

CHAIRMAN'S REPORT TO SHAREHOLDERS YEAR ENDED 30 JUNE 2018

Dear Shareholder

The Company's Appendix 4E and the Financial Report for the year ended 30 June 2018 were lodged with the Australian Securities Exchange (ASX) on 21 August 2018 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 2018.

Group's operations and results

Profit for the year ended 30 June 2018 was \$41,665,000 compared to \$39,666,000 for the 2017 financial year, an increase of \$1,999,000 or 5.0%.

Dividends and distributions received, before special dividends, increased by \$1,837,000 from \$40,685,000 to \$42,522,000. Special dividends received in the year totalled \$318,000 as against \$63,000 in the prior year.

Interest income of \$397,000 was the same as the prior year. The weighted average interest rate on term deposits reduced from 2.73% in the prior year to 2.53% and there was an increase in average funds on deposit during the year of \$1.2 million.

Administration expenses were \$835,000, compared to \$769,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2018 was 0.086%.

Earnings per ordinary share

Basic and diluted earnings were \$1.574 per ordinary share for the year to 30 June 2018 compared to \$1.498 per share for 2017.

Dividends

On 21 August 2018 the directors declared a final fully franked dividend of 70 cents per ordinary share, payable on 24 September 2018. Total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2018 amount to \$1.21 per share, an increase of 5 cents.

The interim dividend paid in March 2018 was increased from 48 to 51 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 24 September 2018.

The record date for both the ordinary and preference final dividends is 3 September 2018.

The Dividend Reinvestment Plan remains suspended.



Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2018, 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 \$37.09 (2017: \$36.65). 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 \$30.80 (2017: \$30.38). The relevant figures as at 31 July 2018 were \$37.94 and \$31.43 respectively.

Investments

The market value of the equity investment portfolio as at 30 June 2018 was \$960,316,000 compared to \$951,124,000 at the prior year end. Short term cash deposits at 30 June 2018 amounted to \$14,400,000 (2017: \$12,000,000).

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 2018 totalled \$7,711,000 (2017: \$8,982,000). Acquisitions above \$400,000 during the year were:

AGL Energy	\$500,000
APA Group	\$411,000
Fortescue Metals Group	\$2,000,000
Inghams Group	\$1,003,000
IPH	\$498,000
Rio Tinto	\$1,505,000
Sydney Airport	\$499,000
Woodside Petroleum	\$824,000

There were no sales of equity investments or capital returns during the financial year (2017: \$19,000 consideration received). During the year shares in Ten Network Holdings, which had been written down to nil value in the prior financial year, were transferred to CBS for no consideration by Administrators appointed to Ten Network.

The market value of the Group's investment portfolio was impacted during the financial year by falls in the share prices of the Group's investment in banking stocks and also large falls in the value of Telstra and Perpetual shares. These market value falls were offset by gains in mining and energy stocks held and also increases in the value of other stocks across the investment portfolio. There was little movement in the value of Event Hospitality & Entertainment shares for the financial year. The market value of the investment portfolio increased during the year by a very modest \$1.5 million or only 0.2%. The S&P/ASX 200 Index increased by 8.3% over the financial year. 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 4.5% compared with an increase in the S&P ASX 200 Accumulation Index over period of 13.0%.

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 16th October 2018, are expected to be distributed to shareholders by 12 September 2018.