2017
ANNUAL REPORT

Carlton Investments

CARLTON INVESTMENTS LIMITED

(A publicly listed company limited by shares, incorporated and domiciled in Australia)

ABN 85 000 020 262

Financial Report

FOR THE YEAR ENDED 30 JUNE 2017

Directors	Alan G Rydge (Chairman) Anthony J Clark AM Murray E Bleach
Group Secretary	Peter W Horton
Auditor	KPMG
Bank	National Australia Bank Limited
Registered Office	Level 15, 478 George Street, Sydney NSW 2000 Telephone: (02) 9373 6732 Facsimile: (02) 9373 6539 Email: info@carltoninvestments.com.au Website: www.carltoninvestments.com.au
Share Registrar	Computershare Registry Services Pty Ltd Level 3, 60 Carrington Street, Sydney NSW 1115 Telephone: 1300 855 080 Facsimile: (02) 8235 8150
Home Stock Exchange	The company is listed on the Australian Securities Exchange (Sydney) Limited Stock Exchange Code CIN
Controlled Entities	Carlton Hotel Limited (ACN 000 010 266) Eneber Investment Company Limited (ACN 000 014 540) The Manly Hotels Pty Limited (ACN 000 004 473)

Annual General Meeting

The 2017 Annual General Meeting will be held at

The Screening Room, State Theatre Building
49 Market Street, Sydney NSW 2000.

On Tuesday 17th October 2017
At 10.00a.m.

chairman's report to shareholders

I have pleasure in presenting the Group's consolidated results for the year ended 30 June 2017.

Group's operations and results

Profit for the year ended 30 June 2017 was $39,666,000 compared to $41,812,000 for 2016, a decrease of $2,146,000 or 5.1%. The prior year result benefited from a special dividend received from Event Hospitality and Entertainment Limited amounting to $2,463,000. Special dividends, in total, decreased from the prior year amount by $2,402,000.

Dividends and distributions received before special dividends increased by $365,000 from $40,320,000 to $40,685,000. Interest income was $397,000 compared to $491,000 in the prior year, with the weighted average interest rate on term deposits decreasing from 2.96% in the prior year to 2.73% and the average funds on deposit reducing by $1.6 million.

Administration expenses increased slightly to $769,000, compared to $733,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2017 remained consistent with the prior year at 0.08%.

Earnings per ordinary share

Basic and diluted earnings were $1.498 per ordinary share for the year to 30 June 2017 compared to $1.579 per share for 2016.

Dividends

On 22 August 2017 the directors declared a final fully franked dividend of 68 cents per ordinary share, payable on 25 September 2017. Total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2017 amount to $1.16 per share an increase of 2 cents, before taking into account the special dividend of 7 cents per ordinary share paid in respect of the prior year in September 2016.

The interim dividend paid in March 2017 was increased from 46 to 48 cents as Directors' continue to progressively increase the level of the interim dividend as a percentage of total annual dividends.

A final preference share dividend of 7 cents per share fully franked is also payable on 25 September 2017.

The record date for both the ordinary and preference final dividends is 1 September 2017.

The Dividend Reinvestment Plan remains suspended.

Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2017, 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 $36.65 (2016: $35.52). 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 $30.38 (2016: $29.33). The relevant figures as at 31 July 2017 were $36.36 and $30.21 respectively.

Investments

The market value of the equity investment portfolio as at 30 June 2017 was $951,124,000 compared to $919,363,000 at the prior year end. Short term cash deposits at 30 June 2017 amounted to $12,000,000 (2016: $14,100,000).

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 2017 totalled $8,982,000 (2016: $11,611,000). Acquisitions above $500,000 during the year were:

ASX	$504,000
Boral	$1,429,000
Perpetual	$1,000,000
Rio Tinto	$502,000
Primary Health Care	$998,000
Sydney Airport	$1,502,000
Transurban	$1,004,000

Consideration received on disposal of equity investments and capital returns during the financial year totalled $19,000 (2016: $130,000).

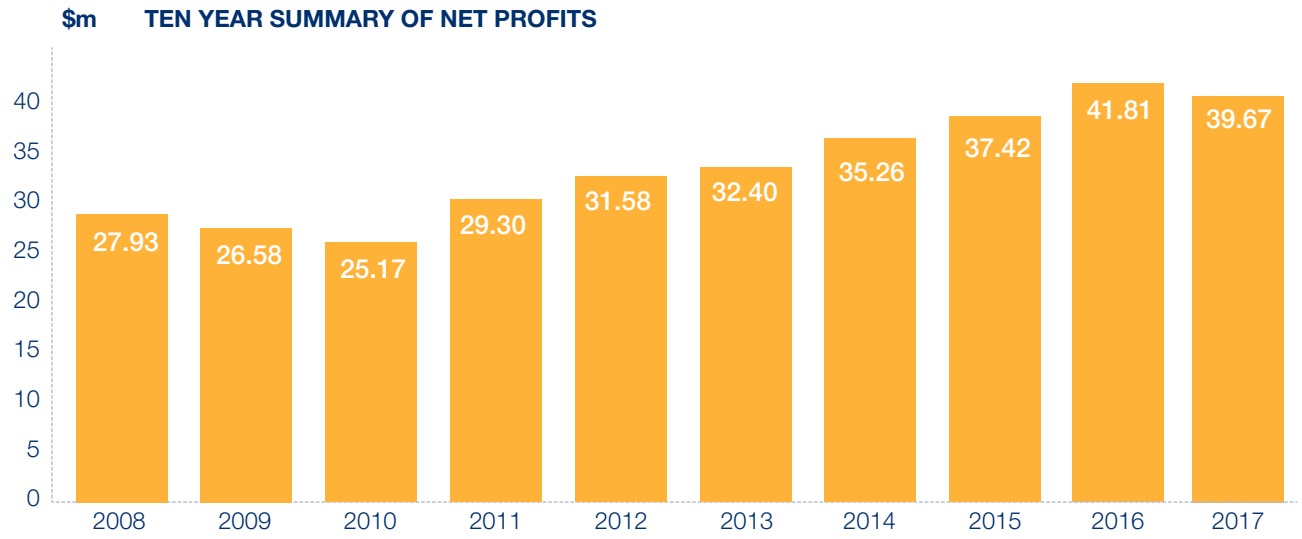
After adjusting for the above total investment acquisitions and disposals, the market value of the investment portfolio increased by $22,796,000 or 2.5% during the year to 30 June 2017. This compares to an increase of 9.3% in the S&P/ASX 200 Index over the same period. On a total portfolio return basis (measured by the movement in NTA per share assuming dividends are reinvested), the return for the twelve months was 6.7% compared with an increase in the S&P/ASX 200 Accumulation Index over the same period of 14.1%.

