



**DJERRIWARRH  
INVESTMENTS  
LIMITED**

ABN 38 006 862 693

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**APPENDIX 4D STATEMENT  
FOR THE HALF-YEAR ENDING 31 DECEMBER 2007**

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**CONTENTS**

- Results for announcement to the market
- Media Release
- Appendix 4D Accounts
- Independent Auditors' Review Report

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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The reporting period is the half-year ended 31 December 2007 with the previous corresponding period being the half-year ended 31 December 2006

### Results for announcement to the market

- Net Operating Profit before net gains on investments was \$23.9 million, 8.7% up from the previous corresponding period. In the opinion of Directors, this is the better measure of the Company's performance in deriving on-going investment, trading and options income from the Company's portfolios.
- Profit for the half-year (including net realised capital gains) was \$56.2 million, 115.5% up from the previous corresponding period due to the increase in the number of securities sold from the investment portfolio (realised gains in the investment portfolio were \$29.5 million for the half-year, up from \$7.3 million during the corresponding period, before tax). The amount of realised capital gains made by the Company can fluctuate greatly from period to period depending on the level of take-over activity that affects stocks in the Company's investment portfolio, and the sale of securities to meet call option obligations.
- Revenue from operating activities (excluding capital gains) was \$23.9 million, 13.5% up from the previous corresponding period.
- The interim dividend of 10 cents per share fully franked, unchanged from the previous interim period, will be paid on 16 February 2008 to ordinary shareholders on the register on 1 February 2008.
- The final dividend for the 2007 financial year was 16 cents per share, fully franked, and it was paid to shareholders on 9 August 2007.
- 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 Securities 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 1 February 2008.
- The record date for the payment of interest on 31 March 2008 on the 6.5% Unsecured Convertible Notes on issue will be 25 March 2008. Notice to convert the Notes to Ordinary Shareholders needs to be received by the Company by 15 March 2008 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 2007 were \$5.16 (before allowing for the interim dividend), up from \$4.72 (also before allowing for the interim dividend) at the end of the previous corresponding period.

## MEDIA RELEASE - HALF YEAR RESULT

21 January 2008

### DJERRI WARRH WELL POSITIONED FOR UNCERTAIN MARKETS

Djerriwarrh Investments Limited announced today its financial results for the half year to 31 December 2007.

#### SUMMARY OF RESULTS

- **Net Operating Profit** was \$23.9 million (last year \$22.0 million), up 8.7% from the previous corresponding period. This operating profit is made up primarily of dividends received from the investment portfolio, option income and revenue from the trading portfolio. It does not include realised gains on the sale of investments and is indicative of the income generated by the Company's portfolios.
- **Profit after tax** was \$56.2 million (last year \$26.1 million). This includes realised gains on the sale of investments and a revaluation of open option positions. Sales of investments fluctuate greatly from period to period depending primarily upon the level of takeover activity and the sale of securities to meet call option obligations.
- **Earnings per share** based on Net Operating Profit were 11.8 cents compared with 12.1 cents last year. This outcome was largely a result of the increase in the number of the Company's shares on issue from the capital raising in late 2006. Operating earnings per share is the key measure used in the Company's dividend considerations.
- **A fully franked interim dividend** of 10 cents per share will be paid on 16 February. This interim dividend is unchanged from last year.
- **Total portfolio return** after tax and management fees over the half (change in net asset backing per share plus dividends reinvested) was an increase of 1.6%; and 15.0% over the twelve months to 31 December 2007.
- **Total shareholder return** measured by change in share price plus dividends over the six month period was 10.0%; and 16.6% over the twelve months to 31 December 2007.
- **Management expense ratio** on an annualised basis was 0.24%
- **Net asset backing at 31 December 2007** was \$5.16 (before providing for the 10 cent interim dividend).

## **Chairman's Comments**

The Chairman, Mr Bruce Teele commented, "The market has experienced significant volatility over the past six months as investors dealt with the upheaval in sub-prime credit markets in the United States. This heightened uncertainty is against the background of an Australian equity market that has produced significant gains over the past few years. The extent of the volatility during the period was evidenced by the market reaching a significant low for the period in August and then an all time high in October.

The volatility that has occurred around these market conditions has been conducive to the investment activities of Djerriwarrh in that it has allowed us to generate higher premiums from our option writing activities. In particular, we have operated at a relatively high level of option coverage during the six months to 31 December 2007 at close to 40% coverage which is toward the upper end of our historical range. In addition, we have also been using "buy-write" strategies to acquire shares in good companies at advantageous prices and good yields given the higher option premium that accompanied these transactions.

