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The Statutory Annual Report for 2009 is available on Djerriwarrh's website [www.djerri.com.au](http://www.djerri.com.au) or by contacting the Company on (03) 9650 9911.



# Summary of Results

## Net Operating Profit

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Net operating profit was \$55.2 million (last year \$45.6 million), up 21.1 per cent 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. Volatile conditions in equity markets continued to provide a significant boost to Djerriwarrh's option income during the period, whilst dividend income received was generally in line with last year. Directors feel this is the most appropriate profit measure of the Company's activities for shareholders.

## AIFRS Accounting Result

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AIFRS accounting result was a loss of \$14.1 million (last year was a profit of \$66.7 million). The figure this year includes losses on sale of investments, revaluation of open option positions and an unrealised loss of \$49.7 million transferred from the revaluation reserve for 'impairment' required by the accounting standards.

## Earnings Per Share

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Earnings per share based on net operating profit were 26.9 cents compared with 22.4 cents last year.

## A Fully Franked Final Dividend

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A fully franked final dividend of 16 cents per share was announced. This final dividend is unchanged from last year. The final dividend of 16 cents brings total dividends for the year to 26 cents per share, the same as last year.

Part of the final dividend is sourced from pre tax Listed Investment Company capital gains of 5.7 cents per share (last year 14.3 cents per share). Certain shareholders may be able to claim some of this amount as a tax deduction.

## **The Dividend Reinvestment Plan**

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The Dividend Reinvestment Plan for the final dividend was maintained with a discount of 5 per cent.

## **Total Portfolio Return**

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Total portfolio return after tax and management fees over the year to 30 June 2009 (change in net asset backing per share plus dividends reinvested) was a decrease of 15.9 per cent, whereas the S&P/ASX 200 Accumulation Index declined 20.1 per cent over the same period. Including the benefit of franking credits from the dividends paid by Djerriwarrh the portfolio return was a decrease of 13.3 per cent, whereas the Index declined 18.8 per cent.

## **Total Shareholder Return**

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Total shareholder return measured by change in share price plus dividends over the 12 month period was negative 4.9 per cent.

## **Management Expense Ratio**

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Management expense ratio was 0.36 per cent. This was up from last year's figure of 0.26 per cent as a result of the decline in the value of the portfolio.

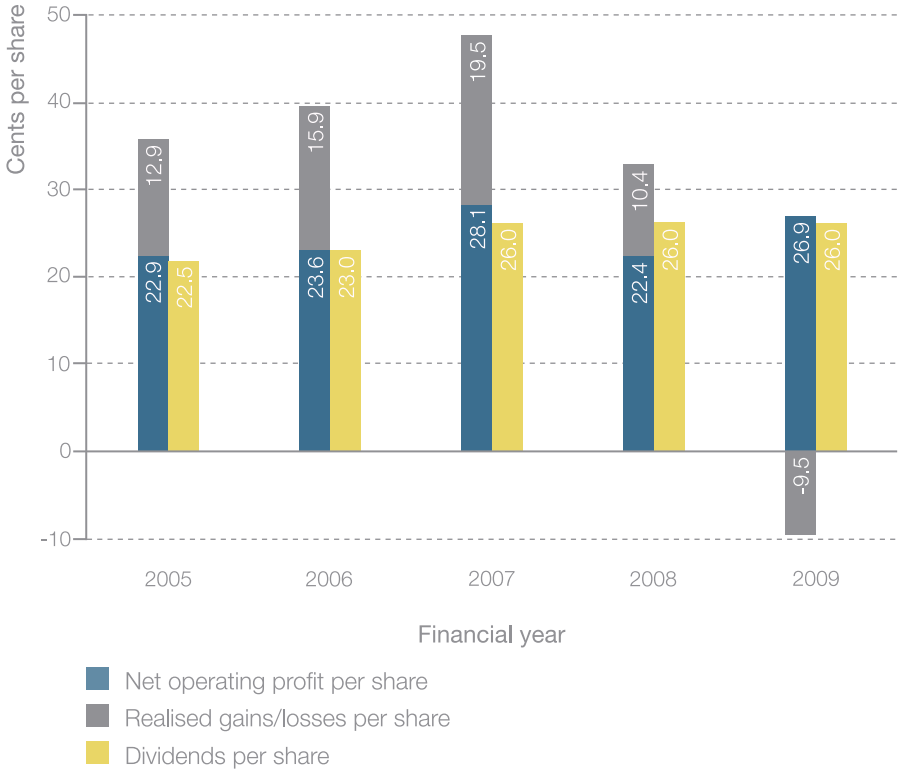
## **Net Asset Backing at 30 June 2009**

