



**DJERRIWARRH  
INVESTMENTS  
LIMITED**

ABN 38 006 862 693

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**APPENDIX 4D STATEMENT  
FOR THE HALF-YEAR ENDING 31 DECEMBER 2005**

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- Results for announcement to the market
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## **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

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The reporting period is the half-year ended 31 December 2005 with the previous corresponding period being the half-year ended 31 December 2004. The previous corresponding period figures have been adjusted as required under the new Accounting Standards that the Company adopted on 1 July 2005.

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

- Net profit attributable to members (including capital gains) was \$29.7 million, 31.3% up from the previous corresponding period.
- Operating Profit after tax was \$20.4 million, 3.0% up from the previous corresponding period.
- Income from operating activities (excluding capital gains) was \$26.8 million, 4.0% up from the previous corresponding period.
- The final dividend for the 2005 financial year was 12.5 cents per share, fully franked, and it was paid to shareholders on 26 August 2005.
- The interim dividend of 10 cents per share fully franked, unchanged from the previous interim period, will be paid on 8 March 2006 to ordinary shareholders on the register on 22 February 2006.
- The Company operates a Dividend Reinvestment Plan under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares is based on the average selling price of shares traded on the Australian Stock Exchange in the five days from the day the shares begin trading on an ex-dividend basis. The last day for the receipt of an election notice for participation in the plan is 22 February 2006.
- The record date for the payment of interest on 31 March 2006 on the 6.5% Unsecured Convertible Notes on issue will be 24 March 2006. Notice to convert the Notes to Ordinary Shareholders needs to be received by the Company by 16 March 2006 in accordance with the Conditions of Issue.
- Net tangible assets per share before any provision for deferred tax on the unrealised gains on the long-term investment portfolio as at 31 December 2005 were \$4.17 (before allowing for the interim dividend), up from \$3.73 (before allowing for the interim dividend) at the end of the previous corresponding period.

## MEDIA RELEASE - HALF YEARLY RESULT

9 February 2006

### DJERRIWARRH REPORTS NET PROFIT OF \$29.7 MILLION

Djerriwarrh Investments Limited announced today its financial results for the half year to 31 December 2005

#### SUMMARY OF HALF YEAR RESULTS

- AIFRS Reported Profit after tax was \$29.7 million (last year \$22.6 million), up 31.3%. This includes realised gains on sale of investments.
- Operating Profit after tax was \$20.4 million, up 3.0% from the previous corresponding period.
- Earnings per share based on Operating Profit were 12.8 cents compared with 12.5 cents last year.
- A fully franked interim dividend of 10 cents per share, unchanged from last year.
- Total portfolio return during the half (change in net asset backing per share plus dividends reinvested) was an increase of 10.5% after tax and management fees.
- Total shareholder return measured by change in share price plus dividends over the six month period was positive 11.4%.
- Management expense ratio on an annualised basis was 0.25%
- Net asset backing at 31 December 2005 was \$4.17 (before allowing for the 10 cent interim dividend). At 31 January 2005 the net asset backing was \$4.31 also before allowing for the interim dividend.
- Total portfolio (including cash and bank bills) at 31 December 2005 was \$787.7 million.

Djerriwarrh's operating profit was \$20.4 million. This figure reflects the underlying dividend, option income and trading result generated from the Company's portfolios. The figure for the corresponding period last year was \$19.8 million.

Under the Australian equivalents to International Accounting Standards ("AIFRS") the reported profit attributable to shareholders was \$29.7 million, up from \$22.6 million from the corresponding period last year. This figure includes profits made on the sale of investments which can occur from time to time because of the exercise of options or the sale of stock as a result of actions such as takeovers. Under previous accounting standards these were credited directly to equity through the asset realisation reserve rather than as part of profit.

The Board has declared an interim dividend of 10 cents per share, unchanged from last year's interim dividend.

## **Chairman's Comments**

The Chairman, Mr Bruce Teele commented, "The market has continued its rise during the past six months particularly buoyed by strong growth in resources fed from offshore demand as well as the sound performance of the Australian economy.

Continually rising markets provide some challenges to writers of call options such as Djerriwarrh. We were pleased to be able to generate sound revenue returns from the portfolio whilst travelling with a healthy percentage of the portfolio covered by call options during this period. Over the six month period, Djerriwarrh had an average call option position written over the value of the portfolio of close to 40%. (The typical range of option coverage by value can be between 20 to 40 per cent of the portfolio.) Total income from the investment and options written portfolio, which is a key outcome of the Company's activities, was \$21.0 million whereas in the corresponding period last year this figure was \$16.9 million.

In this environment, where market valuations in our opinion looked stretched, the Company allowed some call options to be exercised where it was uneconomic to buy these option positions back. This contributed to pre-tax realised gains of \$16.9 million for the half, although we will look to replenish some of these positions as the market provides opportunities to do so over the coming months.

We believe the economic outlook remains positive for Australia underpinned by key resource export markets such as China and Japan that are expected to have improving economic growth into the calendar year. In addition, whilst monetary policy in the US has tightened over recent months, interest rate settings are not excessive and should allow for a reasonable growth outcome for US economy despite concerns about the housing market and recent slowing in consumer demand there.

The key risk for the Australian market in this environment is whether underlying cost pressures generated by continuing strong growth particularly energy, labour and other input costs will reduce profit margins and fan inflationary expectations. Clearly such an outcome would impact earnings and move the Reserve Bank to consider interest rate policy settings.