## **Outlook**

At this point it is very difficult to make a prediction about the likely direction of markets over the remainder of the financial year.

At present, there is significant concern about a potential slowdown in the United States because of the disruptions in credit markets, the impact of a falling housing market and the follow-on effects on consumer confidence. In addition, there are also signs that Europe and Japan may encounter more subdued growth than previously expected. More recent geopolitical events are also fuelling heightened caution.

In Australia, company profitability which has been very strong may come under some pressure because of higher costs of debt funding, capacity constraints and higher inflation that are evident in an economy running strongly.

However as a counter to these concerns, the outlook for growth in China and other emerging markets which has been a key impetus for Australia's recent prosperity remains positive.

Djerriwarrh enters the second half well placed with a higher level of written option premium than this time last year. Market conditions will ultimately dictate how much of this premium will flow through to net operating profit by year end. Since 31 December the market has experienced a significant correction and increased volatility. As has been the case with such corrections in the past, while this has resulted in a decline in the value of the Company's investments, it has also provided opportunities to add to our holdings in quality companies and to write further options to enhance income."

## **Profit and Dividend Performance**

Net Operating Profit after tax was \$23.9 million (last year \$22.0 million), up 8.7% from the previous corresponding period. Income from investments which is driven by dividends and distributions received in the Investment Portfolio were up \$4.1 million or 21% over the corresponding period last year. This was in part due to the increase in the capital base arising from last years rights issue and the general increase in company dividends over the period.

Income from dealing in securities and derivatives which includes the revenue outcomes from the Company's option writing activities and the net gains in the Trading Portfolio was down to \$7.6 million from \$8.5 million last year. This was primarily as a result of a strong increase in option premium because of increased volatility being offset by a fall in contribution from the Trading Portfolio given subdued capital growth in the market over the six months to 31 December 2007.

The AIFRS reported profit after tax of the Company for the six months to 31 December 2007 was \$56.2 million. This figure includes \$29.5 million of pre-tax profit on the sale of securities from the investment portfolio and the marking to market of open option positions (i.e. the amount it would cost to buy back open option positions). It can therefore vary considerably between periods. The corresponding figure for AIFRS reported profit last year was \$26.1 million.

An interim fully franked dividend of 10 cents per share has been declared. This is in line with last year's interim dividend but on the expanded capital base from the rights issue in October 2006.

### **Investment Portfolio**

Despite the fall in markets toward the end of the calendar year, and since, some sectors managed to deliver relatively strong growth over the six months to 31 December 2007. In particular, the resources, energy, health and consumer staples (e.g. Woolworths) sectors all provided double digit returns over this period.

The total return on the portfolio over the six months to 31 December 2007 (measured by the change in net asset backing per share plus dividends reinvested) was an increase of 1.6% after tax and management fees, 15.0% over the twelve months to 31 December 2007. The strongest contributors to the Investment Portfolio over the six month period were Rio Tinto, BHP Billiton, Westpac, Commonwealth Bank and Woolworths.

The strength in Rio Tinto and BHP Billiton at certain stages during the period meant that some call options were exercised against these stocks. We were however able to replace some of these positions using "buy-write" strategies through the period given the high level of volatility in these stocks.

Other major net acquisitions over the half year using a similar investment strategy included Commonwealth Bank, Brambles and National Australia Bank.

Major sales from the Investment Portfolio as a result of takeovers were Coles Group by Wesfarmers, Rinker because of the bid by Cemex S.A.B. de C.V. and Southern Cross Broadcasting by Fairfax Media & Macquarie Media Group.

### **Trading Portfolio**

Given our caution towards the market, the Trading Portfolio has been reduced. At 31 December, there was \$36 million of securities in the portfolio, or 3.1% of the total assets. This was down from \$50.8 million at 30 June 2007.

### **Directorship Matters**

As previously advised to the Stock Exchange, Russell Fynmore announced his retirement from the Board with effect from 31 December 2007. Mr Fynmore has been a Director of the Company for 15 years since April 1992.

Mr Fynmore has made an outstanding contribution to the Board over the past 15 years, initially when Djerriwarrh was a private company, and since June 1995 as a publicly listed company. Mr Fynmore has played an important role in the development of the Company over its formative period as the model of seeking to enhance income from a portfolio of leading listed Australian companies was established.

