

Chairman's Address to the  
87th Annual General Meeting of Shareholders

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Ladies and Gentlemen,

It is a pleasure to welcome shareholders and visitors to the 87th Annual General Meeting of the company.

***Review of operations for the year ended 30 June 2016***

As previously reported the net profit of the Company and its controlled entities for the year ended 30 June 2016 was \$41.81 million, representing an increase of 11.7% on the previous financial year. This strong result was in part due to a special dividend, amounting to \$2.46 million, received from Event Hospitality & Entertainment Limited (which was formerly known as Amalgamated Holdings Limited). Excluding special dividends, the percentage increase in net profit for the year was 7.0%.

Dividends and distributions received increased by \$2.7 million or 7.2% before special dividends. Special dividends totalled \$2.46 million compared to \$640,000 in the prior financial year. Interest income fell by \$229,000 to \$491,000. The reduction in interest income was the result of reduced interest rates and a further reduction in the average level of funds on deposit of \$5.1 million.

The Company's total administration expenses for the financial year were \$733,000 with the management expense ratio, representing operating costs as a percentage of the average market value of assets, reducing from 0.09% in the prior year to 0.08% for the year to 30 June 2016. This management expense ratio remains one of the lowest ratios for a listed investment company quoted on the Australian Securities Exchange.

***Dividends***

In recognition of the high level of special dividends received in the year to 30 June 2016, a special fully franked dividend of 7 cents per ordinary share was paid on 26 September 2016 along with a final fully franked dividend of 68 cents per ordinary share. Total ordinary dividends, including the special dividend, amounted to \$1.21 per share, an increase of 13 cents per ordinary share or 12.0% over that paid in respect of the 2015 financial year.

Excluding the special dividend, dividends per ordinary share increased by 5.6% on that paid for the prior year. Directors continued to increase the level of the interim dividend paid in March, with the interim dividend increasing by 7% from 43 cents to 46 cents.

A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 26 September 2016 whilst an interim fully franked dividend of 7 cents per share was paid on 21 March 2016.

The Company's dividend reinvestment plan remains suspended.

***Return to shareholders***

The return to ordinary shareholders for the year to 30 June 2016, calculated by taking the movement in the net tangible asset backing together with dividends paid, was 6.3%. This compares favourably to the movement in the S&P/ASX 200 Accumulation Index during the same period of 0.6%. As noted in the Annual Report, decreases in the market value of banking and mining stocks were more than offset by an increase in the value of shares held in Event Hospitality & Entertainment.

***Net asset backing***

The net tangible asset backing per ordinary share as at 30 June 2016, before providing for capital gains tax in respect of unrealised investment portfolio gains, was \$35.52, compared with \$34.51 as at 30 June 2015. As at 30 September 2016, after the payment of the final dividends of 75 cents per ordinary share, the net tangible asset backing per ordinary share was \$36.92 before providing for capital gains tax in respect of unrealised investment portfolio gains.

## **Investments**

Major additions to the investment portfolio included the increase of existing holdings in Challenger, Commonwealth Bank, Medibank Private, Origin Energy, Santos, Transurban, Westpac Banking Corp and Woolworths. There were also new investments in AMP and Macquarie Group. The Group also received shares in CYBG PLC from the demerger by National Australia Bank. Equity investments to the total value of \$11.6 million were purchased during the financial year to 30 June 2016.

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.

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's available cash resources held on short term deposits at 30 June 2016 amounted to \$16.3 million compared to \$15.3 million at the previous year end.

## **Corporate governance**

The corporate governance practices adopted by the Board are set out on pages six to nine of the Annual Report.

Board and Committee Charters and policies covering corporate governance matters can be viewed on the Company's website.

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.

## **On market share buy-back facility**

The current on market share buy-back facility expires on 28 November 2016, and although no shares have been brought back under this facility in recent years, it is anticipated that the Board will decide to extend the buy-back for another year.

## **Operations for the three months to 30 September 2016**

The first three months of the current financial year has seen continuing market volatility and some significant decreases in the level of dividends received from a number of mining, energy and retailing stocks. As at 30 September 2016 the total market value of the group's equity investment portfolio was \$963.0 million compared to \$919.4 million as at 30 June 2016. Investment acquisitions, totalling \$2.0 million, were made in ASX, Perpetual and Woodside. There were no investment disposals during the quarter. The Group held cash and funds on short term deposit totalling \$13.8 million at 30 September 2016 compared to \$16.3 million as at 30 June 2016.

Dividend and trust distributions received and receivable for the first quarter to 30 September 2016 totalled \$15.42 million, a decrease of \$2.64 million on the prior year first quarter amount. Most of this decrease was attributable to the special dividend, amounting to \$2.46 million, received from Event Hospitality & Entertainment in the prior year first quarter. Excluding this special dividend, first quarter dividend and distribution income decreased by \$176,000. Dividends from mining and energy stocks fell by \$971,000 and retailing stocks fell by \$122,000. These falls were partly offset by increased ordinary dividends received from Event Hospitality & Entertainment of \$616,000, plus other increases across the portfolio.

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.



Alan G Rydge  
Chairman  
18 October 2016