Whilst corporate earnings and the strength of corporate balance sheets for the most part have underpinned equity valuations, the general market in our view appears fully priced. In this context we would expect to continue to run with a relative high level of option coverage over the portfolio as well as look to any changes in sentiment to top up our holdings in selected stocks. This should allow us to continue to harness dividend and option income to enhance the yield on our portfolio."

## **Profit Performance and Dividends**

The Company reported an increased operating profit after tax of \$20.4 million, up marginally on the previous corresponding period. The primary contributors to the profit were franked dividends received of \$15.6 million, which included \$2.1 million associated with participation in the Westpac buy back of its shares, compared with \$15.3 million last year (last year's figure included \$3.4 million in respect of the Telstra share buy back ). Income from trusts was \$1.7 million whereas the previous corresponding period was \$3.7 million (although last year's figure included \$2.6 million of special distributions from Macquarie Infrastructure Group).

Income from the trading portfolio was down \$3.3 million to \$5.2 million largely reflecting a lower level of unrealised gains within this portfolio.

The Company also incurred a higher level of tax in the operating profit result, \$1.5 million versus \$0.8 million last half year. The key factors behind this rise were the higher level of income from option premiums and a lower interest expense.

Realised gains on the disposal of investments as a result of exercise of call options and the sale of some investments in the investment portfolio were \$11.5 million after tax. Last year this figure was \$4.3 million. Using AIFRS these now have to be included in profit and were the major additional component in the AIFRS reported profit of \$29.7 million up from \$22.6 million in the previous corresponding period.

Directors have declared an interim dividend of 10 cents per share fully franked (unchanged from last year's interim dividend), payable on 8 March 2005 to shareholders on the register on 22 February 2006. It is anticipated that the shares will trade ex dividend on the stock exchange from 16 February 2006.

## **Comments on the Market and Investment Approach**

The 6 months to 31 December 2005 have been positive for global markets, including Australia. The S&P/ASX 50 Leaders Accumulation Index was up 13.1% for the half year.

Sectors which significantly out-performed in this market were Materials (including many of the non-energy resource stocks such as BHP and Rio Tinto) up 27.8%, Healthcare up 21.4%, Energy up 18.3% and Information Technology up 15.1%. Financials which because of their high dividend yield form a large part of Djerriwarrh's portfolio increased 13.6% over the period. Sectors which significantly under-performed the market were Telecommunication Services which was down 14.8%, with Telstra having the major impact, and Consumer Discretionary which only grew 2.6% during the half year.

The significant out-performance of the resource and energy stocks reflected the continued strong growth in China, further recovery in Japan and the general positive outlook for global growth. Clearly the rising oil price has also had a major impact of the valuation of energy companies. Whilst Djerriwarrh has been looking to increase its exposure to selected stocks in these sectors the accelerating growth in share prices of these companies has meant that on some occasions these stocks have been sold as a result of the exercise of call options. The Company remains positive about these sectors and will look to increase exposure at appropriate opportunities.

More subdued growth in other sectors of the market has also allowed the Company to pursue stocks which offered strong dividend yields during this period.

## **Portfolio**

Indicative of the strength of the market over the six month period to 31 December 2005, the value of Djerriwarrh's portfolio increased \$49.9 million. The key positive contributors to the increase in the December half were BHP Billiton, Commonwealth Bank, Rio Tinto, Westpac Banking Group, and National Australia Bank.

Major acquisitions in the investment portfolio during the period included \$15.8 million in Commonwealth Bank, \$14.5 million in AMP, \$9.7 million in St George Bank, \$8.1 million in Wesfarmers and \$7.9 million in Oil Search.

As a result of the exercise of call options significant disposals were \$11.8 million in Rio Tinto, \$11.6 million in BHP Billiton, \$6.3 million in Woodside Petroleum and \$5.7 million in Commonwealth Bank. The Company also disposed of its \$9.2 million holding in Western Mining when they were compulsorily acquired by BHP Billiton early in the financial year. In addition, the Company also participated in the buy back of Westpac

shares toward the end of the period which resulted in a disposal of \$2.7 million worth of shares.

As at 31 December 2005 the value of the Company's investment and trading portfolios at market value, including cash, was \$787.7 million.

## **Capital Changes**

In August 2005, 0.83 million shares were issued at \$3.95 in the Company's Dividend Reinvestment Plan which provided \$3.29 million of additional capital. During the period a small number of Convertible Notes were also converted to ordinary shares.

## **Outlook**

The equity market in Australia continued its push to record highs during the period as the general buoyancy of the global economy particularly China has had a lasting positive impact on the demand for and price of most commodities. This has benefited a number of companies in Australia, including those which provide services to a number of players in the resources and energy sectors. It has also provided for an underpinning of the Australian economy along with improved terms of trade. Furthermore the general outlook for business and infrastructure investment in Australia looks encouraging.

Notwithstanding this generally positive environment, issues such as the potential for higher interest rates on the back of underlying cost pressures feeding through to inflation, the structural impacts of the US twin trade and budget deficits on the global financial markets and even unforeseen events such as avian flu all linger as potential threats to orderly market conditions in the calendar year.

With the market trading at near record highs, the Company has a relative defensive position in it's portfolio with call options sold representing almost 40% of the investment portfolio. As we move into the next half year, this puts Djerrivarrh in a good position to enhance income from these option positions. In addition, the Company will look to increase its holdings in some stocks that were sold through the exercise of options toward the end of the year and at appropriate times to further invest in companies that provide for good fully franked dividend yield over the medium to long term.