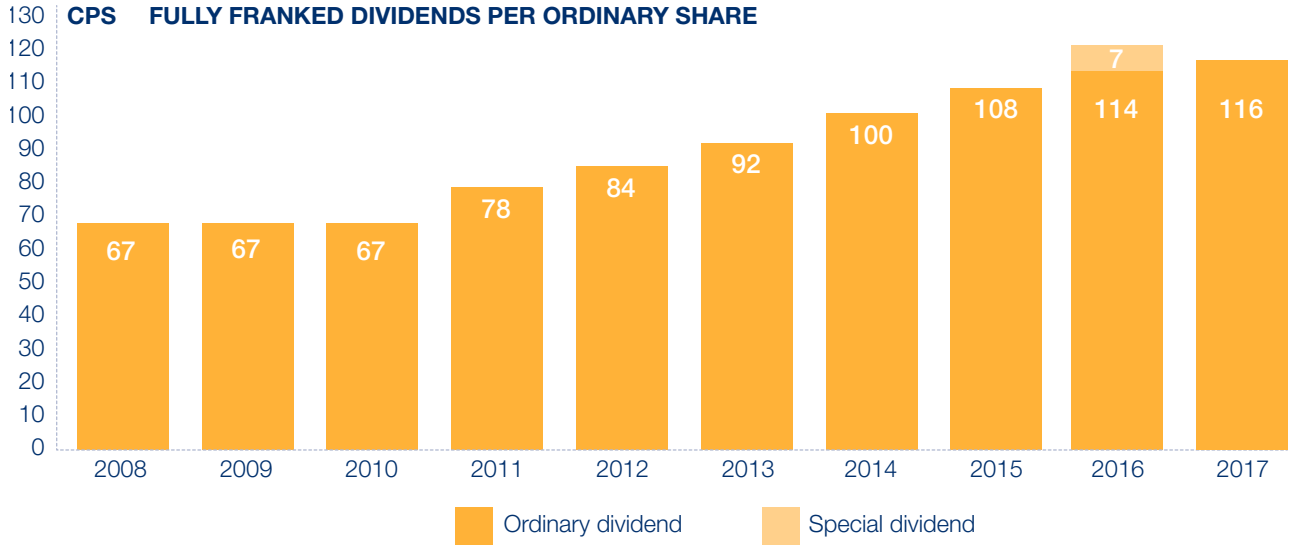
The market value of Event Hospitality and Entertainment Limited, the Group's largest investment holding, fell back during the year to 30 June 2017. This was after significant increases in the value of this holding over recent years. The fall in the market value of the group's holding in Event Hospitality and Entertainment Limited was more than offset by increases in value across the balance of the portfolio, including some recovery in the value of banking stocks held which had fallen in value in the prior year.

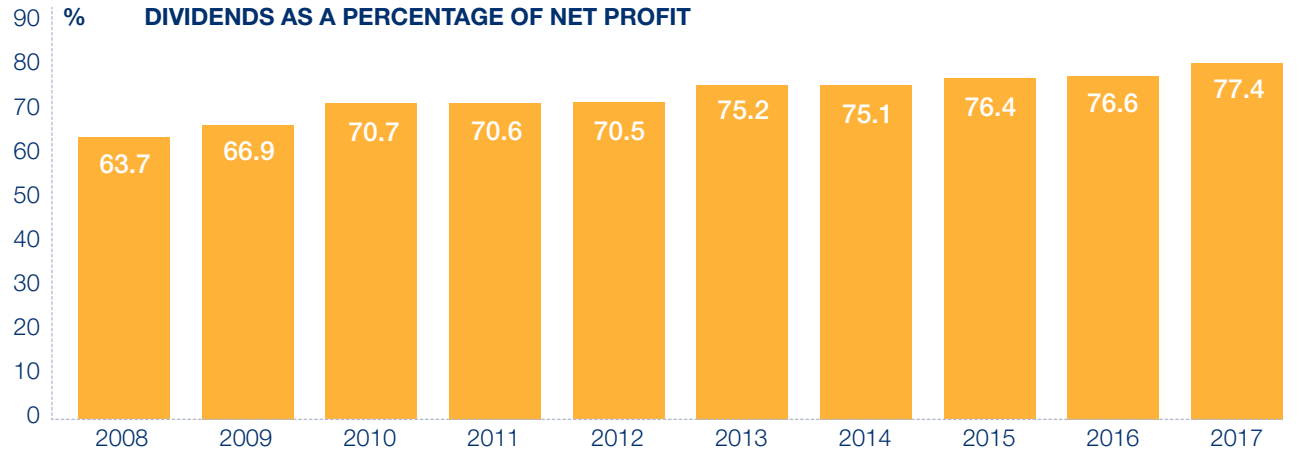
The Group continues to hold its equity investments for the long term and does not act as a share trader nor does it invest in speculative stocks.

A G RYDGE
Chairman

22 August 2017


$m
TEN YEAR SUMMARY OF NET PROFITS
40
35
30
25
20
15
10
5
0
27.93
26.58
25.17
29.30
31.58
32.40
35.26
37.42
41.81
39.67
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017


CPS
FULLY FRANKED DIVIDENDS PER ORDINARY SHARE
130
120
110
100
90
80
70
60
50
40
30
20
10
0
67
67
67
78
84
92
100
108
7
114
116
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Ordinary dividend
Special dividend


%
DIVIDENDS AS A PERCENTAGE OF NET PROFIT
90
80
70
60
50
40
30
20
10
0
63.7
66.9
70.7
70.6
70.5
75.2
75.1
76.4
76.6
77.4
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017

directors' report

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their report together with the consolidated financial report of Carlton Investments Limited ("the Company") and its controlled entities for the year ended 30 June 2017 and the auditor's report thereon.