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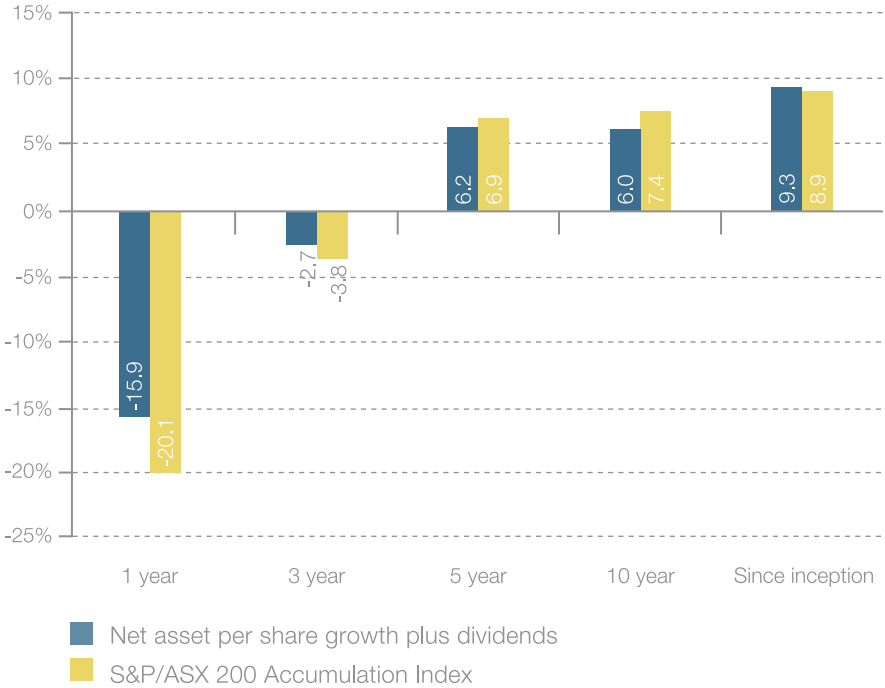
Net asset backing at 30 June 2009 was \$3.34 (before providing for the 16 cent final dividend).

# Summary of Results continued

## Earnings Per Share v Dividends Per Share



## Portfolio Performance to 30 June 2009



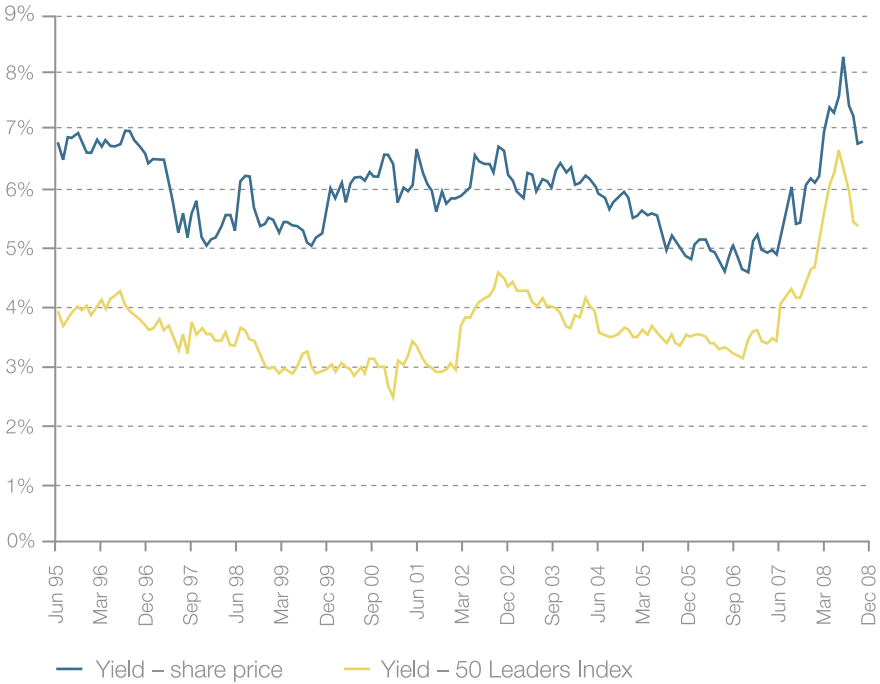
Note: Djerrivarrh net asset per share growth plus dividend series is calculated after management fees, income tax and capital gains tax on realised sales of investments and does not reflect the value of franking credits attached to the dividends. It should be noted that Index returns for the market do not include the negative impact of management expenses and tax on their performance.

