

REPORT TO SHAREHOLDERS ON HALF YEAR RESULTS TO 31 DECEMBER 2016

The Company's Appendix 4D and financial report for the half-year ended 31 December 2016 were lodged with the Australian Securities Exchange (ASX) on 14 February 2017 and are available to be downloaded from the Company's website or the ASX website.

HIGHLIGHTS

- Profit for the half year was \$21,197,000, compared to \$23,955,000 for the previous corresponding half-year. The decrease in profit was largely due to a special dividend of \$2,465,000 paid by Event Hospitality & Entertainment in the previous corresponding half year.
- Before special dividends, the profit for the half year decreased by \$304,000 or 1.4% as a result of lower dividends received from the Group's investment in mining, energy and retailing stocks, as well as ANZ Bank.
- Notwithstanding the decrease in profit for the half year, an interim dividend of 48 cents per ordinary share will be paid reflecting an increase of 2 cents per share (4.3%) compared to that paid in 2016. This is a consequence of Directors seeking to progressively increase the level of the interim dividend as a percentage of total annual dividends.

GROUP'S OPERATIONS AND RESULTS

The consolidated net profit for the half year to 31 December 2016 attributable to the members of Carlton Investments Limited was:

	31 December 2016	31 December 2015
	\$000	\$000
Profit before income tax	21,493	24,291
Income tax expense thereon	(296)	(336)
Net profit for the half year	21,197	23,955

REVIEW OF OPERATIONS

Net profit for the half year to 31 December 2016 decreased by \$2,758,000 or 11.5% compared to the previous corresponding half year. Dividends and distributions received and receivable of \$21,722,000 decreased by \$2,763,000 compared to the corresponding prior six months. Most of this decrease was attributable to the special dividend, amounting to \$2,465,000 received from Event Hospitality & Entertainment in the prior year. Special dividends received during the period totalled only \$11,000.

Excluding special dividends, the dividend and distribution income decreased by \$309,000 or 1.4% compared to the previous half year to 31 December 2015. Lower dividend receipts from the Group's investment in mining, energy and retailing stocks, as well as ANZ Bank, were only partially offset by increased dividends from other stocks. There was an increased ordinary dividend from Event Hospitality & Entertainment of \$616,000.



REVIEW OF OPERATIONS (cont.)

Interest income decreased by \$13,000 compared to the previous corresponding half year, to \$223,000. Average funds held on term deposit decreased by \$257,000 and the weighted average effective interest rate on term deposits decreased by 0.04%.

NET TANGIBLE ASSET BACKING

The net tangible asset backing for each issued ordinary share at 31 December 2016 prior to payment of the interim dividends and before provision for tax on unrealised capital gains was \$36.95 (30 June 2016: \$35.52). The net tangible asset backing per share after provision for tax on unrealised capital gains was \$30.53 at 31 December 2016 (30 June 2016: \$29.33). The relevant figures as at 31 January 2017 were \$37.93 before provision for capital gains tax and \$31.22 after providing for capital gains tax.

INTERIM DIVIDENDS

The Directors have today declared an interim dividend of 48.0 cents per Ordinary Share, fully franked, payable on 20 March 2017. Notwithstanding the decrease in profit for the half year, this interim dividend is an increase of 2 cents per share (4.3%) on that paid in 2016. This is a consequence of Directors seeking to progressively increase the level of the interim dividend as a percentage of total annual dividends. An interim dividend of 7.0 cents per Preference Share, fully franked, will be paid on the same date. The Record Date for the interim dividends is 1 March 2017.

ON MARKET SHARE BUY BACK

During the half year, the Directors resolved to extend the period of the On Market Share Buy Back to 28 November 2017. There were no ordinary shares bought back during the half year ended 31 December 2016.

INVESTMENTS

During the half year investments (over \$500,000) were made in ASX Limited, Boral Limited, Perpetual Limited, Sydney Airport and Woodside Petroleum. The purchase of the shares in Boral Limited resulted from the take up of an entitlement offers. The cost of shares purchased during the half year to 31 December 2016 totalled \$4,962,000.

The twenty largest investments, at quoted market values, as at 31 December 2016 were:

	\$000's		\$000's
Event Hospitality & Entertainment	423,933	Bank of Queensland	16,896
National Australia Bank	67,377	Gowing Bros	16,078
Westpac Bank	58,081	Bendigo & Adelaide Bank	14,199
Commonwealth Bank	47,236	James Hardie	13,739
AGL	35,445	Amcor	12,754
ANZ Bank	30,551	Orica	9,578
Wesfarmers	25,680	APA Group	7,770
Telstra	22,101	Origin Energy	7,509
Perpetual	20,673	LendLease Group	7,237
BHP Billiton	20,059	Rio Tinto	6,490
			<u>863,386</u>
			<u>960,673</u>
Total market value of shares and units in listed entities as at 31 December 2016			

There were no disposals of investments during the half year to 31 December 2016.



INVESTMENTS (cont.)

The market value of the investment portfolio in listed entities increased by 3.95% during the six months ended 31 December 2016, after adjusting for total acquisitions and capital returns. This compares to an increase of 8.3% 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 six months was 6.2% compared to an increase in the S&P/ASX 200 Accumulation Index of 10.6%. The market value of the Group's holding in banking and mining stocks recovered during the half year, however the market value of Group's investment in Event Hospitality and Entertainment, whose share price had increased significantly over recent prior years, decreased during the period.

AG RYDGE
CHAIRMAN
14 February 2017