Please direct any enquiries to:

Bruce Teele  
Chairman  
(03) 9679 1361

Ross Barker  
Managing Director  
(03) 9924 0380

Geoff Driver  
General Manager  
(03) 9679 1659

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## TOP INVESTMENTS AS AT 31 DECEMBER 2005

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### Top 20 Investments - Ordinary Securities

Valued at closing prices at 31 DECEMBER 2005				Total Value \$ million
1	*	NAB	National Australia Bank	76.5
2	*	CBA	Commonwealth Bank of Australia	75.0
3	*	BHP	BHP Billiton	58.1
4	*	WBC	Westpac Banking Corporation	52.8
5	*	NWS	The News Corporation (a)	40.6
6	*	SGB	St George Bank	36.4
7	*	TLS	Telstra Corporation	36.0
8	*	ANZ	Australia and New Zealand Banking Group	34.8
9	*	AMP	AMP	28.8
10	*	AWC	Alumina	23.8
11	*	TCL	Transurban Group	21.4
12	*	RIO	Rio Tinto	17.6
13		WAN	West Australian Newspapers Holdings	16.5
14	*	WPL	Woodside Petroleum	14.1
15	*	WOW	Woolworths	13.6
16	*	CPU	Computershare	12.8
17		FGL	Foster's Group	12.1
18	*	MIG	Macquarie Infrastructure Group	12.0
19	*	BIL	Brambles Industries	11.4
20		TOL	Toll Holdings	11.3

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**605.8**

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As % of Total Portfolio Value  
(excludes Cash & Bank Bills)

77.5%

(a) Includes \$21.0m News Corporation Class A Non-Voting Common Stock

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



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**HALF-YEAR REPORT  
31 DECEMBER 2005**

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## COMPANY PARTICULARS

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### Djerriwarrh Investments Limited (DJW)

ABN 38 006 862 693

DJW is a Listed Investment Company. As such it is an investor in equities and similar securities on the stock market primarily in Australia.

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

**Company Secretary:** Sue Crook

**Auditor:** PricewaterhouseCoopers, Chartered Accountants

**Country of incorporation:** Australia

**Registered office:** Level 20 \*  
101 Collins Street  
Melbourne, Victoria 3000

**Contact Details:** Mail Address: GPO Box 2114, Melbourne, Victoria 3001  
Telephone (03) 9650 9911  
Facsimile: (03) 9650 9100  
Email: [invest@djerri.com.au](mailto:invest@djerri.com.au)  
Internet address: [www.djerri.com.au](http://www.djerri.com.au)

For enquiries regarding net asset backing (as advised each month to the Australian Stock Exchange):

Telephone: 1800 780 784 (toll free)

**Share Registrar:** Link Market Services Limited  
Mail Address: PO Box A2277, Sydney South, NSW 1235  
4/333 Collins Street, Melbourne, Victoria 3000  
DJW Shareholder enquiry line: 1300 554 474  
+613 9615 9947 (from overseas)  
Facsimile: (03) 9615 9900  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Internet: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

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

**Stock Exchange Code:** DJW Ordinary shares  
DJWGA 6.5% Unsecured convertible Notes

**Trustee for Noteholders:** Trust Company of Australia Limited  
Address: 35 Clarence Street Sydney, NSW 2000  
Telephone: (02) 9229 9000

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\* From 6th March, Level 21

# DIRECTORS' REPORT

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This report in relation to the half-year to 31 December 2005 is presented by the Directors of Djerriwarrh Investments Limited ('the Company') in accordance with a resolution of Directors.

## Directors

The following persons were Directors of the Company during the half-year and up to the date of this report:

B.B. Teele  
R.E. Barker  
T.A. Campbell  
R.J. Fynmore AO  
A.F. Guy  
G.J. Kraehe AO  
J. Paterson

## 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 are paid out as dividends, which to date, have all been fully franked.

### Performance Indicators and Outcomes

Under the Australian equivalents to International Financial Reporting Standards (AIFRS) the reported profit attributable to shareholders was \$29.7 million, up from \$22.6 million from the corresponding period last year. It should be noted this figure includes profits made on the sale of investments which can occur from time to time because of the exercise of options, the subsequent sale of shares as a result of these options and the sale of stock as a result of actions such as takeovers. In previous results these gains would have gone through the asset realisation reserve.

Taking into account the operating profit of \$20.4 million, which excludes these gains on sales in profits and therefore more reflects the underlying dividend and option income generated from the portfolio, the Board has declared an interim dividend of 10 cents per share, unchanged from last year's interim dividend.

### Auditors' independence declaration

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 22.

### **Rounding of amounts to nearest thousand dollars**

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Unless specifically stated otherwise, amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Bruce B Teele  
Chairman  
Melbourne

9 February 2006

## INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	Half-year 2005 \$'000	Half-year 2004 \$'000
<b>Revenue from investment portfolio</b>		16,421	17,706
<b>Realised gains/(losses) on options written portfolio</b>		4,559	(796)
<b>Revenue from deposits and bank bills</b>		550	308
<b>Income from trading portfolio</b>			
Revenue from trading portfolio	2,200	2,001	
Net realised gains	527	1,312	
Net unrealised gains	2,508	5,197	8,510
		<hr/>	<hr/>
<b>Income from operating activities before capital gains/(losses)</b>		<b>26,765</b>	<b>25,728</b>
Finance costs		(3,929)	(4,235)
Administration expenses		(948)	(880)
<b>Operating profit before income tax expense and capital gains/(losses)</b>	<b>3</b>	<hr/> <b>21,888</b>	<hr/> <b>20,613</b>
<b>Income tax expense</b>		<b>(1,511)</b>	<b>(838)</b>
<b>Net operating profit before capital gains/(losses)</b>		<hr/> <b>20,377</b>	<hr/> <b>19,775</b>
<b>Capital Gains/(Losses)</b>			
Net realised gains on Ordinary Securities in the investment portfolio		16,876	4,873
Net gains on Other Securities in the investment portfolio		202	364
Net unrealised losses on options written portfolio		(2,669)	(1,675)
Tax expense on above		(5,056)	(702)
<b>Net Capital Gains/(Losses)</b>		<hr/> <b>9,353</b>	<hr/> <b>2,860</b>
<b>Profit attributable to members of the company</b>		<hr/> <b>29,730</b>	<hr/> <b>22,635</b>
		<hr/>	<hr/>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>10</b>	18.66	14.30
Basic net operating profit per share	<b>10</b>	12.79	12.49
Diluted earnings per share	<b>10</b>	17.85	13.87