Mr Peter Barnett was appointed to the Board on 18 October 2007.

Mr Barnett brings a depth of experience as a Company Director and from his involvement in the resources industry. He is currently on the Board of AMCIL Limited. He was formerly a Director of Mayne Group Limited and Santos Limited and on the Advisory Council of ABN Amro Australasia Ltd.

We welcome him to the Board and look forward to his contribution to the Company.

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 20 INVESTMENTS AS AT 31 DECEMBER 2007

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Valued at closing prices at 31 December 2007			Total Value \$ million
1	*	BHP BHP Billiton	106.5
2	*	NAB National Australia Bank	85.9
3	*	WBC Westpac Banking Corporation	70.0
4	*	CBA Commonwealth Bank of Australia	67.0
5	*	RIO Rio Tinto	60.3
6	*	TLS Telstra Corporation (a)	55.1
7	*	ANZ Australia and New Zealand Banking Group	44.1
8	*	WPL Woodside Petroleum	38.9
9	*	NWS News Corporation (b)	38.0
10	*	WES Wesfarmers (c)	32.0
11	*	WAN West Australian Newspapers Holdings	31.2
12	*	AMP AMP	30.6
13	*	BXB Brambles	30.5
14	*	AWC Alumina	28.4
15	*	SGB St George Bank	27.5
16	*	WOW Woolworths	22.2
17	*	STO Santos	21.8
18	*	OSH Oil Search	21.2
19	*	TCL Transurban Group	17.3
20	*	AXA AXA Asia Pacific Holdings	16.8
			<b>845.3</b>
As % of Total Portfolio Value (excludes Cash & Bank Bills)			73.4%

(a) Includes \$18.5m TLSCA instalment receipts

(b) Includes \$12.6m News Corporation Class A Non-Voting Common Stock

(c) Includes \$5.3m WESN partially protected securities

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



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**HALF-YEAR REPORT  
31 DECEMBER 2007**

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## COMPANY PARTICULARS

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### Djerriwarrh Investments Limited (DJW)

ABN 38 006 862 693

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

**Directors:** Bruce B. Teele, Chairman  
Ross E. Barker, Managing Director  
Peter C. Barnett (appointed 18/10/2007)  
Terrence A. Campbell AO  
Russell J. Fynmore AO (retired 31/12/2007)  
Andrew F. Guy  
Graham J. Kraehe AO  
John Paterson

**Company Secretary:** Sue Crook  
**Secretary:** Andrew J. B. Porter  
**Auditor:** PricewaterhouseCoopers, Chartered Accountants

**Country of incorporation:** Australia

**Registered office:** Level 21  
101 Collins Street  
Melbourne, Victoria 3000

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

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

Telephone: 1800 780 784 (toll free)

**Share Registrar:** Computershare Investor Services Pty Limited  
Mail Address: Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067

DJW Shareholder enquiry line: 1300 653 915  
+613 9415 4190 (from overseas)  
Facsimile: (03) 9473 2500  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Internet: [www.computershare.com.au](http://www.computershare.com.au)

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

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

**Trustee for Noteholders:** Permanent Nominees (Aust) Limited  
Address: 35 Clarence Street Sydney, NSW 2000  
Telephone: (02) 9229 9000

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## **DIRECTORS' REPORT**

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This report in relation to the half-year to 31 December 2007 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  
P.C. Barnett (appointed 18/10/07)  
T.A. Campbell AO  
R.J. Fynmore AO (retired 31/12/07)  
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 Securities Exchange. There have been no changes in the nature of the Company's activities during the period. Its major objective is to provide attractive returns to its shareholders through dividends and capital growth. A high proportion of profits are paid out as dividends, which to date, have all been fully franked.

#### **Performance Indicators and Outcomes**

Djerriwarrh's Net Operating profit after tax was \$23.9 million up from \$22.0 million or 8.7% over the corresponding period last year. This operating profit is made up primarily of dividends received from the investment portfolio, option income and revenue from the trading portfolio, and is reflective of the Company's investment activities.

Under Australian equivalents to International Financial Reporting Standards ("AIFRS"), the reported profit after tax of the Company for the six months to 31 December 2007 was \$56.2 million. This figure includes after tax profits on the sale of securities from the investment account and the marking to market of open option positions (i.e. the amount it would cost to buy back open option positions). It can therefore vary considerably between periods. The corresponding figure in the last year was \$26.1 million. 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 \$29.5 million before tax. This figure last year was \$7.3 million.

