



Carlton Investments Limited
ABN 85 000 020 262

Chairman's Address to the 83rd Annual General Meeting of Shareholders

Ladies and Gentlemen,

Welcome to the 83rd Annual General Meeting of the Company.

I am pleased to report that as detailed in the financial statements the net profit of the Company and its controlled entities for the year ended 30 June 2012 was \$31.6 million. The increase of \$2.27 million or 7.8% when compared to the previous year was largely due to an increase in dividend and trust distribution income of \$1.96 million. Included in this increase was a special dividend of \$1.23 million received from Amalgamated Holdings Limited. Interest income increased from \$1.56 million in the previous year to \$1.96 million.

The Board ensures that the cost of maintaining the Company's operations are kept to a minimum with total costs of \$673 thousand for the year ended 30 June 2012 and a management expense ratio of only 0.12% of the average value of assets at market value. This remains one of the lowest ratios for a listed investment company quoted on the Australian Securities Exchange.

Dividends

A final fully franked dividend of 52 cents per ordinary share was paid to shareholders on 19 September 2012. Total ordinary dividends for the year were 84 cents per share an increase of 6 cents per share or 7.7% over those paid in respect of the 2011 financial year. The Directors will continue to keep under review the level of dividends payable to the holders of our ordinary shares.

A final fully franked dividend of 7 cents per share was paid to preference shareholders on 19 September 2012 whilst an interim fully franked dividend of 7 cents per share was paid on 22 March 2012.

The Company's dividend reinvestment plan remains suspended.

Return to shareholders

The return to shareholders for the year calculated by taking the movement in the net tangible asset backing together with dividends paid was 3.8%. This compares favourably to the movement in the S&P/ASX All Ordinaries Accumulation Index during the same period of negative 7.0%.

Net Asset Backing

The net tangible asset backing per ordinary share as at 30 June 2012, before provision for deferred capital gains tax, was \$21.13, compared with \$21.07 as at 30 June 2011. Although this was only a small increase, it was in a year when share market indices showed negative movements.

As at 30 September 2012, after the payment of a final 52 cents dividend per ordinary share, the net tangible asset backing per ordinary share was \$22.34 before provision for deferred capital gains tax.

Investments

During the year to 30 June 2012 the Group continued to acquire equity investments that met the criteria of providing both high levels of income through franked dividends and the potential for long term capital growth. During the year \$14.2 million was spent on acquiring equity investments. Major investment purchases were for shares in Commonwealth Bank of Australia, AGL Energy, Telstra Corporation, ANZ Banking Group and Bank of Queensland. Consideration from disposals of equity investments during the 2012 financial year totalled \$3.9 million and included \$3.4 million received as a result of the takeover of Foster's Brewing Group by SAB Miller.

The Group's available cash resources held on short term deposit at 30 June 2012 amounted to \$30.7 million compared to \$30.9 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. 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.

During the year ended 30 June 2012, 37,102 ordinary shares were bought back under the Company's share buy-back facility at an average cost of \$15.93 per share. It is 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 value of net assets per ordinary share.

The Company's on market buy-back facility was introduced in November 2001 at which time the Board announced that up to 2,500,000 of the Company's ordinary shares could be bought back. The period of the buy-back has been extended each year since 2001 and currently expires on 28 November 2012. The Board will shortly consider 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.

As noted, dividends totalling 84 cents per ordinary share were paid in respect of the 2012 financial year. This represents a payout ratio of 70.6%.

Corporate governance

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

Shareholder communications

The Board recognises the importance of maintaining full and informative communication with all shareholders and having information on the Company readily available for potential new shareholders. During the 2012 financial year a Company website was launched which includes copies of annual and half-year reports, market announcements, our top twenty investments, month end net tangible assets per ordinary share, current share price and other information on the Company. The address of the website is given on page one of the Annual Report.

Operations for the three months to 30 September 2012

Turning to the current financial year, dividend and trust distributions received and receivable for the first three months totalled \$12.3 million compared to \$12.9 million for the same period in the prior year. It should be noted that the prior year first quarter including a special dividend of \$1.2 million from Amalgamated Holdings. Interest income of \$446 thousand was also slightly down on the prior first quarter amount of \$479 thousand.

During the quarter to 30 September 2012, the market value of the Group's equity investment portfolio, after adjusting for acquisitions and disposals, increased by \$33.4 million or 6.4% to \$558.5 million. Investment acquisitions totalled \$945 thousand and disposals \$149 thousand during the quarter.

At 30 September 2012 the Group held cash and funds on short term deposit totalling \$31.9 million which represents 5.4% of the market value of investments and cash.

Finally, I would like to thank my co-directors, our company secretary Mr Peter Horton and his assistant Joanne McCormack for their efforts during the year.

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
24 October 2012