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

## BALANCE SHEET AS AT 31 DECEMBER 2005

		31 Dec 2005 \$'000	30 June 2005 \$'000
	Note		
<b>Current assets</b>			
Cash		6,068	65,045
Receivables		1,833	5,500
Trading portfolio	4	81,036	57,366
<b>Total current assets</b>		<u>88,937</u>	<u>127,911</u>
<b>Non-current assets</b>			
Investment portfolio		711,612	622,841
Deferred borrowing costs		584	667
Deferred tax assets		2,278	1,315
<b>Total non-current assets</b>		<u>714,474</u>	<u>624,823</u>
<b>Total assets</b>		<u>803,411</u>	<u>752,734</u>
<b>Current liabilities</b>			
Payables		1,429	2,129
Tax payable		7,377	5,638
Borrowings		60,000	60,000
Interest-Rate Hedging Contracts		341	475
Options written portfolio	6	11,026	7,490
<b>Total current liabilities</b>		<u>80,173</u>	<u>75,732</u>
<b>Non-current liabilities</b>			
Payables		776	776
Borrowings	7	56,545	56,665
Deferred tax liabilities - investment portfolio	5	61,224	50,574
<b>Total non-current liabilities</b>		<u>118,545</u>	<u>108,015</u>
<b>Total liabilities</b>		<u>198,718</u>	<u>183,747</u>
<b>Net Assets</b>		<u>604,693</u>	<u>568,987</u>
<b>Shareholders' equity</b>			
Share Capital	8	400,142	396,739
Revaluation Reserve		118,942	96,662
Realised Capital Gains Reserve		53,220	53,840
Retained Profits		32,730	22,221
Interest-Rate Hedging Reserve		(341)	(475)
<b>Total shareholders' equity</b>		<u>604,693</u>	<u>568,987</u>

This balance sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Share Capital (\$000)	Revaluation Reserve (\$000)	Realised Capital Gains Reserve (\$000)	Retained Profits (\$000)	Interest- Rate Hedging Reserve (\$000)	Total (\$000)
<b>As at 1 July 2004</b>	<b>393,192</b>	<b>52,939</b>	<b>33,509</b>	<b>19,800</b>	<b>-</b>	<b>499,440</b>
Dividends paid				(18,138)		
Dividend Reinvestment Plan	3,241					
<i>Transactions with Equity Holders in their capacity as Equity Holders</i>	<i>3,241</i>			<i>(18,138)</i>		<i>(14,897)</i>
Other Share Capital adjustments	(878)					<b>(878)</b>
Net movement in Fair-Value for Interest-Rate Swaps					(658)	
Revaluation of investment portfolio		48,894				
Provision for tax on unrealised gains		(10,425)				
<i>Total Direct Equity Adjustments</i>		<i>38,469</i>			<i>(658)</i>	<i>37,811</i>
Profit for the period				22,635		
<i>Total Income for Period</i>		<i>38,469</i>		<i>22,635</i>	<i>(658)</i>	<b>60,446</b>
Transfers between Reserves			3,153	(3,153)		-
<b>As at 31 December 2004</b>	<b>395,555</b>	<b>91,408</b>	<b>36,662</b>	<b>21,144</b>	<b>(658)</b>	<b>544,111</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

	Share Capital (\$000)	Revaluation Reserve (\$000)	Realised Capital Gains Reserve (\$000)	Retained Profits (\$000)	Interest- Rate Hedging Reserve (\$000)	Total (\$000)
<b>As at 31 December 2004</b>	<b>395,555</b>	<b>91,408</b>	<b>36,662</b>	<b>21,144</b>	<b>(658)</b>	<b>544,111</b>
Dividends paid				(15,843)		
Dividend Reinvestment Plan	2,721					
<i>Transactions with Equity Holders in their capacity as Equity Holders</i>	<u>2,721</u>			<u>(15,843)</u>		<u>(13,122)</u>
Other Share Capital adjustments	(1,537)					(1,537)
Net movement in Fair-Value for Interest-Rate Swaps					183	
Revaluation of investment portfolio		8,229				
Provision for tax on unrealised gains		(2,975)				
<i>Total Direct Equity Adjustments</i>		<u>5,254</u>			<u>183</u>	<u>5,437</u>
Profit for the period				34,098		
<i>Total Income for Period</i>		<u>5,254</u>		<u>34,098</u>	<u>183</u>	<u>39,535</u>
Transfers between Reserves			17,178	(17,178)		-
<b>As at 30 June 2005</b>	<b>396,739</b>	<b>96,662</b>	<b>53,840</b>	<b>22,221</b>	<b>(475)</b>	<b>568,987</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