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

**Auditors' independence declaration**

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 12.

**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.

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

Ross Barker  
Managing Director  
Melbourne

21 January 2008

PricewaterhouseCoopers  
ABN 52 780 433 757

Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999  
Website:www.pwc.com/au

## Auditor's Independence Declaration

As lead auditor for the review of Djerriwarrh Investments Limited for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

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

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



David Coogan  
Partner  
PricewaterhouseCoopers

Melbourne  
21 January 2008

## INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Half-year 2007 \$'000	Half-year 2006 \$'000
Dividends and distributions		23,709	19,596
Revenue from deposits and bank bills		178	1,457
<b>Total revenue</b>		<b>23,887</b>	<b>21,053</b>
Net gains on trading portfolio		35	5,494
Income from options written portfolio		7,568	3,055
<b>Income from operating activities before net gains on investments</b>	<b>3</b>	<b>31,490</b>	<b>29,602</b>
Finance costs		(4,625)	(3,584)
Administration expenses		(1,473)	(1,185)
Share of net profit from Associate		50	-
<b>Operating profit before income tax expense and net gains on investments</b>		<b>25,442</b>	<b>24,833</b>
Income tax expense*		(1,579)	(2,872)
<b>Net operating profit before net gains on investments</b>		<b>23,863</b>	<b>21,961</b>
Net gains on Ordinary Securities sold from the investment portfolio		29,524	7,311
Net gains/(losses) on open options positions		8,090	(4,541)
Net losses on Other Securities		-	(7)
Tax (expense)/credit on net gains on investments*		(5,259)	1,358
		32,355	4,121
<b>Profit for the half-year</b>		<b>56,218</b>	<b>26,082</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	<b>10</b>	27.74	14.41
Diluted earnings per share	<b>10</b>	26.93	14.02
		Half-year 2007 \$'000	Half-year 2006 \$'000
<b>* Total Tax Expense</b>		<b>6,838</b>	<b>1,514</b>

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

## BALANCE SHEET AS AT 31 DECEMBER 2007

		31 Dec 2007 \$'000	30 June 2007 \$'000
	Note		
<b>Current assets</b>			
Cash		443	545
Receivables		3,261	48,652
Trading portfolio	4	36,023	50,794
Interest-rate hedging contracts		1,036	805
<b>Total current assets</b>		<b>40,763</b>	<b>100,796</b>
<b>Non-current assets</b>			
Investment portfolio		1,129,182	1,086,700
Shares in associate		85	-
Deferred tax assets		2,620	2,347
<b>Total non-current assets</b>		<b>1,131,887</b>	<b>1,089,047</b>
<b>Total assets</b>		<b>1,172,650</b>	<b>1,189,843</b>
<b>Current liabilities</b>			
Payables		3,547	11,524
Tax payable		5,892	6,702
Borrowings		68,400	61,500
Options written portfolio	5	12,910	17,585
<b>Total current liabilities</b>		<b>90,749</b>	<b>97,311</b>
<b>Non-current liabilities</b>			
Borrowings	6	33,141	36,641
Deferred tax liabilities - investment portfolio	7	116,388	119,949
<b>Total non-current liabilities</b>		<b>149,529</b>	<b>156,590</b>
<b>Total liabilities</b>		<b>240,278</b>	<b>253,901</b>
<b>Net Assets</b>		<b>932,372</b>	<b>935,942</b>
<b>Shareholders' equity</b>			
Share Capital	8	575,620	567,278
Revaluation Reserve		176,918	213,041
Realised Capital Gains Reserve		136,519	113,815
Interest-rate Hedging Reserve		1,036	805
Retained Profits		42,279	41,003
<b>Total shareholders' equity</b>		<b>932,372</b>	<b>935,942</b>

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

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Half-year 2007 \$'000	Half-year 2006 \$'000
<b>Total equity at the beginning of the half-year</b>		<b>935,942</b>	<b>653,260</b>
Dividends paid	9	(32,238)	(21,214)
Dividend Reinvestment Plan		4,772	3,402
1-for-5 Rights Issue		-	140,326
Exercise of convertible notes		3,581	1,868
On-market share buy-backs		(10)	(14)
Costs of issue		(1)	(1,082)
<b>Total transactions with share-holders</b>		<b>(23,896)</b>	<b>123,286</b>
Revaluation of investment portfolio		(39,685)	65,866
Provision for tax on unrealised gains		3,562	(21,519)
Net unrealised gains on investment portfolio		(36,123)	44,347
Profit for the half-year		56,218	26,082
Net movement in fair value for interest rate swaps		231	292
<b>Total recognised income (including unrealised gains) &amp; expense for the half-year</b>		<b>20,326</b>	<b>70,721</b>
<b>Total equity at the end of the half-year</b>		<b>932,372</b>	<b>847,267</b>