# Summary of Results continued

## Portfolio Performance to 30 June 2009 Including Benefit of Franking Credits



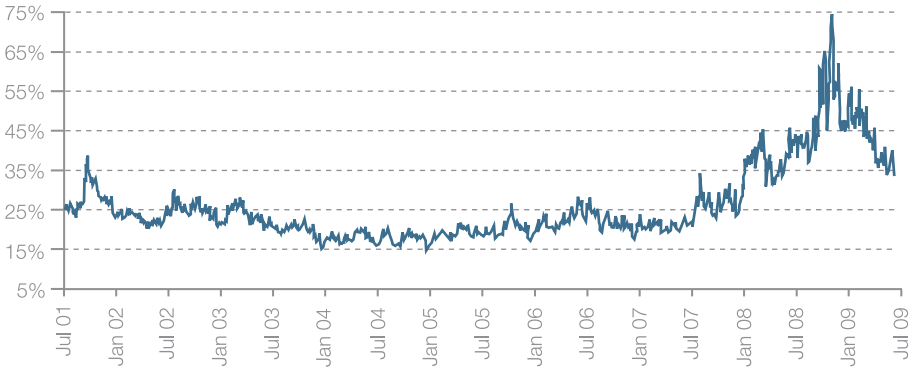
## Djerriwarrh Yield v Market Yield



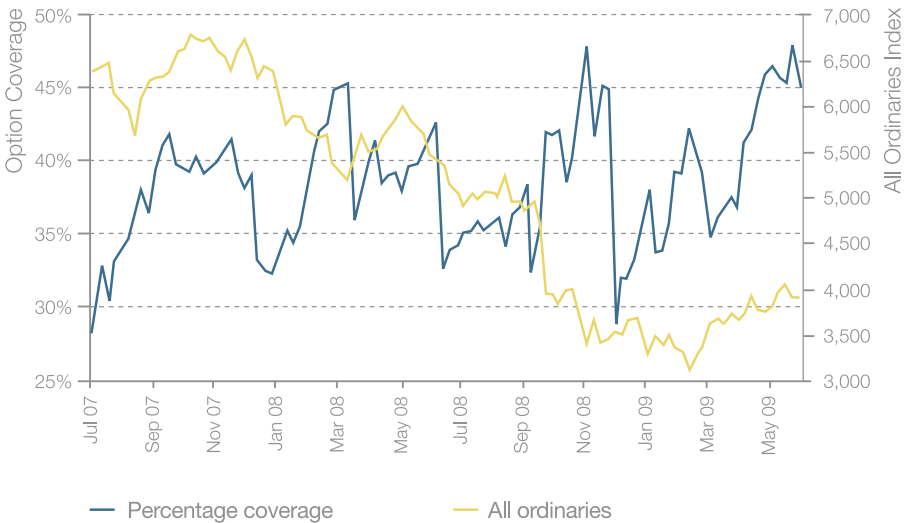
The chart above highlights the relative dividend yield on Djerriwarrh shares (which is fully franked) in comparison to the dividend yield on the S&P/ASX 50 Leaders Index (which is only 82 per cent franked) since the Company was listed.

# Summary of Results continued

## Market Implied Volatility of Call Options



## Option Coverage of the Portfolio v Movements in the All Ordinaries Index



# Review of Operations

## Profit Performance and Dividends

Djerriwarrh's option writing activity has benefited greatly from the volatile market conditions which have prevailed throughout the year. In a year where dividends received from companies have begun to decline Djerriwarrh has been able to harvest significantly more income from its option writing activity given a higher level of call option coverage over the portfolio and the very large moves in shares prices evident through the year.

