



Carlton Investments Limited
ABN 85 000 020 262

Chairman's Address to the 88th Annual General Meeting of Shareholders

Ladies and Gentlemen,

Welcome to the 88th annual general meeting of Carlton Investments.

Results for the year ended 30 June 2017

The net profit of the Company and its controlled entities for the year ended 30 June 2017 was \$39.66 million compared to a net profit of \$41.81 in the prior financial year. This decrease in net profit was largely due to a special dividend, amounting to \$2.46 million, received from Event Hospitality & Entertainment Limited in the prior financial year.

Dividends and distributions received before special dividends increased by a modest \$365,000 from \$40,320,000 to \$40,685,000 with the Group impacted by a fall in dividend levels mainly from investments in the mining, energy and retail sectors.

Interest income fell by \$94,000 to \$397,000. The reduction in interest income was the result of reduced interest rates and a reduction of \$1.6 million in the average level of funds on deposit.

The Company's total administration expenses for the financial year increased slightly to \$769,000 with the management expense ratio, representing operating costs as a percentage of the average market value of assets, remaining consistent with the prior year at 0.08%. 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 68 cents per ordinary share was paid to shareholders on 25 September 2017. Total ordinary dividends amounted to \$1.16 per share for the year, an increase of 2 cents per ordinary share on that paid in respect of the 2016 financial year. This was before taking into account the prior year special dividend of 7 cents per ordinary share.

Directors continued increasing the level of the interim dividend paid as a percentage of total dividends, with the interim dividend increasing by 4% from 46 cents to 48 cents.

A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 25 September 2017 whilst an interim fully franked dividend of 7 cents per share was paid in March 2017.

The Company's dividend reinvestment plan remains suspended.

Return to shareholders

The return to ordinary shareholders for the year to 30 June 2017, calculated by taking the movement in the net tangible asset backing together with dividends paid, was 6.7% compared with the movement in the S&P/ASX 200 Accumulation Index during the same period of 14.1%.

As noted in the Annual Report, after a number of years of significant increases in value, the market value of the Group's investment in Event Hospitality & Entertainment fell during the year. The decrease in the market value of this holding was more than offset by increases in values of other investments across the rest of the portfolio, including some recovery in the value of banking stocks held.

Net asset backing

The net tangible asset backing per ordinary share as at 30 June 2017, before providing for capital gains tax in respect of unrealised investment portfolio gains, was \$36.65, compared with \$35.52 as at 30 June 2016.

As at 30 September 2017, after the payment of the final dividends of 68 cents per ordinary share, the net tangible asset backing per ordinary share was \$35.54 before providing for capital gains tax in respect of unrealised investment portfolio gains.

Investments

A full list of the Group's equity investments by industry sectors, as at 30 June 2017, is shown on pages 30 to 32 of the Annual Report. At 30 June 2017 the market value of Group's equity investment portfolio totalled \$951 million compared to \$919,000 million at the prior year end.

Equity investments to the total value of \$8.98 million were purchased during the year to 30 June 2017. Major additions to the investment portfolio included ASX, Boral, Perpetual, Rio Tinto, Primary Health Care, Sydney Airport and Transurban.

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.

The Group continues to invest in Australian listed entities that are considered to be well managed and are anticipated to provide attractive levels of sustainable income through predominantly franked dividends and also long term capital growth. New equity investments are made after the Board reviews information and research material obtained from a number of sources, including internally generated research and broker and analyst research.

Cash at bank and held in term deposits at 30 June 2017 amounted to \$14.3 million compared to \$16.3 million at the previous year end.

Corporate governance

The corporate governance practices adopted by the Board are set out on pages six to nine of the Annual Report.

Board and Committee Charters and policies covering corporate governance matters can be viewed on the Company's website.

The Board reviews and updates the Group's corporate governance practices on a regular basis. These practices include controls and procedures that the Board considers to be 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.

Operations for the three months to 30 September 2017

Turing to the current financial year, dividends and trust distributions received and receivable for the first quarter to 30 September 2017 totalled \$16.5 million, an increase of \$1.1 million on the prior year first quarter. A large part of this increase in dividends received was attributable to a recovery in the level of dividends received from the investments in the mining and retail sectors.

As at 30 September 2017 the total market value of the Group's equity investment portfolio was \$925.2 million compared to \$951.1 million as at 30 June 2017.

Investment acquisitions, totalling \$1.5 million, were made in Rio Tinto and Sydney Airport. There were no investment disposals during the quarter.

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

Alan G Rydge
Chairman
17 October 2017