfolios by also selling call and put options. The Board, through its Investment Committee, maintains tight control of option transactions. Option transactions are limited to stocks held in the portfolios for the purpose of enhancing returns from the portfolios and buying and/or selling stocks at attractive prices. The controls currently applied to option transactions are described in note 13 to the financial statements.

## **Remuneration of Directors**

The constitution of Djerriwarrh requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Australian corporate directors.

## **Dealing with Conflicts of Interest**

From time to time matters arise at the Board and Investment Committee which may involve one or more Directors with an actual or perceived conflict of interest. In such instances, the Company fully complies with applicable regulatory requirements relating to dealing with conflicts of interest, such that interested Directors do not take part in the discussion or vote on the matter concerned.

## **Dealings by Directors and Officers in Company Securities**

Specific rules have been adopted by the Board in relation to buying or selling by Directors and officers, of securities in the Company itself. These rules preclude any buying or selling in the period of five days before any scheduled announcement, the day of the announcement and the day after, and require pre-notification of intent to the Chairman and post-notification of execution. In addition, Directors and officers must not buy or sell the Company's securities if they possess information which is not generally available and which may materially affect the value of the Company's securities.

Details of all securities transactions by Directors are required to be publicly reported to the Australian Stock Exchange within five business days of their occurrence as required by the Listing Rules.

## Information About Shareholders and Noteholders

At 11 July 2003 there were 15,662 holders of shares and 4,992 holders of unsecured convertible notes. These holdings were distributed in the following categories:

Size of Holding	Number Share Holdings (at 30 June 2003)	Number Note Holdings (at 30 June 2003)
1 to 1,000	1,728	2,125
1,001 to 5,000	6,579	2,004
5,001 to 10,000	3,824	496
10,001 to 100,000	3,415	356
100,001 and over	116	11
	<b>15,662</b>	<b>4,992</b>
20 largest holdings (% of total)	9.55%	20.87%
Average size of holding	9,529	4,251

There were 290 share holdings of less than an economic parcel of \$500 (142 shares).  
There were 128 note holdings of less than an economic parcel of \$500 (122 notes).

## Major Shareholders and Noteholders

The 20 largest holdings of ordinary shares and unsecured convertible notes as at 11 July 2003 are listed below.

Shares	Holding	% Total
Australian Foundation Investment Company Limited	4,762,789	3.19%
Invia Custodian Pty Limited	2,091,117	1.40%
Tregony Pty Ltd	912,834	0.61%
Margaret Frances Erskine	550,000	0.37%
RBC Global Services Australia Nominees Pty Ltd	529,991	0.36%
Martindale Pty Ltd	520,000	0.35%
Eric Howard Wheatley & Sylvia Daisy Wheatley	502,506	0.34%
Tower Trust Limited	446,995	0.30%
Equity Trustees Limited	423,250	0.28%
P.N.B.W. Pty Ltd	403,427	0.27%
Bruce Ballantine Teele	394,261	0.26%
Frederick Joseph Johnson	378,448	0.25%
George Howard Michell	367,957	0.25%
Ian Tweedie, Ian Fraser and John Hannaford	328,800	0.22%
Russell James Fynmore	318,912	0.21%
Janytte Investments Pty Ltd	276,592	0.19%
Perpetual Trustee Company Limited	272,061	0.18%
CBH Superannuation Holdings Pty Ltd	270,000	0.18%
Penmore Pty Ltd	257,929	0.17%
Rosebery Investments Pty Ltd	252,306	0.17%