Directors

The directors of the Company in office at any time during or since the end of the financial year are:

Mr Alan G Rydge

Chairman of Directors since 1980. Non executive director.

Broad experience as a director of various listed and private entities, formerly Deputy Chairman of Australia Post.

Director (since 1978) and Chairman (since 1980) of Event Hospitality & Entertainment Limited. Also a director of Enbeear Pty Limited, Alphoeb Pty Limited, and Aygeear Pty Limited.

Mr Anthony J Clark AM, FCA, FAICD.

Fellow of the Institute of Chartered Accountants in Australia and Fellow of the Australian Institute of Company Directors.

Independent Non Executive Director since 2000.

Chairman of the Nominations and Remuneration Committee and Chairman of the Audit and Risk Committee (from 2 December 2014).

Broad experience as a director of listed companies and previously practised as a Chartered Accountant retiring as a partner of KPMG in 1998.

Former directorships include Ramsay Health Care Limited, Telstra Corporation Limited and Amalgamated Holdings Limited (now known as Event Hospitality & Entertainment Limited) and Sphere Minerals Limited.

Mr Murray E Bleach CA, GAICD, BA(Fin), MApFin.

Member of the Institute of Chartered Accountants in Australia and Graduate of the Australian Institute of Company Directors.

Independent Non Executive Director since 2014.

Over 30 years' experience in accounting and financial services and also extensive experience in the infrastructure sector. Previously CEO of Intoll Group.

Other directorships include Energy Action Ltd, of which he is Chairman, and IFM Investors.

Company Secretary and Chief Financial Officer

Mr Peter W Horton was appointed Company Secretary and Chief Financial Officer in October 2011. He practised as a Chartered Accountant for over 20 years prior to his retirement as a partner of KPMG in 2001. Immediately prior to joining the Company, Mr Horton was the Director of Finance and Accounting for a public company engaged in the hospitality and leisure industries, a position which he held for almost 10 years. He is a member of the Institute of Chartered Accountants in Australia.

Officers who were previously partners of the audit firm

AJ Clark and PW Horton were officers of the Company during the year and were previously partners of the current audit firm, KPMG or its antecedent firms, at a time when the audit firm undertook an audit of the Company. The earliest that any of these officers previously worked with KPMG was more than 15 years ago.

Directors' meetings

The number of directors' meetings and meetings of committees of directors held during the year together with the number of meetings attended by each director during the financial year were:

Name of Director	Directors' Meetings	Audit and Risk Committee	Nominations and Remuneration Committee
No. of meetings held:	**7**	**3**	**1**
No. of meetings attended:			
Mr A G Rydge	7	3	1
Mr A J Clark	7	3	1
Mr M E Bleach	7	3	1

Corporate Governance Statement

This statement outlines the main Corporate Governance practices that have been adopted by the Board which, unless otherwise stated, comply with the ASX Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. The appropriateness of the adopted practices is subject to continuous review by the Board. Companies listed on the Australian Securities Exchange are required under the ASX Listing Rules to detail the principles and recommendations with which they have not complied and provide reasons as to why they have not done so.

The eight ASX Corporate Governance Principles and the Company's approach to them are as follows;-

1. Lay solid foundations for management and oversight

The Company has a Board of three non-executive directors and two employees, namely the company secretary/chief financial officer and a compliance manager. Due to the lack of complexity in the Company's operations no director acts as chief executive officer. In accordance with Board policy the company secretary/chief financial officer is primarily and directly responsible to the directors for the general and overall management of the Company.

The terms and conditions relating to the appointment and retirement of all directors are determined on a case by case basis within the requirements of the Corporations Act 2001 and the ASX Listing Rules. The Company provides directors and senior management, on appointment, a letter setting out key terms and conditions relative to their appointment so that they clearly understand their corporate expectations.

Under the Company's Constitution directors are subject to re-election by shareholders by rotation every three years. The Board has established a Nominations and Remuneration Committee whose responsibilities include identifying and overseeing the appointment of new directors with the necessary and desirable competencies. Prior to the appointment of directors, appropriate background and reference checks are undertaken.

Newly appointed directors must stand for reappointment at the next subsequent AGM. The Notice of Meeting for the AGM provides shareholders with information about each director standing for election or re-election including details of relevant experience. Details regarding the current directors are included on page 5.

Letters setting out the terms of appointment have been issued and acknowledged in writing by each director.

The primary responsibility of the Board is to develop the overall strategy of the Company and to preside over the management of the Company to protect and enhance shareholders' interests. The Board's role is to ensure the Company meets its obligations and responsibilities in all areas affecting shareholders, the market and the community generally. The Board's roles and responsibilities which include strategic direction of the Company, governance and operating performance, are set out in its Charter which is reviewed on a regular basis. A copy of the Charter is available on the Company's website. The policies and procedures detailed in this Statement have been instituted by the Board to ensure that the Board's roles and responsibilities are complied with. The Board is assisted in the execution of its responsibilities by the Audit and Risk Committee and the Nominations and Remuneration Committee, both of which are chaired by an independent non-executive director.

Meetings of the Board are held regularly during the year. In any month where a meeting does not take place the company secretary still prepares a detailed report for the Board's information and consideration.

The most recent performance evaluation and remuneration review conducted by the Nominations and Remuneration Committee for the company secretary/chief financial officer was carried out in May 2017, after reference to current market rates. Detail of remuneration for the company secretary/chief financial officer is set out on page 11.

The company secretary/chief financial officer is responsible to the Board for the implementation of the strategy and management of the Company. He manages the Company's operations in accordance with the strategy, business plans and policies approved by the Board to achieve agreed goals. He acts as public officer for taxation matters and is responsible for the Company's continuous disclosure requirements of the ASX.