	Share Capital (\$000)	Revaluation Reserve (\$000)	Realised Capital Gains Reserve (\$000)	Retained Profits (\$000)	Interest- Rate Hedging Reserve (\$000)	Total (\$000)
<b>As at 30 June 2005</b>	<b>396,739</b>	<b>96,662</b>	<b>53,840</b>	<b>22,221</b>	<b>(475)</b>	<b>568,987</b>
Dividends paid			(620)	(19,221)		
Dividend Reinvestment Plan	3,287					
<i>Transactions with Equity Holders in their capacity as Equity Holders</i>	<u>3,287</u>		<u>(620)</u>	<u>(19,221)</u>		<b>(16,554)</b>
Other Share Capital adjustments	116					<b>116</b>
Net movement in Fair-Value for Interest-Rate Swaps					134	
Revaluation of investment portfolio		32,944				
Provision for tax on unrealised gains		(10,664)				
<i>Total Direct Equity Adjustments</i>		<u>22,280</u>			<u>134</u>	<u>22,414</u>
Profit for the period				29,730		
<i>Total Income for Period</i>		<u>22,280</u>		<u>29,730</u>	<u>134</u>	<b>52,144</b>
<b>As at 31 December 2005</b>	<b>400,142</b>	<b>118,942</b>	<b>53,220</b>	<b>32,730</b>	<b>(341)</b>	<b>604,693</b>

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

# STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Half-year 2005 \$'000	Half-year 2004 \$'000
Note	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
<b>Cash flows from operating activities</b>		
Sales from trading portfolio	16,029	19,277
Purchases for trading portfolio	(36,541)	(46,646)
Proceeds from sales of options in options written portfolio	14,351	11,126
Payments to purchase options in options written portfolio	(8,925)	(7,865)
Interest received	588	318
Dividends and distributions received	22,177	21,035
	7,679	(2,755)
Administration expenses	(921)	(892)
Finance costs paid	(3,912)	(4,979)
Income taxes paid	(5,783)	(2,698)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(2,937)</b>	<b>(11,324)</b>
<b>Cash flows from investing activities</b>		
Sales from investment portfolio	73,766	55,087
Purchases for investment portfolio	(113,348)	(52,993)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(39,582)</b>	<b>2,094</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowing	27,500	329,686
Repayment of borrowings	(27,500)	(303,176)
Convertible note issue transaction costs	-	(390)
Share issues transaction costs	-	(2)
Payment for shares bought back	(4)	(881)
Dividends paid	(16,454)	(14,897)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(16,458)</b>	<b>10,340</b>
Net increase/(decrease) in cash held	(58,977)	1,110
Cash at the beginning of the half-year	65,045	1,205
<b>Cash at the end of the half-year</b>	<b>6,068</b>	<b>2,315</b>

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

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

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## 1. Basis of preparation of half-year financial report

This general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report should be read in conjunction with the 2005 Annual Report and public announcements made by the Company during the half-year, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities

This half-year financial report is the first to be prepared in accordance with AIFRS (Australian Equivalents to International Financial Reporting Standards). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements. The Company's financial statements until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the financial statements for the half-year ended 31 December 2005 the Company has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. The Company has not taken advantage of the exemption available under AASB 1 to defer application of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Company's equity and net income are given in note 13.

### 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*

The Company has three discrete portfolios of securities, the trading portfolio, the options written portfolio and the investment portfolio. The purchase and the sale of securities are accounted for at the date of trade.

The trading portfolio comprises securities held for short term trading purposes, including exchange traded options contracts that are entered into, as described in Note 4.

The options written portfolio contains exchange traded options contracts that are entered into on the same basis as described in Note 4.

The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis.

Ordinary securities within the investment portfolio are classified as 'assets available for sale', whereas securities that contain a derivative element (eg Convertible Notes) and the trading portfolio are classified as 'assets measured at fair value through the Income Statement'.

*(ii) Valuation of investment portfolio*

Securities, including listed and unlisted shares and notes and options, are initially brought to account at cost and are revalued to market values continuously (market value being 'fair value' for a listed security). Increments and decrements on Ordinary Securities are taken to the Revaluation Reserve while it has a positive balance in total, otherwise they are included in Net Profit.

Where disposal of an investment occurs any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Income Statement.

Increments and decrements on the value of the securities that contain a derivative element (known as 'Hybrids') are taken directly through the Income Statement.

*(iii) Valuation of trading portfolio*

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

All securities in the trading portfolio are revalued to market values continuously (market value being 'fair value' for a listed security).

Increments and decrements on the value of securities in the trading portfolio are taken directly through the Income Statement.

*(iv) Valuation of options written portfolio*

Options written are initially brought to account at the amount received upfront for entering the contract (the premium) and subsequently revalued to current market value. Increments and decrements are taken through the Income Statement.

*(v) 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 and distributions relating to unlisted securities are recognised as income when received unless the distributions are capital returns on ordinary shares in which case the amount of the distribution is treated as an adjustment to the carrying value of the shares.

The realised gain or loss on options written is not recognised until the option expires, is exercised or is repurchased from the holder. All unrealised gains or losses which represent movements in the Market Value of the options are recognised through the Income Statement.

**c) Taxation**

The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying

amounts in the financial statements and to the unused tax losses. Deferred tax assets and liabilities are offset where they are expected to reverse in the same period.

A tax provision is made for the unrealised gain or loss on securities valued at fair value through the Income Statement – ie hybrids, the trading portfolio and the options written portfolio.

A provision has to be made for any taxes that could arise on disposal of securities in the investment portfolio, even though there is no intention to dispose of them. Where the Company disposes of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes offset against any capital losses carried forward.