## Major Shareholders and Noteholders continued

Convertible Notes	Holding	% Total
Australian Foundation Investment Company Limited – Investment Portfolio	918,414	4.33%
RBC Global Services Australia Nominees Pty Ltd	816,774	3.85%
Invia Custodian Pty Limited	449,390	2.12%
JB Were Capital Markets Limited	318,872	1.50%
Tower Trust Limited	295,971	1.39%
Perpetual Trustee Company Limited	212,140	1.00%
Australian Foundation Investment Company Limited – Trading Portfolio	200,000	0.94%
The Synod of the Diocese of Adelaide of the Anglican Church of Australia Incorporated	175,000	0.82%
Diana Eirene Angliss Gibson, John Digby Norris and Graeme William Ballard	125,000	0.59%
Robyn Anne O'Brien	102,000	0.48%
Baker Custodian Corporation	100,000	0.47%
Josephine Mary Boone	100,000	0.47%
Daryl Albert Dixon & Katherine Dixon	97,065	0.46%
SDS Holdings Pty Ltd	77,940	0.37%
Bruce Ballantine Teele	76,929	0.36%
Geoffrey William Hone & Charles Bernard Gore Brett & Margaret Mary Gurry	75,000	0.35%
National Australia Trustees Limited	75,000	0.35%
VSDC Inc	75,000	0.35%
Beckwith Holdings Pty Ltd	73,000	0.34%
Sisters of Mercy – Melbourne Congregation	66,103	0.31%

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## Substantial Shareholders

The JBWere Group notified the Company that it ceased to be a substantial shareholder on 25 November 2002.

## Holdings of Securities

As at 30 June 2003

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 Stock Exchange each month and recorded on the toll-free telephone service at 1800 780 784).

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.

Unless otherwise stated, the securities in this list are fully paid.

### Ordinary Shares and Trust Units

		Units '000	Market Value \$'000
ADT	Advent	400	340
AGL*	Australian Gas Light Company	922	9,863
AMC*	Amcor	1,211	9,703
AMH	AMCIL	7,544	3,093
AMP*	AMP	1,575	7,708
ANZ*	Australia and New Zealand Banking Group	550	9,991
APN	APN News & Media	1,919	6,718
AWC*	Alumina	2,070	8,259
AXA*	AXA Asia Pacific Holdings	2,349	5,740
BHP*	BHP Billiton	3,638	31,146
BIL*	Brambles Industries	1,761	7,950
BWP	Bunnings Warehouse Property Trust	2,550	3,850
CBA	Commonwealth Bank of Australia	759	22,439
CCL*	Coca-Cola Amatil	50	284
CML*	Coles Myer	1,665	10,701
CPA	Commonwealth Property Office Fund	300	360
CPU	Computershare	1,600	2,992
CSL	CSL	123	1,465
CSR*	CSR	1,273	2,392
DUI	Diversified United Investment	3,951	7,152
ENE	Energy Developments	101	176
FGL*	Foster's Group	2,325	9,785
FXJ	Fairfax (John) Holdings	1,443	4,154
GAN	CFS Gandel Retail Trust	3,500	4,655
GWT	GWA International	897	2,421
HLY*	Hills Motorway Group	1,100	6,231
JHX*	James Hardie Industries	157	1,054

## Holdings of Securities *continued*

As at 30 June 2003

### Ordinary Shares and Trust Units

		Units '000	Market Value \$'000
LLC*	Lend Lease Corporation	808	6,659
MAY*	Mayne Group	473	1,289
MGR	Mirvac Group	367	1,629
MIR	Mirrabooka Investments	5,000	6,000
NAB*	National Australia Bank	1,817	59,600
NCA	Neighborhood Cable	2,805	84
NCP*	News Corporation	926	10,257
NCPDP*	News Corporation Preferred Ordinary	1,492	13,256
ORG*	Origin Energy	630	2,526
ORI*	Orica	20	203
PBB	Pacifica Group	200	740
PPX*	PaperlinX	506	2,290
QAN*	Qantas Airways	150	481
QBE*	QBE Insurance Group	138	1,218
RIN*	Rinker Group	1,473	7,487
RIO*	Rio Tinto	581	16,751
SBC	Southern Cross Broadcasting (Australia)	192	1,670
SEV*	Seven Network	54	247
SRP*	Southcorp	1,593	4,359
STO*	Santos	1,001	5,803
TCL*	Transurban Group	2,486	11,705
TEN	Ten Network Holdings	300	645
TLS*	Telstra Corporation	7,572	33,201
TOL*	Toll Holdings	1,760	12,319
Unlisted	UCMS Inc	550	88
UEL	United Energy	4,116	12,800
WAN*	West Australian Newspapers Holdings	2,500	14,641
WBC*	Westpac Banking Corporation	700	10,892
WES*	Wesfarmers	284	7,033
WFT	Westfield Trust	551	1,900
WMR	WMC Resources	1,170	4,107
WOW*	Woolworths	192	2,329
WPL*	Woodside Petroleum	1,100	13,278
WSF*	Westfield Holdings	250	3,461
Total		89,489	451,570