The company secretary/chief financial officer is accountable directly to the Board through the Chairman for matters relevant to the Board.

The Company's policy on diversity stipulates that there is to be no discrimination in respect of race, creed or gender when seeking potential candidates for Board positions. This policy also applies to employees. Currently the Company has a Board of three male directors and one male and one female employee. The size of the Company's operations does not provide widespread opportunities to have a workforce covering all sections of the community.

2. Structure the Board to add value

The Board's policy is that, of the three directors comprising the Board, two must be independent non-executive directors not having a major shareholding in the Company, not having been a principal or employee of a professional advisor or consultant to the Company within the previous three years, not having been employed in an executive capacity by the Company and is free of any business or other relationship that could materially interfere with the

exercise of their unfettered and independent judgement. Both Mr Clark and Mr Bleach are independent non-executive directors having served on the Board since 2000 and 2014 respectively. Due to the nature of the Company's activities it is not considered that Mr Clark's length of service as a director could, or could reasonably be perceived to, materially interfere with his ability to act in the best interests of the Company. The Chairman, Mr A G Rydge, due to his related interests in the Company, is not considered to be independent however, the remaining members of the Board do not consider that this in any way diminishes the efficient organisation and conduct of the Board's function.

The Company seeks to maintain a Board of directors with broad knowledge of and involvement in the finance and investment sectors with past financial and management experience, preferably with publicly listed companies. It is the Company's policy that there is to be no discrimination in respect of race, creed or gender when seeking potential candidates for Board positions. The Board has developed a matrix to consider the mix of appropriate skills, experience and expertise for Board membership. As well as the general skills expected for Board membership; the matrix includes items such as relevant experience in investment portfolio management and capital management.

The following table summarises the key skills and experience that the company seeks in its Board of Directors:

Skills and Experience	Rating*
Financial acumen	High
Investment portfolio management	High
Management/CEO experience	High
Holds or has held other Directorships of listed entities	Medium
Risk and strategic risk management	High
Governance	High
Capital management	High

*The Board has assessed its rating considering the combined skills, competency and experience of Board member in each key area deemed relevant for the Group.

On induction, new directors are provided with relevant financial information, Board and Committee Charters and all Company policies. The new director then meets with the Chairman and company secretary to discuss the Company history, significant financial, accounting and risk management issues, existing investment portfolio and investment guidelines.

The Company has a Nominations and Remuneration Committee comprising the three non executive directors. The Committee, whose roles and responsibilities are set out in its Charter, which is reviewed on a regular basis for appropriateness, is chaired by an independent non-executive director. In accordance with the Charter it evaluates by discussion the Board's and each individual director's performance on an annual basis, assesses the necessary and desirable competencies of Board members and reviews succession plans taking into consideration the range of skills, experience and expertise of the current members. The last such review was performed in May 2017. Each director is required to notify the Board of any change in circumstances that could impair their position as a director.

Fees paid to the non executive directors (there are no executive directors) are set each year by the Committee and, after reference to current market rates, are based on the nature of each director's performance and responsibilities. In accordance with the Corporations Act 2001 total fees for all directors are within the maximum amount of fees that have been approved by the shareholders at general meetings to be paid to the directors.

Directors do not receive any form of remuneration other than by way of payment of directors' fees for past service and the Superannuation Guarantee levy. No commitments have been given to make a payment to a director on retirement. They do not receive any options over shares in the Company. Details of directors' remuneration are set out on page 11. The Chairman meets with each director and officer to discuss matters affecting Board and management effectiveness as and when they arise. Each director also may at any stage raise appropriate matters with the Chairman.

Subject to prior discussions in a Board meeting, each director is entitled to seek independent professional advice at the Company's expense provided such advice is essential for the execution of the director's obligations. A copy of the advice received by the director is made available to all other members of the Board.

3. Promote ethical and responsible decision making

The Company, through its Code of Ethics and Business Conduct, recognises the importance of the Company's directors and employees conforming to the highest standards of ethical and responsible decision making. All directors and employees are made aware that they are expected to act in their business dealings for the Company in accordance with the Law and high standards of propriety. The Code covers areas such as the Company's and the Board's policy on diversity and its responsibilities towards employees and shareholders, dealings with third parties, conflicts of interest, safeguarding assets, financial reports and accounting records and insider information and trading in the Company's shares. Directors and employees must keep the Board advised on an on-going basis of

any interest that could potentially conflict with those of the Company.

The Company has a Trading Policy that specifies the periods of the year where trading in its shares by directors and employees are prohibited.

A copy of the Code and the Trading Policy are available on the Company's website.

4. Safeguard integrity in financial reporting

The Company, in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, has an Audit and Risk Committee whose roles and responsibilities are set out in its Charter. The Charter is reviewed annually for appropriateness. A copy of the Charter can be obtained from the Company's website. The Committee acts as an independent and objective body to monitor the Company's financial reporting processes, corporate risk assessment, systems of internal controls and the results of the external audit (including a review of the independence of the external auditor). The Committee consists of the three non-executive Board members and is chaired by an independent non-executive director. Committee members receive comprehensive regular reports on the Company's affairs from the company secretary/chief financial officer and have unrestricted access to Company records and information. The Committee requires the company secretary/chief financial officer to provide it with a declaration under Section 295(A) of the Corporations Act each half year and annually stating whether, in his opinion, the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and whether they are in accordance with the relevant accounting standards. He is also required to state whether, in his opinion, the integrity of the financial statements has been founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and whether the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

The engagement partner of the external auditor meets with the Audit and Risk Committee each six months when finalising the half year and annual results to discuss the audit findings including whether there are any significant issues that have arisen during the audit. The engagement partner has been requested to raise with the Board at any other time any pertinent issues that should be addressed by the Board. The Committee also meets with the external auditor to review the auditor's performance and to discuss the proposed audit plan and fees. The Committee, after reviewing the auditor's performance, has the responsibility for determining whether a recommendation be made to the Board that there should be a change of external auditor. It is responsible for ensuring that there is a rotation of audit engagement partner in accordance with legislation currently in force.