**d) Cash flows**

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

**e) Bills of exchange**

Bills of exchange and investment grade promissory notes, which have been purchased in the market at a discount to face value, are carried at an amount representing cost. The discount is brought to account by amortising it over the life of the bill or note and is accounted for as interest received.

**f) Convertible notes**

On issue of convertible notes, the Company estimates the fair value of the liability component, being the obligation to make future payments of principal and interest to noteholders, using a market interest rate for an equivalent non-convertible note. Where the residual amount is material it is included in equity as other equity securities with no recognition of any change in the value of the option in subsequent periods. The liability is then included in borrowings and carried on an amortised cost basis with interest on the notes recognised as borrowing costs on an effective yield basis until the liability is extinguished on conversion or maturity of the notes.

The costs incurred in issuing convertible notes are recognised as deferred borrowing costs and amortised over the term of the note.

**g) Interest rate swap**

The Company has hedged a proportion of its short term borrowings against changes in interest rates by entering into interest rate swap agreements. The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period of settlement. The amount recognised is accounted for as swap contract costs during the period and included in 'other receivables' or 'other payables' at each balance date.

Interest-rate swaps are shown at 'fair value' on the Balance Sheet representing the cost of unwinding the swap. Provided the Company's swap agreements remain effective hedges, the cumulative movement in the fair value of the swap agreements is recognised in equity. Otherwise the change in the fair value is recognised in Net Profit.

## h) 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.

The fair value for assets that are actively traded on-market is defined by AASB 139 as 'last bid price'.

## i) Directors' retirement allowances

The Company recognises as 'amounts payable' Directors' retirement allowances that have been crystallised. No further amounts will be expensed as retirement allowances.

## j) 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. Financial reporting by segments

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

## 3. Operating profit

	<b>Half-year 2005 \$'000</b>	<b>Half-year 2004 \$'000</b>
Operating profit is comprised of the following:		
Dividends and distributions		
• securities held in investment portfolio	14,256	14,249
• securities held in trading portfolio	2,200	2,001
• special buybacks – investment portfolio	2,100	3,392
	<u>18,556</u>	<u>19,642</u>
Interest income		
• securities held in investment portfolio	65	65
• deposits and income from bank bills	550	308
	<u>615</u>	<u>373</u>
Net gains/(losses)		
• net gains from trading portfolio sales	527	1,312
• unrealised gains in trading portfolio	2,508	5,197
• net realised gains/(losses) on options written portfolio	4,559	(796)
	<u>7,594</u>	<u>5,713</u>
Operating income	<u>26,765</u>	<u>25,728</u>
Finance costs	(3,929)	(4,235)
Administration expenses	(948)	(880)
<b>Net operating profit before income tax expense and capital gains/(losses)</b>	<u><b>21,888</b></u>	<u><b>20,613</b></u>

#### 4. Current assets – trading portfolio

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

As at balance date there were call options outstanding which potentially required the Company, if they were exercised, to deliver securities to the value of \$59.3 million (2004: \$53.5 million) held by the Company in its trading portfolio.

#### 5. Non current assets – investment portfolio

If the investment portfolio had been sold immediately after balance date a net capital gains tax liability of \$61.2 million based upon a tax rate of 30% (30 June 2005: \$50.6 million) would have arisen and is provided for in accordance with Accounting Standards. 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.

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

As at balance date the Company had sold put options which at the option of the purchaser may require the Company to buy prior to the respective expiry dates, if they were exercised, certain securities at prices which in aggregate totalled \$33.0 million (2004: \$12.6 million). As at balance date there were call options outstanding which potentially required the Company, if they were exercised, to deliver securities to the value of \$229.1 million (2004: \$169.1 million) held by the Company in its trading portfolio.

#### 7. Non-current liabilities - borrowings

The Company has on issue at balance date 14,498,743 convertible notes with a face value of \$3.90. These notes pay interest semi-annually at a rate of 6.5% per annum and are convertible into one ordinary share per note at the option of the holder on 31 March or 30 September each year.

#### 8. Shareholders' equity – share capital

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

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
01/07/2005	Opening Balance		158,730		396,739
23/08/2005	Dividend Reinvestment Plan	i	832	3.95	3,287
30/09/2005	Conversion of convertible notes	ii	31	3.90	120
Various	Buy-backs	iii	(1)		(4)
31/12/2005	Balance		<u>159,592</u>		<u>400,142</u>

- i The Company has a Dividend Reinvestment Plan under which shareholders elected to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares was based on the average selling price of shares traded on the Australian

Stock Exchange in the five days from the day the shares begin trading on an ex-dividend basis.

- ii The Company issued shares at 30 September 2005 as a result of the conversion of convertible notes (see Note 7).
- iii The Company introduced an on-market Buy-Back Programme in December 2000. During half-year ended 31 December 2005 the Company had bought back 1,000 shares at an average price of \$4.15. During the corresponding period in 2004, 250,000 shares were bought back at an average price of \$3.52.