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

**Unsecured Notes, Preference Shares and Other  
Interest Bearing Securities**

		Units '000	Market Value \$'000
AMZGA	Amcor Investments (New Zealand) Perpetual Convertible Reset Securities	15	1,746
APNG	APN News & Media 7.25 per cent Unsecured Convertible Notes	731	3,155
CMLPA	Coles Myer 6.5 per cent Reset Convertible Preference Shares	177	19,853
CPUPA	Computershare 5.5 per cent Reset Convertible Preference Shares	67	6,482
FXJPA	Fairfax (John) Holdings 7.40 per cent Reset Convertible Preference Shares	6	709
NABHA	National Australia Bank Income Securities	32	3,144
SEVPA	Seven Network 6.6 per cent Reset Convertible Preference Shares	5	536
SSXPB	Smorgon Steel Group 8 per cent Reset Convertible Preference Shares	4,806	11,295
STOPA	Santos 6.57 per cent Reset Convertible Preference Shares	35	3,894
Total		5,874	50,814

## Major Transactions in the Investment and Trading Portfolios

(a) Acquisitions (Above \$2 Million)	Units '000	Cost \$'000
National Australia Bank	515	16,738
Westpac Banking Corporation	1,065	15,608
Australia & New Zealand Banking Group	600	10,565
News Corporation Preferred Ordinary	1,002	9,312
Rio Tinto	290	8,860
United Energy	2,116	6,582
AMP	568	5,544
Commonwealth Bank of Australia	180	4,639
WMC Resources <sup>(a)</sup>	1,170	4,107
News Corporation	351	3,859
Woolworths	340	3,855
Alumina	900	3,851
Rinker Group <sup>(b)</sup>	1,873	3,609
BHP Steel <sup>(c)</sup>	680	2,347
Transurban Convertible Adjusting Rate Securities	22	2,151
Brambles Industries	350	2,142
BHP Billiton	237	2,062
Southcorp	400	2,019

(b) Disposals (Above \$2 Million)	Units '000	Proceeds \$'000
Commonwealth Bank of Australia	855	23,016
National Australia Bank	513	15,654
Westpac Banking Corporation	885	12,983
Woolworths	265	3,085
Smorgon Steel Group	2,580	2,995
Transurban Group	614	2,664
Australia & New Zealand Banking Group	150	2,517
Transurban Convertible Adjusting Rate Securities	22	2,292

(a) WMC Demerger.

(b) CSR Demerger.

(c) BHP Billiton split into BHP Billiton and BHP Steel.

## Issues of Securities

By Djerriwarrh Investments Limited since it commenced operations in 1989.

Date of Issue	Type	Price
22 December 1989	Initial Allotment	\$2.00
09 April 1990	New Issue	\$2.00
18 June 1990	New Issue	\$2.00
01 January 1992	New Issue	\$2.29
25 September 1992	Dividend Reinvestment Plan (DRP)	\$2.17
26 March 1993	DRP	\$2.13
24 September 1993	DRP	\$2.30
31 March 1994	DRP	\$2.56
21 June 1994	New Issue	\$2.57
23 September 1994	DRP	\$2.34
24 March 1995	DRP	\$2.34
22 June 1995	New Issue	\$2.60
27 September 1995	DRP	\$2.47
29 March 1996	DRP	\$2.73
13 September 1996	DRP	\$2.58
27 March 1997	DRP	\$2.76
11 September 1997	DRP	\$3.35
30 October 1997	1-5 rights issue of Convertible Notes	\$4.00
27 March 1998	DRP	\$3.60
11 September 1998	DRP	\$3.27
15 March 1999	DRP	\$3.47
28 April 1999	Share Acquisition Plan (SAP)	\$3.36
11 August 1999	DRP	\$3.54
07 March 2000	DRP	\$3.47
27 April 2000	SAP	\$3.28
16 August 2000	DRP	\$3.27
08 March 2001	DRP	\$3.15
29 June 2001	DRP	\$3.53
04 October 2001	SAP	\$3.51
07 March 2002	DRP	\$3.73
19 August 2002	DRP	\$3.57
19 December 2002	SAP	\$3.14
07 March 2003	DRP	\$3.27

