

Chairman's Address to the  
86th Annual General Meeting of Shareholders

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Ladies and Gentlemen,

It is a pleasure to welcome shareholders and visitors to the 86th Annual General Meeting of the company.

***Review of operations for the year ended 30 June 2015***

As previously reported the net profit of the Company and its controlled entities for the year ended 30 June 2015 was \$37.42 million, representing an increase of 6.1% on the previous financial year.

Dividends and distributions received increased by \$2.70 million or 7.7% before special dividends. Special dividends of \$640,000 were received compared to \$720,000 in the prior financial year. Interest income fell by \$384,000 resulting from further reduced interest rates and a reduction in the average level of funds on deposit of \$8.1 million.

The Company's total administration expenses for the financial year were \$758,000 with the management expense ratio, representing operating costs as a percentage of the average market value of assets, remaining the same as the prior year at 0.09%. This management expense ratio remains one of the lowest ratios for a listed investment company quoted on the Australian Securities Exchange.

***Dividends***

A final fully franked dividend of 65 cents per ordinary share was paid to shareholders on 21 September 2015. Total ordinary dividends for the year were \$1.08 per share, an increase of 8 cents per ordinary share or 8.0% over those paid in respect of the 2014 financial year. It is pleasing to reflect that dividends paid on ordinary shares have doubled over the last ten years from 54 cents to \$1.08.

During the year Directors took the decision to reward shareholders earlier by increasing the level of the interim dividend as a percentage of total annual dividends and increased the interim ordinary share dividend, paid on 19 March 2015, by 16.2% from 37 to 43 cents.

A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 21 September 2015 whilst an interim fully franked dividend of 7 cents per share was paid on 19 March 2015.

The Company's dividend reinvestment plan remains suspended.

***Return to shareholders***

The return to ordinary shareholders for the year to 30 June 2015 calculated by taking the movement in the net tangible asset backing together with dividends paid was 18.0%. This compares favourably to the movement in the S&P/ASX 200 Accumulation Index during the same period of 5.7%. As noted in the Annual Report, a majority of the group's increase in portfolio market value related to the group's investment in Amalgamated Holdings Limited whose share price increased significantly over the financial year to 30 June 2015.

***Net asset backing***

The net tangible asset backing per ordinary share as at 30 June 2015, before providing for capital gains tax in respect of unrealised investment portfolio gains, was \$34.51, compared with \$30.21 as at 30 June 2014.

As at 30 September 2015, after the payment of a final dividend of 65 cents per ordinary share, the net tangible asset backing per ordinary share was \$33.05 before providing for capital gains tax in respect of unrealised investment portfolio gains.

### ***Investments***

During the financial year to 30 June 2015 equity investments to the value of \$23.38 million were purchased. This level of investment was high compared to prior years and this increase was funded by a reduction in term deposits, which reduced by \$12.35 million to \$13.95 million as at 30 June 2015. Major additions to the portfolio included the increase of existing holdings in AGL Energy, APA Group, ASX, ANZ Banking Group, BHP Billiton, National Australia Bank, Seven West Media, Telstra and Woodside Petroleum. There were also new investments in Adelaide Brighton and Blackmores. The Group also received shares in South32 from the demerger by BHP Billiton.

Consideration from the disposal of equity investments and also capital returns during the 2015 financial year totalled \$2.30 million.

The Group continues to invest in Australian listed entities that are considered to be well managed and are anticipated to provide attractive levels of sustainable income through predominantly franked dividends and also long term capital growth. New equity investments are made after the Board reviews information and research material obtained from a number of sources, including internally generated research, broker and analyst research and other business contacts.

The Group invests for the long term and does not carry out any short term trading activities. All acquisitions of equities are made from cash generated through the Group's operations or other capital management initiatives. There are no external borrowings.

### ***Capital management***

Your Board regularly considers various capital management opportunities that the Company can take.

The Company has had, an ordinary share, on market buy-back facility available to it since 2001 at which time the Board announced that up to 2,500,000 of the Company's ordinary shares could be bought back. Although there have been no shares brought back over the last three years, it remains the Board's policy to purchase medium to large sized parcels of shares, when available on market, at prices that will result in an increase in the net assets value per ordinary share.

The period of the buy-back has been extended each year and currently expires on 28 November 2015. Before the expiry of the current period, the board will decide whether to extend the buy-back for another year. Since November 2001 a total of 806,612 ordinary shares have been bought back at a cost of \$10.7 million.

### ***Your Board and corporate governance***

In December 2014 we saw the retirement of long standing director Mr Graeme Herring. Graeme served on the Board for over 26 years and I would again like to express my sincere appreciation for the diligent service provided by Graeme. Following Graeme's retirement Mr Murray Bleach was appointed to the Board and he has already proved himself to be a strong contributor to the Board's deliberations.

The Board reviews and updates the Group's corporate governance practices on a regular basis. These practices include controls and procedures that the Board considers to be appropriate bearing in mind the nature and size of the Group's operations and the small number of personnel involved in the day to day management of the Group. During the last financial year the Board appointed a compliance manager who reports to the Board each month on key internal control processes and reporting requirements and attends each Audit and Risk Committee meeting. The corporate governance practices adopted by the Board are set out on pages six to nine of the Annual Report.

### ***Operations for the three months to 30 September 2015***

Turning to the current financial year, dividend and trust distributions received and receivable for the first quarter to 30 September 2015 totalled \$18.06 million, an increase of \$3.72 million on the prior year first quarter amount. This increase included a special dividend paid by Amalgamated Holdings Limited of \$2.46 million. Interest income of \$126,000 was down on the prior year first quarter amount by \$99,000.

Following a period of high share market volatility and falling market values, as at 30 September 2015 the total market value of the group's equity investment portfolio was \$855.8 million compared to \$893.6 million as at 30 June 2015. The only investment acquisition during the quarter to 30 September 2015 resulted from the take up of the Group's full entitlement for the Commonwealth Bank of Australia's 1 for 23 entitlement offer for consideration of \$1.7 million. There were no investment disposals or capital returns during the quarter. The Group held cash and funds on short term deposit totalling \$17.9 million at 30 September 2015 compared to \$15.3 million as at 30 June 2015.

Your Board will continue to monitor market movements with a view to investing available funds in sectors that are anticipated to provide good long term investment value.

Finally, I would like to thank my co-directors, our company secretary Mr Peter Horton and our compliance manager Ms Barbara Thompson for their efforts during the year and on behalf of the Board I would also like to thank shareholders for their continuing interest in and support for the Company.

Thank you for your attention.

A handwritten signature in black ink, appearing to read 'Alan G Rydge', with a stylized flourish at the end.

Alan G Rydge  
Chairman  
21 October 2015