



## **CHAIRMAN'S REPORT TO SHAREHOLDERS YEAR ENDED 30 JUNE 2021**

Dear Shareholder

The Company's Appendix 4E and the Financial Report for the year ended 30 June 2021 were lodged with the Australian Securities Exchange (ASX) on 17 August 2021 and are available to be downloaded from the company's website or the ASX website.

I present to you the Group's consolidated results for the year ended 30 June 2021.

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

Profit for the year ended 30 June 2021 was \$21,029,000 compared to \$38,115,000 for the prior 2020 financial year, a decrease of \$17,086,000 or 44.8%.

Dividends and distributions received, before special dividends, decreased by 18,219,000 (47.1%) from \$38,661,000 to \$20,442,000. The businesses of the Group's largest investment, Event Hospitality & Entertainment, have been greatly impacted by public health restrictions to suppress the spread of COVID-19 and no dividends were received for this investment during the year to 30 June 2021. The dividends received by the Group from Event in the 2020 financial year were \$16,009,000. There were also reductions in the dividends received from most other companies and in particular the banks, AGL, Perpetual and Sydney Airports, these reductions were partially offset by an increase in dividends received from mining companies.

Interest income decreased from \$360,000 in the prior to \$50,000 in the year to 30 June 2021, with continuing low interest rates and less funds held in term deposits. The weighted average interest rate on term deposits decreased from 1.88% in the prior year to 0.54%.

A low income tax expense of \$49,000 has resulted from the reversal of a provision for deferred income tax amounting to \$697,000, a previously anticipated liability which is no longer expected to eventuate. The income tax expense before this reversal was \$746,000.

Administration expenses were \$870,000 compared to \$916,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2021 has remained unchanged from the prior year at 0.10%.

### **Earnings per ordinary share**

Basic and diluted earnings were \$0.794 per ordinary share for the year to 30 June 2021 compared to \$1.440 per share for the 2020 financial year.

### **Dividends**

On 17 August 2021 the directors declared a final fully franked dividend of 41 cents per ordinary share, payable on 20 September 2021. The prior year final dividend paid in September 2020 was 56 cents per ordinary share. Total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2021 amount to 67 cents per share, a decrease of 44 cents per share. Dividends paid in respect of the year to 30 June 2021 equated to 84.4% of net profit compared to 77.1% in the prior year.

An interim dividend of 26 cents per ordinary share was paid in March 2021. The prior year interim dividend paid in March 2020 was 55 cents per ordinary share.

A final preference share dividend of 7 cents per share fully franked is also payable on 20 September 2021.

The record date for both the ordinary and preference final dividends is 1 September 2021.

The Dividend Reinvestment Plan remains suspended.

### Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2021, 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 \$38.53 (2020: \$28.50). 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 \$31.99 (2020: \$24.65). The relevant figures as at 31 July 2021 were \$38.61 and \$32.07 respectively.

### Investments

The market value of the equity investment portfolio as at 30 June 2021 was \$1,000,907,000 compared to \$731,517,000 at the prior year end. Short term cash holdings and term deposits totalled \$17,235,000 at 30 June 2021 (2020: \$23,581,000).

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 2021 totalled \$9,358,000 (2020: \$10,554,000). Acquisitions above \$400,000 during the year were:

Bank of Queensland	\$4,253,000
Deterra Royalties	\$1,501,000
Macquarie Group	\$1,000,000
Tassal Group	\$999,000
Rio Tinto	\$507,000
NEXTDC	\$503,000
IPH	\$499,000

In June 2021, Woolworths demerged its drinks and hotel business, Endeavour Group Limited, and the Group received shares in this new listed entity, which had a market value of \$906,000 at 30 June 2021.

There was only one investment disposal in the year, with the Group's holding in Coca-Cola Amatil being subject to a takeover offer and was disposed of for consideration of \$6,084,000. Prior year consideration received on disposals totalled \$5,106,000. There were no capital returns received during the year (2020: \$301,000).

Following the COVID-19 pandemic outbreak and a 25% fall in the market value of the Group's investments during the second six months of the prior financial year, we have seen market values for most of the Group's investments recover over the year to 30 June 2021. The market value of the Group's investment portfolio, after adjusting for investment acquisitions and disposals, increased during the year by \$266 million or 36%. The S&P/ASX 200 Index increased by 24.0% 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 38.9% compared with an increase in the S&P ASX 200 Accumulation Index over the period of 27.8%.

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.



## **Outlook**

The economic impact of health restriction to contain the spread of COVID-19, on a number of market sectors, continues and with the current slow vaccine roll out it is difficult predict dividend income over the next twelve months, however it is anticipated that dividend income for the 2022 financial year will remain well down on the pre-COVID levels received in the 2020 financial year.

We remain confident, given the quality of the businesses in the investment portfolio, that those businesses impacted by COVID-19 restrictions will recover quickly once vaccination levels increase to required levels and we see an end to COVID restrictions.

## **Annual General Meeting and Annual Report**

The Annual General Meeting will be conducted as a virtual meeting on Tuesday 19 October at 10 am. Copies of the Annual Report and Notice for the Annual General Meeting, with instructions regarding the Annual General Meeting, are expected to be distributed to shareholders by 15 September 2021.

A G RYDGE  
Chairman

17 August 2021