



Carlton Investments Limited

ABN 85 000 020 262

Chairman's Address to the 85th Annual General Meeting of Shareholders

Ladies and Gentlemen,

Welcome to the 85th Annual General Meeting of the Company.

Review of operations for the year ended 30 June 2014

As previously reported the net profit of the Company and its controlled entities for the year ended 30 June 2014 was \$35.26 million, representing a pleasing increase of 8.8% on the previous financial year.

Dividends and distributions received increased by \$2.91 million or 9.1% before special dividends and increased by \$3.34 million or 10.3% after special dividends. Interest income fell by \$395 thousand resulting from further reduced interest rates and a reduction in the average level of funds on deposit of \$2.44 million.

The Company's total operating costs for the financial year were \$658,000 with the management expense ratio, representing operating costs as a percentage of the average market value of assets reducing from 0.10% to 0.09%. This management expense ratio remains one of the lowest ratios for a listed investment company quoted on the Australian Securities Exchange.

Dividends

A final fully franked dividend of 63 cents per ordinary share was paid to shareholders on 17 September 2014. Total ordinary dividends for the year were \$1.00 per share, an increase of 8 cents per ordinary share or 8.7% over those paid in respect of the 2013 financial year. As I noted in the Annual Report, dividends on ordinary shares in the last four years have increased from 67 cents in respect of the 2010 year to \$1.00.

A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 17 September 2014 whilst an interim fully franked dividend of 7 cents per share was paid on 20 March 2014.

The company's dividend reinvestment plan remains suspended.

Return to shareholders

The return to ordinary shareholders for the year to 30 June 2014 calculated by taking the movement in the net tangible asset backing together with dividends paid was 18.8%. This compares favourably to the movement in the S&P/ASX 300 accumulation index during the same period of 17.25%.

Net Asset Backing

The net tangible asset backing per ordinary share as at 30 June 2014, before providing for capital gains tax in respect of unrealised investment portfolio gains, was \$30.21, compared with \$26.23 as at 30 June 2013.

As at 30 September 2014, after the payment of a final dividend of 63 cents per ordinary share, the net tangible asset backing per ordinary share was \$29.89 before providing for capital gains tax in respect of unrealised investment portfolio gains.

Investments

During the financial year to 30 June 2014 equity investments to the value of \$14.46 million were purchased. Major additions to the portfolio included the increase of existing holdings in APA Group, ANZ Banking Group, Bank of Queensland, National Australia Bank, Telstra and Santos. There were also new investments in Ardent Leisure Group, GrainCorp and Orora. Additional Perpetual Limited shares, with a market value of \$6.38 million, were also acquired as consideration for shares held in The Trust Company as a result of the merger of those two companies.

Consideration from the disposal of equity investments and also capital returns during the 2014 financial year totalled \$1.18 million.

The Group's available cash resources held on short term deposit at 30 June 2014 amounted to \$26.3 million compared to \$29.9 million at the previous year end.

The Group invests for the long term and does not carry out any short term trading activities. All acquisitions of equities are made from cash generated through the Group's operations or other capital management initiatives. There are no external borrowings.

New equity investments are made after the Board reviews information and research material obtained from a number of sources, including internally generated research, broker and analyst research and other business contacts. The Group will continue to seek to acquire investments that met the criteria of providing high levels of income through franked dividends and have the potential for long term capital growth. It is the Board's policy that the Group's investment portfolio should cover a broad range of market sectors and investments are generally made in established listed equities included in the S&P / ASX 300 index.

Capital management

Your Board regularly considers various capital management opportunities that the Company can take.

The Company has had an ordinary share on market buy-back facility available to it since 2001 at which time the Board announced that up to 2,500,000 of the Company's ordinary shares could be bought back. Although there have been no shares brought back over the last two years, it remains the Board's policy to purchase medium to large sized parcels of shares when available on market, at prices that will result in an increase in the net assets value per ordinary share.

The period of the buy-back has been extended each year and currently expires on 28 November 2014. Before the expiry of the current period, the Board will decide whether to extend the buy-back for another year. Since November 2001 a total of 806,612 ordinary shares have been bought back at a cost of \$10.7 million.

Corporate governance

The Directors consider that the Group's corporate governance practices, which are reviewed and updated on a regular basis, include such controls and procedures that are appropriate bearing in mind the nature and size of the Group's operations and the small number of personnel involved in the day to day management of the Group. The corporate governance practices adopted by the Board are set out on pages six to nine of the Annual Report.

Operations for the three months to 30 September 2014

Turning to the current financial year, dividend and trust distributions received and receivable for the first quarter to 30 September 2014 totalled \$14.34 million compared to \$13.52 million for the same period in the prior year. Interest income of \$225 thousand was down on the prior first quarter amount by \$103 thousand.

As at 30 September 2014 the total market value of the Group's equity investment portfolio was \$769.6 million compared to \$768 million as at 30 June 2014. Investment acquisitions totalled \$9.5 million and there was \$1.75 million received from a capital return during the first quarter to 30 September 2014. Investment acquisitions (over \$500,000) were made in Adelaide Brighton, AGL Energy, ASX, National Australia Bank, Seven West Media and Telstra.

The Group held cash and funds on short term deposit totalling \$19.3 million at 30 September 2014 compared to \$27.2 million as at 30 June 2014.

Finally, I would like to thank my co-directors and our company secretary Mr Peter Horton for their efforts during the year and on behalf of the Board I would also like to thank shareholders for their continuing interest in and support for the Company.

Thank you for your attention.



Alan G Rydge
Chairman
22 October 2014