The Committee reviews the appropriateness of any significant non-audit service proposed to be provided by the external auditor before giving its approval.

The engagement partner from the external auditor attends the annual general meetings and is available to answer shareholders' questions at that meeting.

5. Make timely and balanced disclosure

The company secretary/chief financial officer has, in accordance with the Company's written Continuous Disclosure Policy, been nominated as the person with primary responsibility for the Company's communications with the ASX and is required to be fully conversant with the ASX Continuous Disclosure Listing Rules as they affect the Company. He is responsible for ensuring that communications are made in a timely manner, are factual and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions. Members of the Board, in accordance with the Board Charter, meet with the company secretary/chief financial officer on a six monthly basis to review the Company's on-going compliance with the continuous disclosure requirements. Each member of the Board has a responsibility to advise the company secretary/chief financial officer of any relevant disclosure matters of which they become aware.

6. Respect the rights of shareholders

It is Company policy to maintain full and informative communications with all shareholders. This is achieved by way of detailed reports to shareholders on the half year and annual results, net tangible asset backing details disclosed monthly to the market and through the Chairman's address at general meetings. Copies of these documents, together with any other announcements made to the ASX are available from the websites of the Company and the ASX. Copies of documents covering Corporate Governance matters such as the Board and committee charters, risk management policy, communications, code of conduct, continuous disclosure policy, etc. are available to shareholders on the Company's website. The website address for the Company is www.carltoninvestments.com.au.

Shareholders are able to contact the Company or its share registrar, Computershare Investor Services Limited, by mail, telephone, email or online via the Computershare Investor Centre portal. Shareholders may choose to receive communications from, and send communications to, the Company and Computershare electronically.

7. Recognise and manage risk

The Company has a detailed policies, procedures and controls manual that sets out the roles of the Board and management in recognising risks associated with the consolidated entity's operations and the safeguards instituted to control those risks. It is the Audit and Risk Committee's responsibility to review the risk management policies and to ensure that they are both appropriate for the Company's operations and are being adhered to. The Company does not have an internal audit function due to the lack of complexity in its operations however, the Company employs a part-time compliance manager who reports to the Board monthly on compliance with key internal control processes and reporting requirements and attends each Audit and Risk Committee meeting. The company secretary/chief financial officer also reports to the Audit and Risk Committee and Board as at each half year and financial year end whether, in his opinion, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects. The Audit and Risk Committee meets with the engagement partner of the external auditor at least every six months to discuss the auditor's review or audit findings. These requirements have been undertaken in respect of the year ended 30 June 2017.

The Company has economic and investment risks but does not have any direct environmental and social sustainability risks. In addressing investment risk the Board considers the economic environmental and social sustainability risks of those companies in which the Company invests.

A copy of the Company's risk management policy is available on the Company's website.

8. Remunerate fairly and responsibly

As detailed under 2 above the Company has a combined Nominations and Remuneration Committee that has as one of its responsibilities the determination of appropriate remuneration policies for Board members and employees. The Committee has a Charter that sets out its role and responsibilities, composition, structure and membership requirements. The membership of the Committee consists of the three non executive directors and is chaired by an independent director.

Compliance with ASX Corporate Governance Principles and Recommendations

The Company complies, to the extent appropriate for an organisation of its size, with the ASX Corporate Governance Principles and Recommendations with the exception of Recommendation 2.5 as the Chairman is not considered to be an independent director.

Principal activities

The principal activity of the Group is the acquisition and long term holding of shares and units in entities listed on the Australian Securities Exchange. There have been no significant changes in the activity of the consolidated entity during the year under review.

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance date

Other than noted elsewhere in this report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

Results and review of operations

The consolidated profit for the year attributable to the members of Carlton Investments Limited was:

	2017 $000	2016 $000
Operating revenue	**41,145**	43,279
Administration and finance costs	**(781)**	(745)
Profit before income tax expense	**40,364**	42,534
Income tax expense	**(698)**	(722)
Net profit for the year	**39,666**	41,812

Dividends and distributions received decreased from the prior year by $2,037,000. Included in prior year dividends and distributions was a special dividend paid by Event Hospitality and Entertainment Limited amounting to $2,463,000. Special dividends received in the prior year totalled $2,465,000 as against $63,000 for the year to 30 June 2017. Dividends and distributions received, before special dividends, increased only slightly from $40,320,000 to $40,685,000.

Interest income decreased from $491,000 in the prior year to $397,000. The fall in interest income resulted from lower interest rates, with the weighted average interest rate on term deposits decreasing from 2.96% in the prior year to 2.73%, and a reduction in average funds on deposit during the year of $1.6 million.

Administration expenses increased slightly from $733,000 in the prior year to $769,000. The management expense ratio (MER) for the year to 30 June 2017 remained consistent with the prior year at 0.08%.

Results and review of operations (cont.)

The cost of equity investments purchased during the year to 30 June 2017 totalled $8,982,000 (2016: $11,611,000). Major additions to the portfolio included increases to existing holdings in Boral, Sydney Airport, Perpetual and Transurban. There were also new investments made in Primary Health Care, Estia Health, Japara Healthcare and Regis Healthcare. The Group continued 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. Details of investment acquisitions over $500,000 during the year to 30 June 2017 are given in the Chairman's Report.

Consideration received on other disposals of equity investments and capital returns during the financial year totalled $19,000 (2016: $130,000).

The investment portfolio held by the Group is valued at market values. Increments and decrements in the market value of equity investments are recognised as other comprehensive income and taken to the revaluation reserve. The market value of the investment portfolio in listed entities increased during the year to 30 June 2017 by $22,796,000 or 2.5%, after adjusting for acquisitions, capital returns and disposals. This compares to an increase of 9.3% 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 twelve months was 6.7% compared with an increase in the S&P ASX 200 Accumulation Index over the same period of 14.1%.

After significant increases in the market value of the Group's investment in Event Hospitality and Entertainment Limited over recent years, the market value of this holding fell during the year to 30 June 2017. The decrease in the market value of this holding was more than offset by increases in values of a majority of other investments across the rest of the portfolio including some recovery in the value of banking stocks held.