Income from the option written portfolio increased to \$23.3 million from \$19.8 million last year. The Company's dividend income of \$46.8 million was generally in line with last year's figure of \$46.1 million, although this figure again benefited from participating in a share buy back.

Net operating profit, which measures the underlying income generated from the investment and trading portfolios, was up substantially from \$45.6 million to \$55.2 million, an increase of 21 per cent.

Djerriwarrh's final dividend has been held at 16 cents per share fully franked, taking total dividends for year to 26 cents per share fully franked, the same amount as last year.

The AIFRS accounting result for the year was a loss of \$14.1 million. Because

of an interpretation of the Accounting Standards, Directors were required to classify some of the Company's investments as 'impaired', given the large fall in market values below cost that have occurred over the year. As a consequence, the accounting result includes a charge of \$49.7 million for unrealised losses on the investment portfolio for so-called 'impaired' stocks. In such cases the negative changes in capital value that have already been recorded through the balance sheet must instead be recognised through the Company's income statement.

The Directors however do not consider this accounting interpretation best reflects the investment approach of the Company. Djerriwarrh takes a long term view of its investments and does not believe current share prices through this downturn necessarily reflect the long term value of the underlying businesses and assets that it invests in. If the Investment Committee considers an asset to be impaired in an investment sense, then it is typically sold and the funds invested elsewhere.

It should also be noted this impairment charge does not alter the net asset value of the portfolio, as these falls in market value had already been recorded in the Company's investment portfolio.

## Investment Portfolio

In managing the portfolio during the year Djerriwarrh participated in a number of capital raisings and Dividend Reinvestment Plans at attractive prices. The Company also reduced the number of holdings in the portfolio in order to fund some of these opportunities and build its overall cash position.

Whilst the Company's portfolio was heavily impacted by the general decline in the market, its performance was well ahead of the overall market for the year. The strongest contributors to the investment portfolio over this period, including the returns generated by writing call options over the stock, were Westpac, Commonwealth Bank, Woolworths, Coca-Cola Amatil and Foster's Group. The total return on the portfolio over the 12 months to 30 June 2009 (measured by the change in net asset backing per share plus dividends reinvested and after tax and management fees) was down 15.9 per cent, whereas the corresponding figures for the S&P/ASX 200 Accumulation Index was a decline of 20.1 per cent. As well as the benefits derived from writing options over the portfolio in a declining market this outperformance was also as a result of avoiding or removing from the portfolio stocks which Djerriwarrh perceived as having heightened investment risks and from a move to improve the cash holding of the Company during the period.

Grossing up for the benefit of the enhanced level of franking credits generated from its investment activity, Djerriwarrh's portfolio return for the year is negative 13.3 per cent compared to the benchmark return of negative 18.8 per cent. Over a 10 year period these figures are positive 8.8 per cent for Djerriwarrh and positive 8.7 per cent for the index.

Purchases in the investment portfolio were confined predominately to participation in capital raisings by the ANZ Bank, Commonwealth Bank, National Australia Bank, Santos, Rio Tinto, QBE Insurance, OneSteel and Westpac (including shares from its takeover of St.George Bank). Incitec Pivot was the only new stock added to the investment portfolio during the year.

The Company sold its entire holdings in ConnectEast, CFS Retail Property, James Hardie Industries, Macquarie Airports, News Corp, Suncorp Metway and Westfield Group. Other major sales arose because of takeovers: Queensland Gas by British Gas and St.George Bank by Westpac.

Sales from the portfolio significantly outweighed the levels of purchases during the year which meant the Company had cash of \$57.9 million at 30 June 2009.

## Trading Portfolio

Given our ongoing caution towards the market, the trading portfolio operated at very low levels during the year and was only utilised for very specific opportunities. This portfolio generated \$1.5 million of profit this year whereas last year there was a loss of \$5.7 million. At 30 June 2009, there were no securities held in the trading portfolio.

## Outlook

Djerriwarrh will look to continue to operate with relatively high levels of call option coverage, although as markets have stabilised somewhat the overall level of volatility has started to decline. Dividend income received from the companies Djerriwarrh invests in has already come under pressure as a result of the adverse economic conditions. These factors may have implications for the level of future income that can be generated from the portfolio, although the Company enters the new financial year with a very good level of written option premium.

