



CHAIRMAN'S REPORT TO SHAREHOLDERS YEAR ENDED 30 JUNE 2022

Dear Shareholder,

The Company's Appendix 4E and the Financial Report for the year ended 30 June 2022 were lodged with the Australian Securities Exchange (ASX) on 16 August 2022 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 2022.

Group's operations and results

Profit for the year ended 30 June 2022 was \$33,757,000 compared to \$21,029,000 for the prior 2021 financial year, an increase of \$12,728,000 or 60.5%. The profit result for the year included \$4,755,000 from a one-off, fully franked in-specie dividend of Woodside Energy shares resulting from the merger of BHP's petroleum business into Woodside Energy. Excluding this one-off BHP in-specie dividend, the profit result for the year to 30 June 2022 was \$29,002,000, representing an increase on the prior year of \$7,973,000 or 37.9%.

Dividends and distributions received totalled \$29,610,000 before special dividends and the BHP in-specie dividend noted above. This was an increase of \$9,168,000 on the prior year or 44.8%. During the period we saw most dividends increase from those paid during the prior year when many businesses were affected by COVID health restrictions. Consistent with the prior year, the Group did not receive any dividends from the Group's largest investment, Event Hospitality & Entertainment, whose businesses were greatly impacted by COVID restrictions. Special dividends received during the year decreased from the prior year by 10.9% from \$1,352,000 to \$1,205,000.

Interest income increased from \$50,000 in the prior year to \$73,000 in the year to 30 June 2022. Interest rates increased in the latter part of the year, albeit from a very low base, and the company's investment in term deposits has also increased. The weighted average interest rate on term deposits increased marginally, from 0.54% in the prior year to 0.60%.

The income tax expense for the year was \$976,000. Last year there was a low income tax expense of \$49,000 which had 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.

Administration expenses were \$898,000 compared to \$870,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2022 was 0.09%, compared to the prior year of 0.10%.

Earnings per ordinary share

Basic and diluted earnings were \$1.275 per ordinary share for the year to 30 June 2022 compared to \$0.794 per share for the 2021 financial year. Excluding the one-off BHP in-specie dividend of Woodside Energy shares, the basic and diluted earnings was \$1.095 per ordinary share for the year to 30 June 2022.

Dividends

On 16 August 2022 the directors declared a final fully franked dividend of 44 cents per ordinary share, plus a special fully franked dividend of 14 cents per ordinary share, payable on 19 September 2022. The directors have declared a special dividend after taking into account the profit derived from the one off in-specie dividend received from BHP. The prior year final dividend paid in September 2021 was 41 cents per ordinary share. Total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2022 amount to 98 cents per share, being an increase of 46.3% on the prior year.

An interim dividend of 40 cents per ordinary share was paid in March 2022. The prior year interim dividend paid in March 2021 was 26 cents per ordinary share.

Dividends (continued)

A final preference share dividend of 7 cents per share fully franked is also payable on 19 September 2022.

The record date for both the ordinary and preference final dividends is 1 September 2022.

The Dividend Reinvestment Plan remains suspended.

Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2022, 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 \$36.99 (2021: \$38.53). 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 \$30.95 (2021: \$31.99). The relevant figures at 31 July 2022 were \$39.52 and \$32.78 respectively.

Investments

The market value of the equity investment portfolio as at 30 June 2022 was \$949,299,000 compared to \$1,000,907,000 at the prior year end. Short term cash holdings and term deposits totalled \$27,480,000 at 30 June 2022 (2021: \$17,235,000).

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 2022 totalled \$8,804,000 (2021: \$9,358,000).

Acquisitions above \$400,000 during the year were:

BHP	\$2,005,000
Telstra	\$1,006,000
Resmed Inc	\$1,004,000
South32	\$1,001,000
Bank of Queensland	\$1,000,000
Ramsay Healthcare	\$1,000,000
Woolworths	\$1,000,000
Transurban	\$759,000

As previously referred to, in June 2022, the Group also received shares in Woodside Energy via a fully franked in-specie dividend with a market value, at that time, totalling \$4,978,000. The receipt of these Woodside Energy shares resulted from BHP's disposal of its petroleum business to Woodside Energy.

In May 2022, Tabcorp demerged its lottery business, The Lottery Corporation, and the Group received shares in this new listed entity, which had a market value of \$3,510,000 at 30 June 2022.

During the year the company disposed of investments in Sydney Airports, Japara Healthcare, CIMIC and Crown Resorts. All these disposals resulted from takeovers or takeover offers received. The consideration received for all investment disposals during the year was \$7,844,000. Prior year consideration received on disposals totalled \$6,084,000. There were also capital returns received during the year from Wesfarmers and Boral totalling \$4,303,000 (2021: Nil).

The market valuations for investments during the year to 30 June 2022 fluctuated as various risks and concerns about the future emerged. Market valuations for most of the year remained at what could be

Investments (continued)

regarded high levels until June when we saw a sharp fall in valuations as the combined concerns of rising inflation and interest rates, economic growth prospects concerns, ongoing post COVID supply chain issues and the ongoing Ukraine war took full impact. The market value of the Group's investment portfolio, after adjusting for investment acquisitions and disposals, decreased during the year by \$53 million or 5.3%. The S&P/ASX 200 Index decreased by 10.2% 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 minus 2.1% compared with a decrease in the S&P ASX 200 Accumulation Index over the period of 6.5%.

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.

Outlook

After the sharp fall in investment market values in June 2022, we have seen market values steadily increase. There are a number of continuing significant risk factors and uncertainties, as noted above, that have the potential to impact on investment market valuations. It is expected that we will see further volatility in market valuations in the months ahead.

We continue to have confidence in the quality and mix of the businesses in which the Group has invested. The group is well placed to take advantage of investment opportunities when the market value offers good long term value.

In these uncertain times, the Group will continue to take a cautious approach in pursuing its policy of holding equity investments for the long term and reinvesting dividends and other income in entities listed on the Australian Securities Exchange.

Annual General Meeting and Annual Report

The Annual General Meeting will be held at The Screening Room, State Theatre Building, 49 Market Street, Sydney, on Thursday 27th October 2022, commencing at 10.00am. Copies of the Annual Report and Notice for the Annual General Meeting are expected to be distributed to shareholders by 20 September 2022.

A G RYDGE AM
Chairman
16 August 2022