With the current subdued economic growth expectations for the Australian market continuing and share prices in many market sectors trading at historically high multiples, long term investing, at reasonable values, will continue to require a patient approach in identifying investment opportunities.

Dividends

- Paid during the year in respect of the prior financial year:

(i) As proposed in last year's report, a final ordinary share dividend of 68 cents per share, fully franked, amounting to $18,003,000 was paid on 26 September 2016.

As proposed in last year's report, a special dividend of 7 cents per ordinary share, fully franked, amounting to $1,853,000 was paid on 26 September 2016

(ii) As proposed in last year's report, a final preference share dividend of 7 cents per share, fully franked, amounting to $6,000 was paid on 26 September 2016.

• In respect of the current financial year:	$000
(i) An interim ordinary share dividend of 48 cents per share, fully franked, was declared and paid on 20 March 2017.	12,708
(ii) A final ordinary dividend of 68 cents per ordinary share in respect of the year ended 30 June 2017 has been declared. The dividend will be fully franked.	18,003
Total ordinary share dividends paid or payable in respect of the year ended 30 June 2017	30,711
(iii) An interim preference share dividend of 7 cents per share, fully franked, was paid on 20 March 2017.	6
(iv) A final preference share dividend of 7 cents per share, fully franked, has been declared.	6
Total dividends paid or payable in respect of the year ended 30 June 2017	30,723

In the financial statements preference share dividends are recorded as a finance cost, refer note 3-4 to the financial statements.

Likely developments

The Group will continue to pursue its policy of holding equity investments on a long term basis and reinvesting dividends and other income in entities listed on the Australian Securities Exchange, together with accepting takeover offers which would prove to be of advantage to the Group.

Remuneration Report – Audited

The Company has a Board of three directors and employs two staff, one of whom is the company secretary/ chief financial officer. The Board reviews the performance of the company secretary / chief financial officer and determines the appropriate remuneration after having reference

to current market rates. Directors' fees for the non-executive directors (there are no executive directors) are recommended to the Board each year by the Nominations and Remuneration Committee and, after reference to current market rates, are based on the nature of each director's work and responsibilities. Directors do not receive additional fees for Committee participation. These fees are within the maximum amount of $350,000 that was approved by the shareholders at the 2014 annual general meeting. Performance evaluation and remuneration reviews are carried out in May each year, with any remuneration increases being effective from 1 July. No director or the company secretary/chief financial officer has a service agreement.

Directors and the company secretary/chief financial officer do not receive any remuneration subject to performance conditions including bonuses or options over shares in the Company. There were no non-monetary benefits given to directors or the company secretary/chief financial officer. Their only remuneration is by way of fees and salary respectively, together with superannuation contributions which are paid to defined contribution funds.

Directors' and officer's remuneration

		Short term base emolument	Post employment superannuation contributions	Leave entitlements movements	Total
		$	$	$	$
Directors					
Mr A G Rydge	**2017**	**82,192**	**7,808**	**-**	**90,000**
	2016	77,626	7,374	-	85,000
Mr A J Clark	**2017**	**73,059**	**6,941**	**-**	**80,000**
	2016	68,493	6,507	-	75,000
Mr M E Bleach	**2017**	**73,059**	**6,941**		**80,000**
	2016	68,493	6,507	-	75,000
	2017	**228,310**	**21,690**	**-**	**250,000**
	2016	214,612	20,388	-	235,000
Company Secretary / Chief Financial Officer					
Mr P W Horton	**2017**	**165,000**	**35,000**	**(545)**	**199,455**
	2016	155,000	35,000	(1,740)	188,260

The table below sets out the Group's performance indices in respect of the current year and the previous four years.

	2017	2016	2015	2014	2013
Net profit for year ($000)	**39,666**	41,812	37,418	35,256	32,397
Dividends cents per ordinary share#	**116**	121^	108	100	92
Net tangible asset backing before capital gains tax*	**$36.65**	$35.52	$34.51	$30.21	$26.23
Share price*	**$31.50**	$31.72	$31.69	$27.25	$21.10
Management Expense Ratio	**0.08%**	0.08%	0.09%	0.09%	0.10%

*At 30 June
Interim, final and special dividends in respect of year
^ 2016 includes a special dividend of 7 cents per share

Directors' equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of the Company held, directly, indirectly or beneficially, by each key management person, their spouses and their personally-related entities is as follows:

	HELD AT		PURCHASES/(SALES)		HELD AT	
	1 July 2016	1 July 2015	**2017**	2016	**30 June 2017**	30 June 2016
Mr A G Rydge	**15,589,458**	15,530,502	**-**	58,956	**15,589,458**	15,589,458
Mr A J Clark	**5,000**	5,000	-	-	**5,000**	5,000
Mr M E Bleach	**-**	-	-	-	**-**	-

The 15,589,458 ordinary shares disclosed above as being held directly, indirectly or beneficially by Mr A G Rydge includes 13,351,639 ordinary shares held by Enbeear Pty Limited representing 50.4% of the Company's issued ordinary shares.

End of Remuneration Report

Directors' interests

The relevant interest of each director in the share capital of the Group, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Shares held in Carlton Investments Limited					
	HELD DIRECTLY		OTHER RELEVANT INTERESTS		AGGREGATE RELEVANT INTERESTS	
	ORDINARY SHARES		ORDINARY SHARES		ORDINARY SHARES	
	2017	2016	**2017**	2016	**2017**	2016
Mr A G Rydge	**719,278**	719,278	**14,867,116**	14,867,116	**15,586,394**	15,586,394
Mr A J Clark	**-**	-	**5,000**	5,000	**5,000**	5,000
Mr M E Bleach	**-**	-	**-**	-	**-**	-

None of the directors or entities in which the directors have a beneficial interest, hold preference shares. Mr Rydge also has a non-beneficial interest in 630,169 (2016: 630,169) ordinary shares and 37,941 (2016: 37,941) preference shares by virtue of his directorship of Event Hospitality & Entertainment Limited.

