

Dear Shareholder

The Company's Appendix 4E and the Financial Report for the year ended 30 June 2012 were lodged with the Australian Securities Exchange (ASX) on 23 August 2012 and are available to be downloaded from the company's website or the ASX website.

I have pleasure in presenting the Group's consolidated results for the year ended 30 June 2012.

### **Group's operations and results**

Profit as reported in the Income Statement for the year ended 30 June 2012 was \$31,576,000 compared to \$29,303,000 for 2011, an increase of 7.8%.

Total revenue for the year was \$33,059,000 compared to \$30,724,000 during the prior year. Dividends and distributions received from companies and trusts increased by \$1,964,000 or 6.7% from \$29,132,000 to \$31,096,000. Interest income was \$1,963,000 compared to \$1,561,000 in the prior year. A major contributor to the increased dividends for the year to 30 June 2012 was a special dividend of \$1,231,000 received from Amalgamated Holdings Limited.

Administration expenses amounted to \$673,000, compared to \$613,000 in the previous year. This represented a management expense ratio (MER) of 0.12%.

### **Earnings per ordinary share**

Basic earnings were \$1.19 per ordinary share for the year to 30 June 2012 compared to \$1.10 per share for 2011.

### **Dividends**

On 23 August 2012 the directors declared a final fully franked ordinary dividend of 52 cents per share payable on 19 September 2012. Total dividends payable in respect of the ordinary shares for the financial year ended 30 June 2012 amount to 84 cents per share, compared to the 78 cents per share paid in respect of the previous year. This is an increase of 7.7%.

A final preference dividend of 7 cents per share fully franked is also payable on 19 September 2012.

The record date for both the ordinary and preference final dividends is 4 September 2012.

The Dividend Reinvestment Plan remains suspended.

### **Net tangible asset backing**

The net tangible asset backing for each issued ordinary share at 30 June 2012, prior to the payment of the final dividend noted above and before provision for estimated capital gains tax in respect of unrealised investment portfolio gains, was \$21.13 (2011: \$21.07). Although the Board has no present intention of disposing of any of the Group's equity investments, the net tangible asset backing per share after provision for tax on unrealised capital gains was \$18.63 (2011: \$18.56). The relevant figures as at 31 July 2012 were \$22.08 and \$19.34 respectively.

### **On market share buy back**

37,102 ordinary shares were bought back during the year by the Company under the on market buy back facility available to it. The total number of ordinary shares bought back since the Buy Back was introduced in 2001 is 806,612 at a total cost of \$10,700,000.

### **Investments**

The market value of the equity investment portfolio as at 30 June 2012 was \$524,126,000 compared to \$522,695,000 at the prior year end. Short term cash deposits at 30 June 2012 amounted to \$30,700,000 and represented 5.5% of the total of equity investments, term deposits and cash. The level of short term deposits, which was fairly consistent with the prior year end, reflects the Board's decision to hold a higher level of cash resources whilst there is uncertainty in the equities market. The consolidated entity is well placed with the level of funds on deposit to take advantage of investment opportunities as and when they arise.

The Board's policy is to acquire additional investments in equities that meet the criteria of providing both high levels of income through franked dividends and long term capital growth. The cost of shares purchased during the year to 30 June 2012 totalled \$14,237,000 (2011: \$2,387,000).

Acquisitions above \$1 million during the year were:

Commonwealth Bank of Australia	\$3,535,000
AGL Energy Limited	\$2,158,000
ANZ Banking Group Limited	\$1,509,000
Bank of Queensland Limited	\$1,482,000
Telstra Corporation Limited	\$1,796,000

Consideration received on disposal of equity investments during the financial year totalled \$3,874,000 (2011: \$1,957,000). The only major disposal during the period resulted from the takeover of Foster's Brewing Group Limited by SAB Miller, with consideration of \$3,421,000 being received.

After adjusting for the above investment acquisitions and disposals the market value of the investment portfolio decreased by \$8,805,000 or 1.68% during the year to 30 June 2012. This compares favourably to a decrease of 11.25% in the S&P/ASX All Ordinaries Index over the same period.

The Group continues to hold its equity investments for the long term and does not act as a share trader nor does it invest in speculative stocks.

A G RYDGE  
Chairman

23 August 2012