## Directors' Fees

In light of the present difficult economic environment for shareholders and the community in general, Directors have implemented a freeze on any increase in Directors' fees for the next 12 months. This policy also applies to members of the executive management team employed by Australian Investment Company Services Limited who provide administration and investment management services to Djerriwarrh. Djerriwarrh is a 25 per cent shareholder of AICS.

# Top Investments

As at 30 June 2009

Includes investments held in both the investment and trading portfolios.

## Valued at Closing Prices at 30 June 2009

	Total Value \$ Million
1 BHP Billiton*	85.2
2 Westpac Banking Corporation*	78.3
3 National Australia Bank*	55.9
4 Commonwealth Bank of Australia*	55.0
5 Telstra Corporation*	43.6
6 Woodside Petroleum*	35.8
7 Australia and New Zealand Banking Group*	34.7
8 Rio Tinto <sup>(a)</sup>	24.7
9 Oil Search*	24.4
10 Santos*	23.4
11 QBE Insurance Group*	19.6
12 Woolworths*	18.9
13 AMP*	17.3
14 Brambles*	17.1
15 Wesfarmers <sup>(b)</sup>	13.1
16 Origin Energy*	12.5
17 AXA Asia Pacific Holdings*	12.3
18 Transurban Group*	11.9
19 West Australian Newspapers Holdings*	11.3
20 Computershare*	11.0
<b>Total</b>	<b>605.9</b>

As a percentage of total portfolio value (excludes cash and bank bills) 84.4%

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

(a) Includes \$10.3 million of RIO new shares.

(b) Includes \$3.1 million of WES partially protected securities.

# Income Statement

For the Year Ended 30 June 2009

	2009 \$'000	2008 \$'000
Dividends and distributions	46,833	46,108
Revenue from deposits and bank bills	1,245	257
Other revenue	23	15
<b>Total revenue</b>	<b>48,101</b>	<b>46,380</b>
Net gains/(losses) on trading portfolio	1,497	(5,712)
Income from options written portfolio	23,322	19,830
<b>Income from operating activities</b>	<b>72,920</b>	<b>60,498</b>
Finance costs	(6,927)	(8,708)
Administration expenses	(2,868)	(2,822)
<b>Operating profit before income tax</b>	<b>63,125</b>	<b>48,968</b>
Income tax	(7,912)	(3,377)
<b>Net operating profit</b>	<b>55,213</b>	<b>45,591</b>
<b>Net capital gains/(losses) on investments</b>		
Net gains/(losses) on ordinary securities sold from the investment portfolio	(35,075)	29,938
Net gains/(losses) on open options positions	10,542	(4,763)
Tax expense on net gains on investments	4,933	(4,083)
AASB 139 'impairment' revaluation charge on investment portfolio	(70,943)	-
Tax credit on deemed 'impairment' charge	21,253	-
	(69,290)	21,092
<b>Profit/(loss) for the year (including capital gains/'impairment' revaluation charge)</b>	<b>(14,077)</b>	<b>66,683</b>
	<b>Cents</b>	<b>Cents</b>
<b>Net operating profit per share</b>	<b>26.92</b>	<b>22.43</b>
Profit/(loss) for the year (including capital gains and 'impairment' revaluation charge) per share	(6.85)	32.81

# Balance Sheet

As at 30 June 2009

	2009 \$'000	2008 \$'000
<b>Current assets</b>		
Cash	57,905	298
Receivables	6,228	22,354
Trading portfolio	-	29,337
Interest rate hedging contracts	-	1,044
<b>Total current assets</b>	<b>64,133</b>	<b>53,033</b>
<b>Non-current assets</b>		
Investment portfolio	730,165	959,370
Shares in associate	274	92
Deferred tax assets	12,230	8,505
<b>Total non-current assets</b>	<b>742,669</b>	<b>967,967</b>
<b>Total assets</b>	<b>806,802</b>	<b>1,021,000</b>
<b>Current liabilities</b>		
Payables	8,719	2,610
Tax payable	4,286	8,909
Borrowings – cash advance facilities	60,000	78,000
Borrowings – convertible notes	32,002	-
Interest rate hedging contracts	279	-
Options written portfolio	12,678	25,760
<b>Total current liabilities</b>	<b>117,964</b>	<b>115,279</b>
<b>Non-current liabilities</b>		
Borrowings – convertible notes	-	32,587
Deferred tax liabilities – investment portfolio	11,162	63,842
<b>Total non-current liabilities</b>	<b>11,162</b>	<b>96,429</b>
<b>Total liabilities</b>	<b>129,126</b>	<b>211,708</b>
<b>Net assets</b>	<b>677,676</b>	<b>809,292</b>
<b>Shareholders' equity</b>		
Share capital	587,649	579,243
Revaluation reserve	(11,350)	60,076
Impairment revaluation charge reserve	(49,690)	-
Realised capital gains reserve	86,600	134,010
Retained profits	64,746	34,919
Interest rate hedging reserve	(279)	1,044
<b>Total shareholders' equity</b>	<b>677,676</b>	<b>809,292</b>