No options were granted over unissued ordinary shares in the Company to any officer of the Company during or since the end of the financial year and at the date of this report there are no unissued ordinary shares under option.

Indemnification of officers

The Company has agreed to indemnify the current directors and company secretary of the Company and its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate that the Company will meet the full amount of any such liabilities, including costs and expenses.

No premium has been paid, or agreed to be paid, for insurance against a current or former officer's or auditor's liability for legal costs.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to its statutory duties. The Directors are satisfied that:

(a) the non-audit services provided during the financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and

(b) any non-audit services provided during the financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

(i) the nature and scope of any non-audit service provided is reviewed and approved by the Audit and Risk Committee to ensure that they do not adversely affect the integrity and objectivity of the auditor; and

(ii) the amount of non-audit fees paid to KPMG in comparison to the amount of audit fees are considered to be significantly within an appropriate threshold to maintain auditor independence.

	2017	2016
	$	$
Details of amounts paid to KPMG for audit and non-audit services provided during the year are:		
Statutory Audit		
- Audit and review of financial reports	**58,850**	57,035
Services other than statutory audit		
- Taxation compliance services	**12,402**	12,100
	71,252	69,135

Lead auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included on page 34.

Parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures detailed in note 6-6 to the consolidated entity's financial statements.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that legislative instrument amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors at Sydney on 22 August 2017.

A G RYDGE
Director

A J CLARK AM
Director

consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $000	2016 $000
Dividends and distributions received	2-3	**40,748**	42,785
Interest income		**397**	491
Other income		**-**	3
Operating revenue		**41,145**	43,279
Administration expenses	2-4	**(769)**	(733)
Finance costs	3-4	**(12)**	(12)
Profit before income tax expense		**40,364**	42,534
Income tax expense	2-5	**(698)**	(722)
Profit for the year		**39,666**	41,812
Basic and diluted earnings per ordinary share	2-1	**$1.498**	$1.579

The consolidated income statement is to be read in conjunction with the notes to the financial statements set out on pages 19 to 32.

consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2017

	2017 $000	2016 $000
Net profit for the year	**39,666**	41,812
Other comprehensive income:		
Items that will not be reclassified to the statement of profit or loss in the future:		
Increase in fair value of investments	**22,796**	14,301
Increase in deferred tax liability relating to change in fair value of investments	**(2,177)**	(9,059)
Total other comprehensive income	**20,619**	5,242
Total comprehensive income for the year	**60,285**	47,054

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 19 to 32.

consolidated statement of financial position

AS AT 30 JUNE 2017

	Note	2017 $000	2016 $000
CURRENT ASSETS			
Cash	6-1	**2,271**	2,172
Receivables	3-2	**5,580**	5,484
Investments - term deposits	3-1	**12,000**	14,100
TOTAL CURRENT ASSETS		**19,851**	21,756
NON CURRENT ASSETS			
Investments - equities	3-1	**951,124**	919,363
Deferred tax assets	2-5	**2**	1
TOTAL NON CURRENT ASSETS		**951,126**	919,364
TOTAL ASSETS		**970,977**	941,120
CURRENT LIABILITIES			
Payables	3-3	**52**	54
Current tax liabilities	2-5	**190**	254
TOTAL CURRENT LIABILITIES		**242**	308
NON CURRENT LIABILITIES			
Deferred tax liabilities	2-5	**166,389**	164,187
Other financial liabilities	3-4	**166**	166
TOTAL NON CURRENT LIABILITIES		**166,555**	164,353
TOTAL LIABILITIES		**166,797**	164,661
NET ASSETS		**804,180**	776,459
EQUITY			
Share capital	4-1	**20,146**	20,146
Revaluation reserve	4-1	**440,680**	420,061
Retained profits		**343,354**	336,252
TOTAL EQUITY		**804,180**	776,459

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 19 to 32.

consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

Year to 30 June 2017	Share capital $000	Revaluation reserve $000	Retained earnings $000	Total $000
Equity as at 1 July 2016	**20,146**	**420,061**	**336,252**	**776,459**
On Market share buy-back	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**(32,564)**	**(32,564)**
	20,146	**420,061**	**303,688**	**743,895**
Profit for the year	**-**	**-**	**39,666**	**39,666**
Other comprehensive income:-				
Increase in fair value of investments	**-**	**22,796**	**-**	**22,796**
Increase in deferred tax liability relating to change in fair value of investments	**-**	**(2,177)**	**-**	**(2,177)**
Other comprehensive income	**-**	**20,619**	**-**	**20,619**
Total comprehensive income	**-**	**20,619**	**39,666**	**60,285**
Total equity as at 30 June 2017	**20,146**	**440,680**	**343,354**	**804,180**

Year to 30 June 2016	Share capital $000	Revaluation reserve $000	Retained earnings $000	Total $000
Equity as at 1 July 2015	20,146	414,819	323,827	758,792
On Market share buy-back	-	-	-	-
Dividends paid	-	-	(29,387)	(29,387)
	20,146	414,819	294,440	729,405
Profit for the year	-	-	41,812	41,812
Other comprehensive income:-				
Increase in fair value of investments	-	14,301	-	14,301
Increase in deferred tax liability relating to change in fair value of investments	-	(9,059)	-	(9,059)
Other comprehensive income	-	5,242	-	5,242
Total comprehensive income	-	5,242	41,812	47,054
Total equity as at 30 June 2016	20,146	420,061	336,252	776,459

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 19 to 32.

consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $000	2016 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		**40,624**	42,818
Interest received		**421**	514
Other Income		**-**	3
Cash paid for operating expenses		**(769)**	(731)
Income tax paid		**(842)**	(866)
Income tax refunds		**104**	93
NET CASH PROVIDED BY OPERATING ACTIVITIES	6-1	**39,538**	41,831
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from capital returns and disposal of investments		**19**	130
Payments for acquisition of investments		**(8,982)**	(11,611)
Proceeds from reduction/(increase) in term deposits		**2,100**	(150)
NET CASH USED IN INVESTING ACTIVITIES		**(6,863)**	(11,631)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(32,564)**	(29,387)
Finance costs		**(12)**	(12)
NET CASH USED IN FINANCING ACTIVITIES		**(32,576)**	(29,399)
Net increase in cash held		**99**	801
CASH AT BEGINNING OF FINANCIAL YEAR		**2,172**	1,371
CASH AT END OF FINANCIAL YEAR	6-1	**2,271**	2,172

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 19 to 32.

