



Carlton Investments Limited
ABN 85 000 020 262

Chairman's Address to the 90th Annual General Meeting of Shareholders

Ladies and Gentlemen,

Welcome to the 90th Annual General meeting of Carlton Investments.

Results for the year ended 30 June 2019

The net profit of the Company and its controlled entities for the year ended 30 June 2019 was \$45.53 million compared to a net profit of \$41.66 million in the prior financial year, representing a 9.3% increase.

Income from dividends and distributions received increased by \$729,000 or 1.7%, before special dividends. A number of our investee companies chose to pay special dividends in the year. Special dividends received increased significantly and totalled \$3.57 million compared to \$318,000 in the prior financial year, with the larger special dividends coming from BHP, Wesfarmers, Fortescue Metals, Rio Tinto, Telstra, Dulux and Amcor. The percentage increase in total dividends and distributions, including special dividends, was 9.3% for the year.

Interest income increased from \$397,000 in 2018 to \$465,000. The average interest rate on deposits remained constant at 2.53% and there was an increase of \$2.8 million in the average funds on deposit.

Administration expenses for the financial year totalled \$870,000. The management expense ratio, representing operating costs as a percentage of the average market value of assets, remained at 0.09%. 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 70 cents per ordinary share, plus a special fully franked dividend of 8 cents per share was paid to shareholders on 23 September 2019. The special dividend paid of 8 cents per ordinary share was paid in recognition of the large increase in special dividends received. Total ordinary dividends, excluding the special dividend paid, amounted to \$1.25 per share for the year, an increase of 4 cents per ordinary share on that paid in respect of the 2018 financial year.

A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 23 September 2019, whilst an interim fully franked dividend of 7 cents per share was paid in March 2019.

The Company's dividend reinvestment plan remains suspended.

Return to shareholders

As noted in the Annual Report, the return to ordinary shareholders for the year to 30 June 2019, calculated by taking the movement in the net tangible asset backing together with dividends paid, was 2.2% compared with the movement in the S&P/ASX 200 Accumulation Index during the same period of 11.5%. The market value of Group's investment portfolio was impacted during the year to 30 June 2019 by a decrease of 6.6% in the share price of the Group's largest investment, Event Hospitality and Entertainment and large falls in the value of energy stocks. These market value falls were partly offset by gains in mining stocks and also some recovery in the market value of Telstra and the Commonwealth Bank. As I will touch on later, the Event share price has increased in the first quarter of the current financial year.

Investments

A full list of the Group's equity investments by industry sectors, as at 30 June 2019, is shown on pages 27 to 29 of the Annual Report. At 30 June 2019 the market value of Group's equity investment portfolio totalled \$945 million.

Equity investments to the value of \$8.3 million were purchased during the year. Major additions to the investment portfolio were BHP Group, Boral, Fortescue Metals Group, G8 Education, Macquarie Group, Treasury Wine Estates and Woodside Petroleum. Shares were also received in the Coles Group during the period, which had an initial market value of \$7.8 million, when Wesfarmers demerged the Coles business to a separate listed entity.

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. There continues to be 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.

Cash held in term deposits and in bank accounts amounted to \$23.2 million at 30 June 2019 compared to \$16.8 million at the previous financial year end.

Corporate governance

The Company's Corporate Governance Statement, together with the Board and Committee Charters and policies can be viewed on the Company's website.

The Board regularly reviews the Group's corporate governance practices and updates procedures as necessary. 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 2019

The current financial year, dividends and trust distributions received and receivable for the first quarter to 30 September 2019 totalled \$17.7 million, an increase of \$475,000 on the prior year's first quarter.

As at 30 September 2019, the total market value of the Group's equity investment portfolio was \$980.2 million compared with \$945.4 million as at 30 June 2019. This was largely due to the increase in share price of Event Hospitality and Entertainment, which increased in market value by 7.9% during the quarter.

The Group's top 20 investments, as at 30 September, are available on the ASX website and also the Company's website. During the quarter the Group purchased shares in Link Administration Holdings, Tabcorp and Santos, with a total market value of \$2 million. The shares in Dulux were disposed of during the quarter for consideration of \$5.08 million, as a result of that company being subject to a take-over.

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
15 October 2019