

## **CHAIRMAN'S REPORT TO SHAREHOLDERS YEAR ENDED 30 JUNE 2014**

Dear Shareholder

The Company's Appendix 4E and the Financial Report for the year ended 30 June 2014 were lodged with the Australian Securities Exchange (ASX) on 13 August 2014 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 2014.

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

Profit as reported in the consolidated statement of profit or loss for the year ended 30 June 2014 was \$35,256,000 compared to \$32,397,000 for 2013, an increase of 8.8%.

Total revenue for the year was \$36,745,000 compared to \$33,805,000 during the prior year. Dividends and distributions received increased by \$3,335,000 or 10.3% from \$32,306,000 to \$35,641,000. Dividends received included special dividends of \$720,000 compared to special dividends of \$294,000 in the prior year. Dividends and distributions received before special dividends increased by 9.1% compared to the prior year. Interest income was \$1,104,000 compared to \$1,499,000 in the prior year. The fall in interest income resulted from lower interest rates, with the weighted average interest rate on term deposits decreasing from 4.79% in the prior year to 3.84%, and a reduction in average funds on deposit of \$2.44 million.

Administration expenses amounted to \$658,000, compared to \$642,000 in the previous year. This represented a management expense ratio (MER) of 0.09%.

### **Earnings per ordinary share**

Basic and diluted earnings were \$1.332 per ordinary share for the year to 30 June 2014 compared to \$1.223 per share for 2013.

### **Dividends**

On 13 August 2014 the directors declared a final fully franked ordinary dividend of 63 cents per share payable on 17 September 2014. Total dividends payable in respect of the ordinary shares for the financial year ended 30 June 2014 amount to \$1.00 per share, compared to the 92 cents per share paid in respect of the previous year. This is an increase of 8.7%. In the last four years dividends on ordinary shares have increased from 67 cents in respect of the 2010 year to \$1.00.

A final preference dividend of 7 cents per share fully franked is also payable on 17 September 2014.

The record date for both the ordinary and preference final dividends is 2 September 2014.

The Dividend Reinvestment Plan remains suspended.

### Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2014, 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 \$30.21 (2013: \$26.23). 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 \$25.56 (2013: \$22.50). The relevant figures as at 31 July 2014 were \$31.11 and \$26.24 respectively.

### Investments

The market value of the equity investment portfolio as at 30 June 2014 was \$768,024,000 compared to \$659,398,000 at the prior year end. Short term cash deposits at 30 June 2014 amounted to \$26,300,000 and represented 3.3% of the total of equity investments, term deposits and cash. 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 high levels of income through predominantly fully franked dividends and have the potential for long term capital growth. The cost of shares purchased during the year to 30 June 2014 totalled \$14,460,000 (2013: \$10,095,000).

Acquisitions above \$500,000 during the year were:

Ardent Leisure Group	\$1,004,000
AGL Energy Ltd	\$501,000
APA Group	\$1,007,000
ANZ Banking Group	\$1,005,000
Bank of Queensland	\$2,086,000
Bendigo & Adelaide Bank	\$513,000
GrainCorp Limited	\$999,000
National Australia Bank	\$985,000
Origin Energy Ltd	\$502,000
Orora Limited	\$1,000,000
Santos Limited	\$2,000,000
Telstra Corporation	\$2,007,000
WAM Capital	\$706,000

The Group also elected to receive Perpetual Limited shares, with a market value of \$ 6,376,000, as consideration for shares held in The Trust Company as a result of the merger of these two companies.

Consideration received on other disposals of equity investments and capital returns during the financial year totalled \$1,178,000 (2013: \$389,000).

After adjusting for the above total investment acquisitions and disposals, the market value of the investment portfolio increased by \$95,031,000 or 14.4% during the year to 30 June 2014. This compares favourably to an increase of 12.7% in the 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.

**Annual Report and Annual General Meeting**

Copies of the Annual Report and Notice for the Annual General Meeting, which will be held at 10.00am at the Rydges World Square Hotel, 389 Pitt Street, Sydney, on Wednesday 22<sup>nd</sup> October 2014, are expected to be distributed to shareholders by 17 September 2014.

**A G RYDGE**  
Chairman

**13 August 2014**