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

## CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-year 2007 \$'000 INFLOWS/ (OUTFLOWS)	Half-year 2006 \$'000 INFLOWS/ (OUTFLOWS)
<b>Cash flows from operating activities</b>		
Sales from trading portfolio	30,625	23,503
Purchases for trading portfolio	(9,619)	(19,178)
Interest received	178	1,422
Proceeds from entering into options in options written portfolio	29,495	21,972
Payment to close out options in options written portfolio	(18,511)	(17,372)
Dividends and distributions received	30,443	23,339
	<u>62,611</u>	<u>33,686</u>
Administration expenses	(1,430)	(1,109)
Finance costs paid	(4,688)	(3,433)
Income taxes paid	(7,837)	(12,236)
<b>Net cash inflow/(outflow) from operating activities</b>	<u><b>48,656</b></u>	<u><b>16,908</b></u>
<b>Cash flows from investing activities</b>		
Investment in Associate	(50)	-
Sales from investment portfolio	120,563	85,239
Purchases for investment portfolio	(148,646)	(135,092)
<b>Net cash inflow/(outflow) from investing activities</b>	<u><b>(28,133)</b></u>	<u><b>(49,853)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	244,400	238,000
Repayment of borrowings	(237,500)	(258,000)
Share issues	-	140,326
Share issues transaction costs	-	(877)
Payment for shares bought back	(10)	(14)
Dividends paid	(27,515)	(17,760)
<b>Net cash inflow/(outflow) from financing activities</b>	<u><b>(20,625)</b></u>	<u><b>101,675</b></u>
Net increase/(decrease) in cash held	(102)	68,730
Cash at the beginning of the half-year	545	928
<b>Cash at the end of the half-year</b>	<u><b>443</b></u>	<u><b>69,658</b></u>

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

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# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

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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 2007 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*.

Except as detailed below the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### Associate Accounting Policy

Associates are entities over which the Company has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost, in the Company's financial statements.

The Company's share of its associate's post-acquisition profits or losses is recognised in the Income Statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

### Options Written Accounting Policy

For the financial year ending 30 June 2008, the income from options written portfolio is based on the original cost of the options, rather than their carrying value at the beginning of the accounting period. This has the effect of reducing net operating profit by \$1.7m for the half-year ended 31 December 2007 when compared to the previous accounting policy (2006 : \$1.85 million) and increasing the unrealised gain on open options positions by \$1.7m (2006 : \$1.85 million), therefore having no effect on net profit or the net assets of the Company.

## 2. Financial reporting by segments

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

<b>3. Income from operating activities</b>	<b>Half-year 2007 \$'000</b>	<b>Half-year 2006 \$'000</b>
Income from operating activities is comprised of the following:		
Dividends & distributions		
• securities held in investment portfolio	22,575	18,136
• securities held in trading portfolio	1,134	1,395
	<u>23,709</u>	<u>19,531</u>
Interest income		
• securities held in investment portfolio	-	65
• deposits and income from bank bills	178	1,457
	<u>178</u>	<u>1,522</u>
Net gains/(losses) and write downs		
• realised gains from trading portfolio sales	2,205	605
• realised gains on options written portfolio	7,568	3,055
• unrealised gains/(losses) in trading portfolio	(2,170)	4,889
	<u>7,603</u>	<u>8,549</u>
<b>Income from operating activities</b>	<u><b>31,490</b></u>	<u><b>29,602</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 \$13.2 million (2006: \$17.7 million), and put options outstanding that may require the Company to buy prior to the respective expiry dates, if they were exercised, certain securities at prices which in aggregate totalled \$2.7 million (2006: \$Nil).

#### **5. 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 \$31.4 million (2006: \$30.1 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 \$357.6 million (2006: \$290.3 million). The total income for the half-year of \$7.6 million (2006 : \$3.05 million) plus the unrealised gain on the open options position of \$8.1 million (2006 : loss of \$4.54 million) was a pre-tax net gain of \$15.7 million (2006: loss of \$1.49 million).