Excludes shares issued under the original option agreement with JBWere prior to listing.

## Key Statistics

	2003	2002	2001	2000	1999	1998
Profit After Tax (\$ Million)	28.5	28.3	30.3	30.9	27.4	13.9
Investments at Market Value (\$ Million)	502.4	534.7	539.5	564.8	528.2	458.3
Earnings Per Share (Cents)	19.6	20.1	22.0	23.4	22.2	11.6
Dividends Per Share (Cents)	21.5	21.5	21.5	20.5	20.0	20.0
Net Asset Backing <sup>(a)</sup> Per Share (Cents)	300	331	349	352	353	301
Number of Shareholders (30 June)	15,620	13,912	13,103	12,576	11,939	9,627

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### Notes

- (a) Net asset per share based on year-end data before the provision for the final dividend. The figures do not include a provision for capital gains tax that would apply if all securities held as non-current investments had been sold at balance date as Directors do not intend to dispose of the portfolio.

# Company Particulars

Djerriwarrh Investments Limited  
ABN 38 006 862 693

## Directors

Bruce B Teele, Chairman  
Ross E Barker, Managing Director  
Terrence A Campbell  
Russell J Fynmore AO  
Andrew F Guy  
Graham J Kraehe AO  
John Paterson

## Secretary

Mark A Licciardo

## Auditor

PricewaterhouseCoopers  
Chartered Accountants

## Country of Incorporation

Australia

## Registered Office

Level 20, 101 Collins Street  
Melbourne Victoria 3000

## Contact Details

Mail GPO Box 2114S  
Melbourne Victoria 3001  
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  
Stock Exchange):

Telephone toll free 1800 780 784

## Share Registrar

Name ASX Perpetual Registrars Limited  
Mail PO Box 1736  
Melbourne Victoria 3001  
Level 4, 333 Collins Street  
Melbourne Victoria 3000

Shareholder  
enquiry line 1300 554 474  
+613 9615 9947 (from overseas)

Facsimile (03) 9615 9900  
Email registrars@asxperpetual.com.au  
Website www.asxperpetual.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.

## Trustee for Noteholders

Name Perpetual Trustees  
Consolidated Limited  
Address Level 8, 9 Castlereagh Street  
Sydney NSW 2000  
Telephone (02) 9229 9000

## Stock Exchange Code

DJW (shares)  
DJWG (convertible notes)

## Annual General Meeting

Time 10:00am  
Date Tuesday 23 September 2003  
Venue Hilton on the Park  
Location 192 Wellington Parade  
East Melbourne, Victoria

## Adelaide Shareholder Meeting

Time 2:30pm  
Date Friday 3 October 2003  
Venue The Banquet Room,  
Adelaide Festival Centre  
Location King William Road, Adelaide

## Brisbane Shareholder Meeting

Time 2:30pm  
Date Tuesday 14 October 2003  
Venue The Stamford Plaza  
Location Corner Edward and Margaret  
Streets, Brisbane

## Sydney Shareholder Meeting

Time 2:30pm  
Date Tuesday 21 October 2003  
Venue Sheraton on the Park  
Location 161 Elizabeth Street  
(on Hyde Park), Sydney

## Dividend and Interest Timetable

	Shares	Convertible Notes
<b>Final Payment</b>		
Record date	11 August 2003	15 September 2003
Payment date	22 August 2003	30 September 2003
<b>Interim Payment</b> (expected dates only)		
Record date	16 February 2004	15 March 2004
Payment date	4 March 2004	31 March 2004

