

Sietel Limited

Annual General Meeting of Shareholders

Held at the Company registered office commencing 12:00 pm Thursday 18 January 2019

Chairman's Address

Shareholders, Ladies and Gentlemen

The Board of Directors and staff welcome you all to this year's Annual General Meeting.

I refer you to the Annual Report and more specifically the Directors' Report and Financial Accounts.

Rather than repeat the information already contained in the Annual Report I now limit my current comments to a few matters which I consider are of interest to shareholders.

The Operating profit before tax of \$1,193,189 shows a 40% decrease over the previous year (2017 \$1,972,896). This decrease can be attributed to the Operating losses before tax in both Cook's Body Works and Alliance Appliances Australia which totaled \$653,346 (2017 (\$72,623)) and \$299,502 (2017 (\$42,115)) respectively.

The Group's investment in all ASX shares if sold at 30 Sep 2018 would have resulted in a gain of \$4,974,227 when compared with the original aggregate cost of this investment (2017 \$3,018,472). Naturally, the market downturn since 30 September 2018 has impacted on that gain, reducing it by approximately \$2M. The impairment loss of \$107,800 reflects the loss which would have been incurred on shares held where the value as calculated using the close of market sale price at 30 Sep 2018 is lower than the original cost or previously impaired book value at balance date before the current impairment.

Our manufacturing operating business Cook's Body Works has experienced price discounting from competitors for fleet business and this has hindered management's efforts to return the business to profitability. However some customers have indicated that lower pricing by competitors has not always been matched by the service and quality levels they expect and it is anticipated this will assist in future business negotiations.

AAA has continued to design and develop products for manufacture by third party offshore manufacturers and commence small scale importation and distribution of a very limited range of domestic gas water heaters and BBQs into the Australian market. Delays in implementing product changes to meet local Australian regulations and conditions has limited planned expansion. A review is being undertaken of overheads including staff levels in light of achievable turnover.

The investment operations experienced a year of consolidation, with market prices in the properties of interest to the group plateauing in some areas, allowing the board to add to the Company's property portfolio in strategic areas.

The Directors valuation of all real-estate held be the Group at 30 September 2018 and associated estimate of the unrealized gain over book value is detailed in note 9 to the Financial Accounts.

The Group has expanded and increased its investment in unlisted investments with the objective of providing some exposure to relatively new businesses which it is believed can provide potential for above average returns as offered by larger and more established businesses. The Board appreciates the higher risk of failure associated with investment in this sector so has adopted a policy of limited quantum and a wide spread of businesses and industries.

The listed ASX company share portfolio has been expanded via participation in dividend re-investment plans and modest purchases generally in existing top 200 listed companies.

The company's cash position has decreased in 2018 to a balance of \$2,158,459 (2017 \$7,508,887). During 2018 the company settled on two investment properties totaling \$7,515,468. The company's resources still provide for investment opportunities if market conditions move against vendors in areas of interest to the group or if the new venture in the hot water appliance market provides scope for expansion.

We have not paid nor do we anticipate payment of an ordinary dividend this year. The Board continues to espouse their policy of retaining earnings for investment in assets and or businesses considered advantageous to maintenance of long term growth in shareholder value as reflected in share price and asset backing of the company's issued shares.

The policy of re investment of profits has been a major feature of the company for many years and although always subject to review and changes in light of the market place conditions, however is not on the agenda at present.

I would like to thank management and staff for their efforts over the past twelve months and look forward to continued steady growth over the coming years.



Mr Geoffrey L Rees
Chairman of Directors
Sietel Limited