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

The Company has on issue at balance date 8,561,915 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.

## 7. Deferred tax liabilities – investment portfolio

In accordance with AASB 112 *Income Taxes*, deferred tax liabilities have been recognised for Capital Gains Tax on the unrealised gain in the investment portfolio at current tax rates (30%) totalling \$116.4 million (30 June 2007 \$119.9 million). As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at this amount.

## 8. Shareholders' equity – share capital

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

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
01/07/2007	Opening Balance		201,490		567,278
09/08/2007	Dividend Reinvestment Plan	i	934	5.11	4,772
30/09/2007	Note conversions	ii	918	3.90	3,581
Various	Buy-backs	iii	(2)		(10)
Various	Cost of share issues		-		(1)
31/12/2007	Balance		<u>203,340</u>		<u>575,620</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 2007 as a result of the conversion of convertible notes (see Note 6).
- iii The Company introduced an on-market Buy-Back Programme in December 2000. During half-year ended 31 December 2007 the Company had bought back 2,000 shares at an average price of \$5.16. During the corresponding period in 2006, 3,000 shares were bought back at an average price of \$4.55.

## 9. Dividends

	Half-year 2007 \$'000	Half-year 2006 \$'000
Dividends paid during the period	32,238	21,214

### Dividends not recognised at period end

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 16 February 2008, but not recognised as a liability at the end of the half-year is

20,334

<b>10. Earnings per Share</b>	<b>Half-year 2007</b>	<b>Half-year 2006</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	202,674,534	180,963,102
<b>Basic earnings per share</b>		
	<b>\$'000</b>	<b>\$'000</b>
Profit for half-year	56,218	26,082
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	27.74	14.41
<b>Net operating profit per share</b>		
	<b>\$'000</b>	<b>\$'000</b>
Net operating profit	23,863	21,961
	<b>Cents</b>	<b>Cents</b>
Net operating profit per share	11.77	12.14
<b>Diluted earnings per share</b>		
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator	211,703,143	192,230,734
	<b>\$'000</b>	<b>\$'000</b>
Earnings used in calculating diluted earnings per share	57,018	26,946
	<b>Cents</b>	<b>Cents</b>
Diluted Earnings per share	26.93	14.02
<b>Diluted net operating profit per share</b>		
	<b>\$'000</b>	<b>\$'000</b>
Earnings used in calculating diluted net operating profit per share	24,663	22,828
	<b>Cents</b>	<b>Cents</b>
Diluted net operating profit per share	11.68	11.88

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

Since 31 December 2007 to the date of this report there has been no event specific to the Company of which the Directors are aware which has had a material effect on the Company or its financial position. However, Directors note that there has been a substantial correction in the markets in which the Company invests between the Balance Sheet date and the date of this report. Changes in the value of the Company's investments are reflected in the Company's Net Asset Backing per share which is reported to the ASX monthly and is available on the Company's web-site and toll-free telephone number.

## **12. Contingencies**

At balance date, the Company had 5.8 million Telstra Instalment Warrants in its trading and investment portfolios. Should the Company still hold these securities on 29 May 2008, an instalment payment of \$1.60 per security will be payable. As the market price of the securities reflects this at the Balance Date, no liability in respect of this amount has been included in the balance sheet. In addition, should the Company continue to hold these securities until 15 May 2008 and makes the payment noted above, it will be eligible to receive an additional 184,000 Telstra shares at no cost.

## **13. Associated Entity**

On 1 July 2007 the Company purchased 50,000 shares in Australian Investment Company Services Limited ("AICS") for consideration of \$50,000. This transaction resulted in the Company owning 25% of AICS.

AICS provides administration services to the Company and to other Listed Investment Companies in Australia.

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## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 13 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2007 and of its performance, as represented by the results of the operations, changes in equity and cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Ross Barker  
Managing Director  
Melbourne

21 January 2008

## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the Members of Djerriwarrh Investments Limited

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Djerriwarrh Investments Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Djerriwarrh Investments Limited (the company).

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Djerriwarrh Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

*Independence*

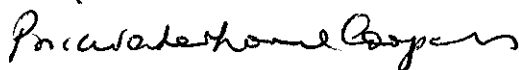
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Djerriwarrh Investments Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



PricewaterhouseCoopers



David Coogan  
Partner

Melbourne  
21 January 2008