

CHAIRMAN'S REPORT TO SHAREHOLDERS YEAR ENDED 30 JUNE 2019

Dear Shareholder

The Company's Appendix 4E and the Financial Report for the year ended 30 June 2019 were lodged with the Australian Securities Exchange (ASX) on 20 August 2019 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 2019.

Group's operations and results

Profit for the year ended 30 June 2019 was \$45,526,000 compared to \$41,665,000 for the 2018 financial year, an increase of \$3,861,000 or 9.3%.

A large portion of the increase in profit for the year related to a significant increase in special dividends received. Special dividends received increased by \$3,249,000, from \$318,000 in the prior year to \$3,567,000. In the year to 30 June 2019 special dividends were received from 14 companies, with the larger special dividends coming from BHP, Wesfarmers, Fortescue Metals, Rio Tinto, Telstra, Dulux and Amcor. Dividends and distributions received, before special dividends, increased by \$729,000 (1.71%) from \$42,522,000 to \$43,251,000.

Interest income increased from \$397,000 in the prior to \$465,000. The weighted average interest rate on term deposits remained unchanged from the prior year at 2.53% and there was an increase in average funds on deposit during the year of \$2.8 million.

Administration expenses were \$870,000, compared to \$835,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2019 was 0.09%.

Earnings per ordinary share

Basic and diluted earnings were \$1.720 per ordinary share for the year to 30 June 2019 compared to \$1.574 per share for 2018.

Dividends

On 20 August 2019 the directors declared a final fully franked dividend of 70 cents per ordinary share, plus a special fully franked dividend of 8 cents per ordinary share, payable on 23 September 2019. Directors have declared a special dividend after taking into account the high level of special dividends received during the year. Including the special dividend to be paid, total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2019 amount to \$1.33 per share, an increase of 12 cents.

The interim dividend paid in March 2019 was increased from 51 to 55 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 23 September 2019.

The record date for both the ordinary and preference final dividends is 2 September 2019.

The Dividend Reinvestment Plan remains suspended.

Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2019, 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 \$36.68 (2018: \$37.09). Although the Board has no present intention of disposing of any of the Group's equity investments, the net tangible asset after provision for tax on unrealised capital gains was \$30.66 (2018: \$30.80). The relevant figures as at 31 July 2019 were \$37.03 and \$30.91 respectively.

Investments

The market value of the equity investment portfolio as at 30 June 2019 was \$945,446,000 compared to \$960,316,000 at the prior year end. Short term cash deposits at 30 June 2019 amounted to \$20,900,000 (2018: \$14,400,000).

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 2019 totalled \$8,314,000 (2018: \$7,711,000). Acquisitions above \$400,000 during the year were:

BHP Group	\$1,500,000
Boral	\$1,006,000
Fortescue Metals Group	\$1,497,000
G8 Education	\$497,000
Macquarie Group	\$1,004,000
Treasury Wine Estates	\$503,000
Woodside Petroleum	\$1,999,000

The Group also received shares in Coles Group during the period, which had an initial market value of \$7,828,000, when Wesfarmers demerged the Coles business to a separate listed entity.

There were no sales of equity investments during the financial year (2018: nil). Capital returns received during the period totalled \$113,000. Also during the period Fairfax Media was taken over by Nine Entertainment Co., resulting in the group receiving \$120,000 worth of shares in Nine Entertainment, plus \$5,000 in cash.

The year to 30 June 2019 was a very volatile period with the Australian investment market impacted by US and China trade policy, the Federal Election and more recently, falling interest rates. During the period we saw market values reaching decade highs in August 2018 before falling back significantly and then recovering back to new highs. The performance of the Group's investment portfolio during this period was mixed. The share price of the Group's largest investment, Event Hospitality & Entertainment, decreased during the period by 6.6%. The market value of some energy stocks fell significantly during the period. These falls in market value were partly offset by gains in mining stocks and some recovery in the market values for Telstra and Commonwealth Bank. The market value of the investment portfolio, after adjusting for investment acquisitions and capital returns, decreased during the year by \$23 million or 2.4%. The S&P/ASX 200 Index increased by 6.8% 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 2.2% compared with an increase in the S&P ASX 200 Accumulation Index over period of 11.5%.

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 15th October 2019 are expected to be distributed to shareholders by 11 September 2019.