



# HUNTLEY INVESTMENT COMPANY LTD

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- **One for five rights issue at 70 cents**
- **Interim dividend up 16.7%**
- **NTA up 19.92%, 11.05m profit for December half**

22/2/2005

Dear shareholder,

Huntley Investment Company Ltd proposes to make a cash rights issue of one share at 70 cents for every 5 shares held in what directors believe is a favorable package for shareholders.

The new issue price compares to the closing market price of 80 cents a share as at Monday February 21. Directors plan to maintain the current annual dividend of 3.5 cents a share on the increased capital, barring unforeseen events.

The latest reported NTA at January 31 before deferred tax was 88.98 cents a share and after all tax 79.47cents a share. The issue will be renounceable, and rights will be able to be traded on the Australian Stock Exchange. Shareholders outside of Australia and New Zealand will have their entitlements sold on the ASX by a nominee who will account to those shareholders for the average net proceeds of those sales.

Shareholders who take up their full entitlement may apply for an additional allotment of up to 50% of their rights entitlement. Applications for additional allotments will be satisfied out of any shortfall that may arise from shareholders who for some reason don't take up their entitlements.

The company is currently negotiating for the issue to be underwritten.

The record date for the share registry determination of shareholders eligible for the issue is expected late March. As further details are confirmed, we will report to you.

A prospectus for the rights issue will be made available when the securities are offered. Anyone who wishes to acquire the securities will need to complete the application form that will accompany the prospectus.

## **A good calendar year! ASX notes Huntley as a “standout performer for 2004.”**

Huntley Investment Company had a good December half, and a good calendar year. Assuming we had re-invested all dividends NTA would have lifted by 31.17% in the year to December 31 2004.

As you know we lifted the final dividend paid to you last September 16.66% or 0.25cents to 1.75 cents a share. We have just reported a similar increase in the interim dividend to 1.75 cents a share as noted below under Report for the Six Months to December 31, 2004. This will be the 18<sup>th</sup> consecutive dividend paid by your company.

The 31.17% increase in the adjusted NTA for calendar 2004 outperformed the Australian All-Ordinaries Accumulation Index which rose 27.57%. January saw a further 3.67% gain compared to 1.33% for the Accumulation Index.

January is of course the 11<sup>th</sup> anniversary of our listing, January 1994. So it was excellent to see the Australian Stock Exchange noting in a press release that your company was one of six “LIC standout performers in 2004” – of over 40 Listed Investment Companies. The ASX calculated that HIC had shown a total return of 27% to shareholders during 2004 on the basis of share price appreciation assuming re-investment of all dividends.

You will see from the attached portfolio that your company is invested in a high quality group of Australian public companies reflecting our aim to maintain a quality asset base.

## **Report for the six months to December 31, 2004 – NTA up 19.92%**

For the six months to December 31, 2004, Huntley lifted adjusted NTA 19.92%, outperforming the 17.22% increase in the Australian All Ordinaries Accumulation Index. The performance of the NTA encapsulated the net profit after tax of \$11.05 million, which is broken down below as to realised and unrealised profits.

## **\$11.05 million profit for half, interim dividend up 16.7%**

HIC will increase the interim dividend 16.7% from the previous year’s 1.5 cents to 1.75 cents, in line with the increased final dividend paid in September. The dividend will be paid on March 11. Ex-dividend date is February 28, record date March 4. After payment of the \$1.77 million dividend HIC will hold \$1.11 million in franking credits sufficient to pay franking at 30 cents in the dollar for future dividends totaling \$2.6million. Similarly after payment of the dividend, retained profits an indication of dividend paying capacity will be \$3.9million as at December 31 2004 accounts. Unrealised profit reserve as at December 31, 2004 stands at \$20,199,557 after provision for \$8,715, 000 deferred tax.

Net profit for the six months was \$11.05million, after provision for \$604,098 current tax, and \$3,584,323 deferred tax. The net profit includes the realised and unrealised profits which drove the increase in the NTA.

Realised net profit based on cost and taken to Retained Profits in our accounts at December 31, 2004 was \$2,167 million after \$604,098 provision for current tax. Comparable profit for the six months to December 31, 2003 was \$1,434,406 after tax of \$496,294.

### **Management Expense Ratio**

Reflecting the increased funds under management, the management expense ratio fell to 1.58% at December 31 on an annualised basis, compared to 1.65% at June 30, and 2.22% for fiscal 2003.

