

Carlton Investments Limited

ABN 85 000 020 262
Level 22, 227 Elizabeth Street
Sydney NSW 2000
GPO Box 1469
Sydney NSW 2001
P 02 9373 6732
F 02 9373 6539
E info@carltoninvestments.com.au
W carltoninvestments.com.au

CHAIRMAN'S REPORT TO SHAREHOLDERS YEAR ENDED 30 JUNE 2015

Dear Shareholder

The Company's Appendix 4E and the Financial Report for the year ended 30 June 2015 were lodged with the Australian Securities Exchange (ASX) on 13 August 2015 and are available to be downloaded from the company's website or the ASX website.

I have pleasure in presenting the Group's consolidated results for the year ended 30 June 2015.

Group's operations and results

Profit as reported in the consolidated statement of profit or loss for the year ended 30 June 2015 was \$37,418,000 compared to \$35,256,000 for 2014, an increase of 6.1%.

Total revenue for the year was \$38,978,000 compared to \$36,745,000 during the prior year. Dividends and distributions received increased by \$2,617,000 or 7.3% from \$35,641,000 to \$38,258,000. Dividends received included special dividends of \$640,000 compared to special dividends of \$720,000 in the prior year. Dividends and distributions received before special dividends increased by 7.7%. Interest income was \$720,000 compared to \$1,104,000 in the prior year. The fall in interest income resulted from lower interest rates, with the weighted average interest rate on term deposits decreasing from 3.84% in the prior year to 3.46%, and a reduction in average funds on deposit of \$8.1 million.

Administration expenses amounted to \$758,000, compared to \$658,000 in the previous year. The management expense ratio (MER) remained the same as the prior year at 0.09%.

Earnings per ordinary share

Basic and diluted earnings were \$1.413 per ordinary share for the year to 30 June 2015 compared to \$1.332 per share for 2014.

Dividends

On 13 August 2015 the directors declared a final fully franked ordinary dividend of 65 cents per share payable on 21 September 2015. Total dividends payable in respect of the ordinary shares for the financial year ended 30 June 2015 amount to \$1.08 per share, an increase of 8% on that paid for the prior year.

Shareholders are reminded that the interim dividend paid in March 2015 was increased by 16.2% (from 37 to 43 cents). As previously announced, part of this increase relates to the Directors' decision to reward shareholders earlier by increasing the level of the interim dividend as a percentage of total annual dividends.

A final preference dividend of 7 cents per share fully franked is also payable on 21 September 2015.

The record date for both the ordinary and preference final dividends is 2 September 2015.

The Dividend Reinvestment Plan remains suspended.



Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2015, 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 \$34.51 (2014: \$30.21). 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 \$28.66 (2014: \$25.56). The relevant figures as at 31 July 2015 were \$35.38 and \$29.29 respectively.

Investments

The market value of the equity investment portfolio as at 30 June 2015 was \$893,583,000 compared to \$768,024,000 at the prior year end. Short term cash deposits at 30 June 2015 amounted to \$13,950,000 (2014: \$26,300,000).

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 2015 totalled \$23,380,000 (2014: \$14,460,000). The increase in the level of equity investments acquired was funded by a reduction in term deposits held, which decreased by \$12,350,000.

Acquisitions above \$500,000 during the year were:

Adelaide Brighton	\$1,013,000
AGL Energy	\$2,942,000
ANZ	\$1,001,000
APA Group	\$1,496,000
ASX	\$1,008,000
BHP Billiton	\$3,006,000
National Australia Bank	\$6,151,000
Origin Energy	\$502,000
Rio Tinto	\$999,000
Santos	\$505,000
Seven West Media	\$1,007,000
Telstra Corporation	\$1,502,000
Woodside Petroleum	\$1,500,000

The Group also received shares in South32 during the year, which had a market value at 30 June 2015 of \$1,433,000, from a demerger by BHP Billiton.

Consideration received on other disposals of equity investments and capital returns during the financial year totalled \$2,299,000 (2014: \$1,178,000).

After adjusting for the above total investment acquisitions and disposals, the market value of the investment portfolio increased by \$104,478,000 or 13.6% during the year to 30 June 2015. This compares favourably to an increase of 1.2% in the S&P/ASX 200 Index over the same period. 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 18.0% compared with an increase in the S&P/ASX 200 Accumulation Index over the same period of 5.7%. A majority of the Group's increase in portfolio market value related to the Group's investment in Amalgamated Holdings Limited whose share price increased significantly over the financial year.



Investments (cont.)

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.

Annual Report and Annual General Meeting

Copies of the Annual Report and Notice for the Annual General Meeting, which will be held at 10.00am at the Rydges World Square Hotel, 389 Pitt Street, Sydney, on Wednesday 21st October 2015, are expected to be distributed to shareholders by 17 September 2015.

A G RYDGE Chairman

13 August 2015