



Carlton Investments Limited
ABN 85 000 020 262

**Chairman's Address to the
84th Annual General Meeting of Shareholders**

Ladies and Gentlemen,

Welcome to the 84th 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 2013 was \$32.4 million, an increase of 2.6% on the previous financial year. It should be noted that the prior year included a special dividend of \$1.23 million received from Amalgamated Holdings Limited. The increase in net profit on the prior year before special dividends was \$1.97 million or 6.5%.

Dividends and distributions received before special dividends increased by \$2.36 million or 7.9%. Interest income fell by \$464 thousand resulting from lower interest rates and a reduction in the average funds on deposit by approximately \$2 million.

The Board continues to ensure that the cost of maintaining the Company's operations are kept to a minimum with total costs of \$642 thousand for the year ended 30 June 2013 and a management expense ratio of only 0.10% 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 58 cents per ordinary share was paid to shareholders on 18 September 2013. Total ordinary dividends for the year were 92 cents per share, an increase of 8 cents per share or 9.5% over those paid in respect of the 2012 financial year. Dividends paid equated to 75.2% of the net profit for the year ended 30 June 2013. This is an increase of approximately 5% on the percentage paid out for the previous three years and brings the payout ratio back up to a level last paid in respect of the 2005 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 18 September 2013 whilst an interim fully franked dividend of 7 cents per share was paid on 21 March 2013.

The company's dividend reinvestment plan remains suspended.

Return to shareholders

The return to shareholders for the year to 30 June 2013 calculated by taking the movement in the net tangible asset backing together with dividends paid was 28.2%. This compares favourably to the movement in the S&P/ASX 300 accumulation index during the same period of 21.9%.

Net Asset Backing

The net tangible asset backing per ordinary share as at 30 June 2013, before provision for deferred capital gains tax, was \$26.23, compared with \$21.13 as at 30 June 2012.

As at 30 September 2013, after the payment of a final dividend of 58 cents per ordinary share, the net tangible asset backing per ordinary share was \$27.90 before provision for deferred capital gains tax.

Investments

During the year to 30 June 2013 the Group continued to acquire equity investments that met the criteria of providing high levels of income through franked dividends and are considered to have the potential for long term capital growth. During the year \$10.1 million was spent on acquiring equity investments. Major investment purchases were for shares in Bank of Queensland, Bendigo and Adelaide Bank, Origin Energy, Tabcorp and Telstra Corporation. Consideration from disposals of equity investments during the 2013 financial year totalled only \$389 thousand.

The Group's available cash resources held on short term deposit at 30 June 2013 amounted to \$29.9 million compared to \$30.7 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.

Although there were no ordinary shares bought back under the Company's share buy-back facility during the year to 30 June 2013 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 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 2013. 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 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.

Operations for the three months to 30 September 2013

Turning to the current financial year, dividend and trust distributions received and receivable for the first three months totalled \$13.5 million an increase of \$1.2 million on the prior year first quarter. Interest income of \$328 thousand was down on the prior first quarter amount by \$118 thousand.

During the quarter to 30 September 2013 the market value of the Group's equity investment portfolio, after adjusting for acquisitions, increased by \$46 million or 7% to \$708.3 million. Investment acquisitions totalled \$2.8 million during the quarter. There were no investment disposals.

At 30 September 2013 the Group held cash and funds on short term deposit totalling \$28.9 million which represents 3.9% 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
23 October 2013