<b>9. Dividends</b>	<b>Half-year 2005 \$000</b>	<b>Half-year 2004 \$000</b>
Dividends provided for or paid during the period	19,841	18,138
<b>Dividends not recognised at period end</b>		
Since the end of the half-year the Directors have declared an interim dividend of 10 cents per share fully franked. The aggregate amount of the proposed interim dividend expected to be paid on 8 March 2006, but not recognised as a liability at the end of the half-year is	15,959	
<b>10. Earnings per Share</b>	<b>Half-year 2005</b>	<b>Half-year 2004</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	159,321,982	158,307,853
<b>Basic earnings per share</b>	<b>\$'000</b>	<b>\$'000</b>
Profit attributable to members of the company	29,730	22,635
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	18.66	14.30
<b>Basic net operating profit per share</b>	<b>\$'000</b>	<b>\$'000</b>
Net operating profit	20,377	19,775
	<b>Cents</b>	<b>Cents</b>
Basic net operating profit per share	12.79	12.49

	<b>Half-year 2005</b>	<b>Half-year 2004</b>
<b>Diluted earnings per share</b>		
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	173,820,725	172,130,724
	<b>\$'000</b>	<b>\$'000</b>
Earnings used in calculating diluted earnings per share	31,021	23,870
	<b>Cents</b>	<b>Cents</b>
Diluted earnings per share	17.85	13.87

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

Since 31 December 2005 to the date of this report there has been no event of which the Directors are aware which has had a material effect on the Company or its financial position.

### **12. Contingencies**

At balance date Directors are not aware of any material contingent liabilities or contingent assets other than those already disclosed elsewhere in the financial report.

### 13. Explanation of Transition to Australian equivalents to IFRS (“AIFRS”).

In preparing the opening AIFRS compliant balance sheet, adjustments have been made to the figures previously reported in the 30 June 2005 financial report. The impacts of the adoption on the total equity brought forward and 2005 Profit after tax reported under previous Australian Generally Accepted Accounting Principles (“AGAAP”) are illustrated below :

#### i) Income Statement for Half-Year Ended 31 December 2004

(\$000)	AGAAP	Adj.	AIFRS
Revenue from investment portfolio	17,706		17,706
Income from options written portfolio	(796)		(796)
Income from trading portfolio c)	3,313	5,197	8,510
Revenue from Deposits & Bank Bills	308		308
<b>Total income from ordinary activities</b>	<b>20,531</b>	<b>5,197</b>	<b>25,728</b>
Administration & borrowing expenses	(5,115)		(5,115)
<b>Operating profit</b>	<b>15,416</b>	<b>5,197</b>	<b>20,613</b>
<b>Income tax expense d)</b>	<b>721</b>	<b>(1,559)</b>	<b>(838)</b>
<b>Net operating profit</b>	<b>16,137</b>	<b>3,638</b>	<b>19,775</b>
Realised gains on Ordinary Securities in investment portfolio f)		4,873	4,873
Gains on Other Securities in investment portfolio b)		364	364
Unrealised gains/(losses) on options written portfolio c)		(1,675)	(1,675)
Tax on gains in investment portfolio d)		(1,205)	(1,205)
Tax on unrealised gains/(losses) on options written portfolio d)		503	503
<b>Net Profit</b>	<b>16,137</b>	<b>6,498</b>	<b>22,635</b>
<b>Direct adjustments against equity</b>			
Realised gains/(losses) on investment portfolio (net of tax) f)	4,268	(4,268)	
Unrealised gains/(losses) on investment portfolio (net of tax) c)	48,559	(10,090)	38,469
Unrealised gains/(losses) on options written portfolio c)	(1,675)	1,675	
<b>Total valuation adjustments recognised directly in equity</b>	<b>51,152</b>	<b>(12,683)</b>	<b>38,469</b>
<b>Net profit plus direct equity adjustments</b>	<b>67,289</b>	<b>(6,185)</b>	<b>61,104</b>

#### Income Statement for Year Ended 30 June 2005

(\$000)	AGAAP	Adj.	AIFRS
Revenue from investment portfolio	31,895		31,895
Income from options written portfolio	3,317		3,317
Income from trading portfolio c)	10,885	1,797	12,682
Revenue from Deposits & Bank Bills & other Income	544		544
<b>Total income from ordinary activities</b>	<b>46,641</b>	<b>1,797</b>	<b>48,438</b>
Administration & borrowing expenses	(9,857)		(9,857)
<b>Operating profit</b>	<b>36,784</b>	<b>1,797</b>	<b>38,581</b>
<b>Income tax expense d)</b>	<b>(1,723)</b>	<b>(539)</b>	<b>(2,262)</b>
<b>Net operating profit</b>	<b>35,061</b>	<b>1,258</b>	<b>36,319</b>
Realised gains on Ordinary Securities in investment portfolio f)		26,597	26,597
Gains/(losses) on Other Securities in investment portfolio b)		(311)	(311)
Unrealised gains/(losses) on options written portfolio c)		(1,041)	(1,041)
Tax on gains in investment portfolio d)		(5,142)	(5,142)
unrealised gains/(losses) on options written portfolio d)		312	312
<b>Net Profit</b>	<b>35,061</b>	<b>21,673</b>	<b>56,734</b>
<b>Direct adjustments against equity</b>			
Realised gains/(losses) on investment portfolio (net of tax) f)	21,447	(21,447)	
Unrealised gains/(losses) on investment portfolio (net of tax) c)	56,692	(12,970)	43,722
Unrealised gains/(losses) on options written portfolio c)	(1,041)	1,041	
<b>Total valuation adjustments recognised directly in equity</b>	<b>77,098</b>	<b>(33,376)</b>	<b>43,722</b>
<b>Net profit plus direct equity adjustments</b>	<b>112,159</b>	<b>(11,703)</b>	<b>100,456</b>