# Statement of Changes in Equity

For the Year Ended 30 June 2009

	2009 \$'000	2008 \$'000
<b>Total equity at the beginning of the year</b>	809,292	935,942
Dividends paid	(53,196)	(52,572)
Shares issued		
- Dividend Reinvestment Plan	7,674	7,772
- Exercise of convertible notes	752	4,218
On-market share buy-backs	(11)	(24)
Cost of share issues	(9)	(1)
<b>Total transactions with shareholders</b>	(44,790)	(40,607)
Revaluation of investment portfolio	(173,796)	(210,415)
Provision for tax on unrealised gains/(losses)	52,680	57,450
Transfer to income statement for AASB 139 'impairment' charge	70,943	-
Tax credit on above	(21,253)	-
<b>Net unrealised gains/(losses) on investment portfolio</b>	(71,426)	(152,965)
Net movement in fair-value for interest rate swaps	(1,323)	239
Net capital gains/(losses) for the year including 'impairment' revaluation charge	(69,290)	21,092
Operating profit for the year	55,213	45,591
<b>Total equity at the end of the financial year</b>	677,676	809,292

# Holdings of Securities

As at 30 June 2009

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

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

Unless otherwise stated, the securities in this list are fully paid ordinary shares, trust units or stapled securities.

		Number Shares Held 2008 '000	Number Shares Held 2009 '000	Market Value 2009 \$'000
<b>Ordinary Shares and Trust Units</b>				
AGK*	AGL Energy	527	527	7,067
AIX	Australian Infrastructure Fund	1,541	2,777	3,750
AMC*	Amcor	1,922	1,822	9,033
AMH	AMCIL	12,277	12,257	6,619
AMP*	AMP	3,245	3,565	17,350
ANZ*	Australia and New Zealand Banking Group	1,764	2,140	34,657
APN	APN News & Media	1,919	1,919	2,831
AWC*	Alumina	4,471	3,918	5,456
AXA*	AXA Asia Pacific Holdings	2,694	3,164	12,250
BHP*	BHP Billiton	2,787	2,500	85,218
BLD*	Boral	1,001	1,001	4,036
BSL	BlueScope Steel	102	102	258
BXB*	Brambles	2,790	2,886	17,083
CBA*	Commonwealth Bank of Australia	1,311	1,476	54,991

Ordinary Shares and Trust Units		Number Shares Held 2008	Number Shares Held 2009	Market Value 2009
		'000	'000	\$'000
CCL*	Coca-Cola Amatil	1,339	1,164	9,968
CNX	Carbon Energy	970	970	373
CPU*	Computershare	1,237	1,237	10,996
CSR	CSR	939	939	1,597
ESG	Eastern Star Gas	2,000	2,000	1,600
FGL*	Foster's Group	2,375	1,350	6,930
FXJ*	Fairfax Media	1,567	1,567	1,896
GDY	Geodynamics	460	460	400
GDYO	Geodynamics Options	0	115	7
GWT	GWA International	966	966	2,221
HDF	Hastings Diversified Utilities Fund	4,200	4,304	5,100
HXL	Hexima	280	280	98
IAG*	Insurance Australia Group	1,977	1,777	6,219
IPL*	Incitec Pivot	0	800	1,860
MIR	Mirrabooka Investments	4,607	4,607	6,749
MTS	Metcash	1,050	1,050	4,525
NAB*	National Australia Bank	2,452	2,558	55,866
ORG*	Origin Energy	1,298	858	12,519
ORI*	Orica	145	138	2,863
OSH*	Oil Search	4,506	4,506	24,403
OST*	OneSteel	1,200	2,261	5,605
PMV	Premier Investments	838	838	4,624
PNA	PanAust	1,250	3,646	1,313