### **The Portfolio**

There have been only minor changes to the portfolio between October 31, the last date at which the portfolio was updated for shareholders, and December 31, 2004. The portfolio at December 31 2004 is attached. The company has sold small holdings in Enterprise Energy NL (for a substantial profit), Imugene Ltd, Magnesium International Ltd, Worley Group Ltd, Allco Equity Partners Ltd and Babcock and Brown Ltd. We took a loss on Magnesium International, the only unprofitable sale of this list. A number of these holdings were the result of taking up placements at advantageous prices from our brokers.

Since December 31 we have added 230,168 Vision Group Holdings Ltd and 200,000

Telstra. We have sold 180,000 Record Realty, 500,000 Gropep and 391,819 Solbec Pharmaceuticals.

**For the record, the annual performance since listing, 31/1/94, is laid out below**

	<b>Accumulation Index</b>	<b>Huntley</b>
30.6.94	-12.47	-6.55
30.6.95	5.71	-4.10
30.6.96	15.83	7.20
30.6.97	26.56	32.88
30.6.98	1.65	6.38
30.6.99	15.34	24.53
30.6.00	13.70	22.45
30.6.01	8.85	10.86
30.6.02	-4.50	-7.17
30.6.03	-1.08	3.34
30.6.04	22.37	18.56
31.12.04	17.22	19.92
Total Return since 31.1.94	166.68	213.09

These figures reflect NTA after realised tax and management expenses, with deferred tax and dividends paid to shareholders added back for the calculation. The figures are adjusted for dilution incurred through share issues, to reflect the underlying investment performance.



**Ian Huntley**  
**Managing Director**

## Investment Portfolio

INVESTMENT	QTY HELD	MARKET VALUE AS AT 31/12/04 \$	EXPRESSED AS % OF SHAREHOLDERS FUNDS 31/12/04
<b>BLUE CHIPS</b>			
Alinta Limited	857,143	7,054,287	9.01%
Alumina Limited	500,000	2,970,000	3.79%
AMP Limited	575,000	4,174,500	5.33%
Australian Gas Light Company	555,238	7,606,761	9.71%
BHP Billiton Limited	80,000	1,227,200	1.57%
Brickworks Limited	235,000	2,636,700	3.37%
QBE Insurance Group Limited	208,000	3,192,800	4.08%
Rio Tinto Limited	100,000	3,912,000	5.00%
Washington H Soul Pattinson & Co. Ltd	300,000	3,003,000	3.83%
Tabcorp Holdings Limited	132,000	2,282,280	2.91%
Wesfarmers Limited	160,000	6,368,000	8.13%
Woodside Petroleum Limited	150,000	3,015,000	3.85%
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		47,442,528	60.58%
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<b>GROWTH STOCKS</b>			
Allco Equity Partners Limited	37,250	74,500	0.09%
Allco Hybrid Investment Trust	130,493	978,698	1.25%
Australian Pipeline Trust	801,250	2,628,100	3.36%
Auspine Limited	1,191,558	4,575,583	5.84%
Capral Aluminium Limited	1,000,000	2,410,000	3.08%
Colorado Group Limited	700,000	4,270,000	5.45%
Gropep Limited	500,000	470,000	0.60%
Multiplex Group	600,000	3,264,000	4.17%
OAMPS Limited	350,000	1,277,500	1.63%
Ramsay Health Care Limited	200,000	1,424,000	1.82%
Record Investments Limited	1,268,306	7,267,393	9.28%
Record Realty	180,000	158,400	0.20%
SP Telemedia Limited	1,008,842	2,088,303	2.67%
Stargames Limited	400,000	592,000	0.76%
Tasmanian Perpetual Trustees	153,400	728,650	0.93%
Vision Group Holdings Limited	50,000	167,000	0.21%
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		32,374,127	41.34%
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<b>SPECULATIVE</b>			
Solbec Pharmaceuticals Limited	1,000,000	155,000	0.20%
Uscom Limited	200,000	450,000	0.57%
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		605,000	0.77%
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<b>HYBRIDS</b>			
Allleasing Hybrid	18,255	1,916,775	2.45%
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		1,916,775	2.45%
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<b>TOTAL SHARE PORTFOLIO</b>			
		82,338,430	105.14%
<b>NET LIQUID FUNDS</b>			
		4,692,987	5.99%
<b>LESS: PROVISION FOR DEFERRED TAX</b>			
		(8,715,000)	(11.13)%
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<b>TOTAL SHAREHOLDERS FUNDS</b>			
		78,316,417	100.00%
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