## ii) Balance Sheet

	AGAAP			Adjustment			AIFRS		
	\$000 1/07/04	\$000 31/12/04	\$000 30/06/05	\$000 1/07/04	\$000 31/12/04	\$000 30/06/05	\$000 1/07/04	\$000 31/12/04	\$000 30/06/05
Trading portfolio a)	47,711	74,490	52,095	3,474	8,671	5,271	51,185	83,161	57,366
Future income tax benefit	716	2,229	2,421				716	2,229	2,421
Investment Portfolio	570,849	625,136	622,841				570,849	625,136	622,841
Other assets	10,816	14,256	71,212				10,816	14,256	71,212
<b>Total assets</b>	<b>630,092</b>	<b>716,111</b>	<b>748,569</b>	<b>3,474</b>	<b>8,671</b>	<b>5,271</b>	<b>633,566</b>	<b>724,782</b>	<b>753,840</b>
Deferred tax liability d)& e)				(38,180)	(49,562)	(51,680)	(38,180)	(49,562)	(51,680)
Fair Value of Swap					(658)	(475)		(658)	(475)
Other liabilities	(95,946)	(130,451)	(132,698)				(95,946)	(130,451)	(132,698)
<b>Total liabilities</b>	<b>(95,946)</b>	<b>(130,451)</b>	<b>(132,698)</b>	<b>(38,180)</b>	<b>(50,220)</b>	<b>(52,155)</b>	<b>(134,126)</b>	<b>(180,671)</b>	<b>(184,853)</b>
<b>Net assets</b>	<b>534,146</b>	<b>585,660</b>	<b>615,871</b>	<b>(34,706)</b>	<b>(41,549)</b>	<b>(46,884)</b>	<b>499,440</b>	<b>544,111</b>	<b>568,987</b>
<b>Shareholders' equity</b>									
Share Capital	393,192	395,555	396,739				393,192	395,555	396,739
Reserves g)	123,929	173,968	199,913	(70,990)	(83,218)	(103,726)	52,939	90,750	96,187
Retained Earnings <sup>1 f)</sup>	17,025	16,137	19,219	36,284	41,669	56,842	53,309	57,806	76,061
<b>Total shareholders' equity</b>	<b>534,146</b>	<b>585,660</b>	<b>615,871</b>	<b>(34,706)</b>	<b>(41,549)</b>	<b>(46,884)</b>	<b>499,440</b>	<b>544,111</b>	<b>568,987</b>

<sup>1</sup> Includes Realised Capital Gains

## iii) Statement of Cash Flows

The adoption of AIFRS has not resulted in any material adjustments to the statement of cash flows for the year ended 30 June 2005.

## iv) Explanatory Notes

### (a) Investments Measured at Market Value

All Investments (including the Trading Portfolio) are measured at Market Value. The Accounting Standard (AASB 139) defines 'Last Bid Price' as the relevant Market Value.

### (b) Hybrids and Convertible Securities

Where Hybrids and Convertible Securities that contain a derivative element are included in the Investment Portfolio, any unrealised gains or losses on these securities are included in the Income Statement rather than as an adjustment through the Revaluation Reserve as is the case with other securities held in the Investment Portfolio.

### (c) Unrealised Gains/Losses on the Trading Portfolio and Options Written Portfolio

All unrealised gains or losses on the Trading Portfolio and Options Written Portfolio are included in the Income Statement for that period.

#### **(d) Provision for Deferred Tax on Unrealised Gains/Losses in the Income Statement**

A provision for the tax that would be due on unrealised gains or the credit receivable on unrealised losses that are included in the Income Statement is made on the Balance Sheet, and changes to this provision are reflected in the Income Statement.

#### **(e) Provision for Deferred Capital Gains Tax on Unrealised Gains through the Revaluation Reserve**

A provision for the tax that would be due on unrealised gains or the credit receivable on unrealised losses that are included in the Revaluation Reserve is made on the Balance Sheet, and changes to this provision are reflected directly through equity.

#### **(f) Realised Gains or Losses on Securities in the Investment Portfolio**

All realised gains or losses, and the tax payable/tax credit receivable thereon, are accounted for through the Income Statement, and are therefore part of the Profit Attributable to Members. The net gains/losses may be transferred through reserves from Retained Earnings to the Realised Capital Gains Reserve which is also available for distribution. Any Listed Investment Company gains ("LIC gains") that are paid to shareholders as part of a dividend will be sourced from the Realised Capital Gains Reserve.

#### **(g) Fair Value of Interest-Rate Hedging Contracts**

The interest-rate swap that the Company has entered into with respect to its short-term borrowings is defined as a 'perfect hedge' in the accounting standards. As such, its 'fair value' (being the cost of unwinding it) is disclosed on the Balance Sheet, and all changes in that fair value are recorded through the Statement of Changes in Equity.

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## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 20 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
  
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Bruce B. Teele  
Chairman  
Melbourne  
9 February 2006

PricewaterhouseCoopers  
ABN 52 780 433 757

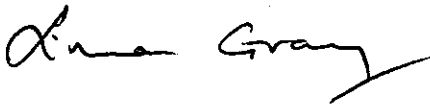
Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77 Melbourne  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999

## Auditor's Independence Declaration

As lead auditor for the review of Djerriwarrh Investments Limited for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Simon Gray  
Partner  
PricewaterhouseCoopers

Melbourne  
9 February 2006

## Independent review report to the members of Djerriwarrh Investments Limited

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Djerriwarrh Investments Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Djerriwarrh Investments Limited as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Djerriwarrh Investments Limited ("the Company"), for the half-year ended 31 December 2005.

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.

#### Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of Company personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

**Independence**

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



PricewaterhouseCoopers  
Chartered Accountants



Simon Gray  
Partner

Melbourne  
9 February 2006