## Holdings of Securities *continued*

As at 30 June 2009

		Number Shares Held 2008 '000	Number Shares Held 2009 '000	Market Value 2009 \$'000
<b>Ordinary Shares and Trust Units</b>				
PPC	Peet	1,272	1,696	2,697
QBE*	QBE Insurance Group	778	989	19,613
RIO*	Rio Tinto	381	332	14,464
RION	Rio Tinto New	0	197	10,269
STO*	Santos	1,765	1,604	23,359
TCL*	Transurban Group	2,542	2,842	11,873
TLS*	Telstra Corporation	13,656	12,864	43,571
TOL*	Toll Holdings	798	798	4,948
VIR	Viridis Clean Energy Group	2,763	3,565	963
WAN*	West Australian Newspapers Holdings	2,550	2,600	11,277
WBC*	Westpac Banking Corporation	2,672	3,904	78,267
WES*	Wesfarmers	661	462	10,048
WESN	Wesfarmers Partially Protected Shares	131	131	3,068
WOW*	Woolworths	718	718	18,889
WPL*	Woodside Petroleum	793	841	35,850
<b>Total</b>				<b>717,487</b>

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

## Major Transactions in the Investment Portfolio

Acquisitions (Above \$5 Million)	Total Cost \$'000
Westpac Banking Corporation <sup>(a)</sup>	20,859
National Australia Bank	7,305
Santos	7,171
Commonwealth Bank of Australia	5,794
Rio Tinto New	5,565
ANZ Banking Group	5,337

Disposals (Above \$5 Million)	Total Proceeds \$'000
St.George Bank <sup>(b)</sup>	14,636
Westfield Group	12,057
News Corporation	11,132
Queensland Gas <sup>(c)</sup>	10,514
BHP Billiton	8,902
ConnectEast Group	7,231
Wesfarmers	7,197
CFS Retail Property	6,739
Santos	6,514
Foster's Group	5,767
Suncorp-Metway	5,749
Origin Energy	5,472

(a) Includes \$14.6 million from the takeover of St.George Bank.

(b) Takeover by Westpac Banking Corporation.

(c) Sold on-market into British Gas takeover.

# Company Particulars

**Djerriwarrh Investments Limited**  
ABN 38 006 862 693

## Directors

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

## Company Secretaries

Simon M Pordage  
Andrew JB Porter

## Auditor

PricewaterhouseCoopers  
Chartered Accountants

## Country of Incorporation

Australia

## Registered Office

Level 21, 101 Collins Street  
Melbourne Victoria 3000

## Mail Address

GPO Box 2114  
Melbourne Victoria 3001

## Contact Details

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

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

**Telephone** 1800 780 784 (toll free)

## Share Registrar

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

## Shareholder

**Enquiry Lines** 1300 653 915  
+61 3 9415 4190 (from overseas)  
**Facsimile** (03) 9473 2500  
**Email** web.queries@computershare.com.au  
**Website** www.computershare.com.au

## Trustee for Noteholders

Permanent Nominees (Aust) Limited  
35 Clarence Street  
Sydney NSW 2000

**Telephone** (02) 8295 8100

## Securities Exchange Code

**DJW** Ordinary shares  
**DJWGA** 6.5 per cent unsecured  
convertible notes  
Interest payment date:  
30 September 2009  
Record date: 23 September 2009

Final notice of conversion to ordinary  
share needs to be received by the  
Company by 15 September 2009.

# Shareholder Meetings

## Annual General Meeting

**Time** 10.00am  
**Date** Thursday 1 October 2009  
**Venue** Hilton on the Park  
**Location** 192 Wellington Parade  
East Melbourne Victoria

## Adelaide Shareholder Meeting

**Time** 2.30pm  
**Date** Friday 16 October 2009  
**Venue** Adelaide Festival Centre  
**Location** King William Road Adelaide

## Sydney Shareholder Meeting

**Time** 2.30pm  
**Date** Monday 19 October 2009  
**Venue** Four Seasons Hotel  
**Location** 199 George Street Sydney

