

## **CHAIRMAN'S REPORT TO SHAREHOLDERS YEAR ENDED 30 JUNE 2017**

Dear Shareholder

The Company's Appendix 4E and the Financial Report for the year ended 30 June 2017 were lodged with the Australian Securities Exchange (ASX) on 22 August 2017 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 2017.

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

Profit for the year ended 30 June 2017 was \$39,666,000 compared to \$41,812,000 for 2016, a decrease of \$2,146,000 or 5.1%. The prior year result benefited from a special dividend received from Event Hospitality and Entertainment Limited amounting to \$2,463,000. Special dividends, in total, decreased from the prior year amount by \$2,402,000.

Dividends and distributions received before special dividends increased by \$365,000 from \$40,320,000 to \$40,685,000. Interest income was \$397,000 compared to \$491,000 in the prior year, with the weighted average interest rate on term deposits decreasing from 2.96% in the prior year to 2.73% and the average funds on deposit reducing by \$1.6 million.

Administration expenses increased slightly to \$769,000, compared to \$733,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2017 remained consistent with the prior year at 0.08%.

### **Earnings per ordinary share**

Basic and diluted earnings were \$1.498 per ordinary share for the year to 30 June 2017 compared to \$1.579 per share for 2016.

### **Dividends**

On 22 August 2017 the directors declared a final fully franked dividend of 68 cents per ordinary share, payable on 25 September 2017. Total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2017 amount to \$1.16 per share an increase of 2 cents, before taking into account the special dividend of 7 cents per ordinary share paid in respect of the prior year in September 2016.

The interim dividend paid in March 2017 was increased from 46 to 48 cents as Directors' continue to progressively increase the level of the interim dividend as a percentage of total annual dividends.

A final preference share dividend of 7 cents per share fully franked is also payable on 25 September 2017.

The record date for both the ordinary and preference final dividends is 1 September 2017.

The Dividend Reinvestment Plan remains suspended.

### Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2017, 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 \$36.65 (2016: \$35.52). 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 \$30.38 (2016: \$29.33). The relevant figures as at 31 July 2017 were \$36.36 and \$30.21 respectively.

### Investments

The market value of the equity investment portfolio as at 30 June 2017 was \$951,124,000 compared to \$919,363,000 at the prior year end. Short term cash deposits at 30 June 2017 amounted to \$12,000,000 (2016: \$14,100,000).

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 equity investments purchased during the year to 30 June 2017 totalled \$8,982,000 (2016: \$11,611,000). Acquisitions above \$500,000 during the year were:

ASX	\$504,000
Boral	\$1,429,000
Perpetual	\$1,000,000
Rio Tinto	\$502,000
Primary Health Care	\$998,000
Sydney Airport	\$1,502,000
Transurban	\$1,004,000

Consideration received on disposal of equity investments and capital returns during the financial year totalled \$19,000 (2016: \$130,000).

After adjusting for the above total investment acquisitions and disposals, the market value of the investment portfolio increased by \$22,796,000 or 2.5% during the year to 30 June 2017. This compares to an increase of 9.3% in the S&P/ASX 200 Index over the same period. On a total portfolio return basis (measured by the movement in NTA per share assuming dividends are reinvested), the return for the twelve months was 6.7% compared with an increase in the S&P/ASX 200 Accumulation Index over the same period of 14.1%.

The market value of Event Hospitality and Entertainment Limited, the Group's largest investment holding, fell back during the year to 30 June 2017. This was after significant increases in the value of this holding over recent years. The fall in the market value of the group's holding in Event Hospitality and Entertainment Limited was more than offset by increases in value across the balance of the portfolio, including some recovery in the value of banking stocks held which had fallen in value in the prior year.

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 Screening Room, State Theatre Building, 49 Market Street Sydney, on Tuesday 17<sup>th</sup> October 2017, are expected to be distributed to shareholders by 13 September 2017.