SECTION 1 – BASIS OF PREPARATION

1-1 Reporting Entity

Carlton Investments Limited (The Company) is a company domiciled in Australia. The address of the Company's registered office is Level 15, 478 George Street, Sydney, NSW. The consolidated financial report of the Company as at and for the year ended 30 June 2017 comprises the Company and its subsidiaries (collectively referred to as the "Group"). The Group is a for-profit entity and operates predominately in the acquisition and long term holding of shares and units in entities listed on the Australian Securities Exchange and solely within Australia.

The consolidated financial statements were authorised for issue by the Board of Directors on 22 August 2017.

1-2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements also comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except that investments in equities have been stated at their market values at balance date.

(c) Functional currency and presentation

These consolidated financial statements are presented in Australian dollars which is the Group's functional currency. The ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191 is applicable to the Group and therefore the amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Changes in accounting policies

The accounting policies adopted by the Group are consistent with those adopted during the previous corresponding financial year.

(e) New and Revised Accounting Standards

A number of new accounting standards and interpretations became mandatory for the current financial year ended 30 June 2017. These new accounting standards and interpretations have not had a material effect on the Group's consolidated financial statements.

AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendment to AASB 101 Presentation of Financial Statements*, was early adopted for the 30 June 2016 financial statements. These amendments, which are now mandatory, removed minimum disclosure requirements from AASB101, including the removal of reference to a "summary of significant accounting policies" and allowed the reorganisation and grouping of notes to the financial statements to give prominence to those areas most relevant to understanding the Group.

Accounting Standard AASB 9 *Financial Instruments* was early adopted in the year ended 30 June 2010, this accounting standard is not yet mandatory.

There are also a number of new accounting standards, amendments to accounting standards and interpretations, which are not yet mandatory, which have not been adopted in preparing these consolidated financial statements. From an initial assessment, it is not expected that these amended accounting standards and interpretations will have a significant effect on the consolidated financial statements of the Group when they are adopted.

SECTION 2 – EARNINGS AND COSTS

2-1 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is the same as basic EPS as there are no dilutive potential ordinary shares on issue by the Company.

	2017	2016
Basic and diluted earnings per ordinary share	**$1.498**	$1.579
Reconciliation of earnings used in the calculation of earnings per share:	**$000**	$000
Profit as per the consolidated statement of profit	**39,666**	41,812
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**26,474,675**	26,474,675

2-2 Timing of recognition of income

Revenues from dividends and trust distributions are recognised in the profit or loss when the right to receive payment is established, which is the date that the investment trades "ex-dividend". Interest income comprising interest on short term deposits is recognised as it accrues.

2-3 Dividends and distributions received

	Note	2017	2016
		$000	$000
Dividends and distributions received			
Dividends and distributions received from listed entities:			
Dividends – ordinary		**39,555**	39,488
Dividends – special		**63**	2,465
Distributions from trusts		**1,130**	832
		40,748	42,785
Dividends from:			
Investments held at year end		**40,748**	42,775
Investments disposed of during the year		**-**	10
		40,748	42,785

2-4 Administration expenses

Directors' fees and employee remuneration		**487**	459
Auditor's remuneration	6-5	**71**	69
Rent and office service charges		**21**	21
Other administration costs		**190**	184
		769	733

2-5 Income tax

Accounting policy

Income tax expense comprises current and deferred tax. Current or deferred tax is recognised in profit or loss except to the extent that it relates to items recognised through other comprehensive income, when it is recognised into the revaluation reserve or directly in equity.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2-5 Income tax (cont.)

Deferred tax, being predominantly capital gains tax, is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets, using tax rates enacted or substantially enacted at the balance date. Deferred tax assets are reviewed at each reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

	2017 $000	2016 $000
Income tax expense		
Prima facie income tax expense calculated at 30% (2016: 30%) on operating profit	**12,109**	12,760
Increase/(decrease) in income tax expense due to:		
Imputation gross up on dividends received	**4,860**	5,117
Franking credits on dividends received	**(16,201)**	(17,058)
Other adjustments	**(36)**	(65)
Over provision in previous year	**(34)**	(32)
Income tax expense	**698**	722
Income tax expense in the statement of profit or loss comprises:		
Current income tax expense	**708**	859
Over provision current income tax prior year	**(34)**	(32)
Deferred income tax expense	**24**	(105)
	698	722
Current tax liability		
Balance at beginning of year	**254**	200
Income tax paid	**(738)**	(773)
Current year's income tax	**708**	859
Capital gains tax on disposal of equity investments	**-**	-
Over provision in previous year	**(34)**	(32)
Balance at end of year	**190**	254
Deferred tax liability		
Balance at beginning of year	**164,187**	155,233
Increase in deferred tax liability on change in market value of investments recognised directly in equity	**2,177**	9,059
Origination and reversal of timing differences	**25**	(105)
Balance at end of year	**166,389**	164,187
Represented by:		
Capital gains tax on unrealised investment gains	**166,209**	164,031
Temporary differences on timing of recognition of dividend and trust distribution income	**180**	156
	166,389	164,187
Deferred tax asset		
Balance at beginning of year	**1**	2
Origination and reversal of temporary differences	**1**	(1)
Balance at end of year	**2**	1
Represented by:		
Temporary differences - employee entitlements accrued	**2**	1

SECTION 3 – ASSETS AND LIABILITIES

3-1 Investments

	Note	2017 $000	2016 $000
Current			
Term deposits		**12,000**	14,100

Term deposits are carried at cost. They have been placed with major financial institutions and at 30 June 2017 had maturity periods of between 19 to 84 days (2016: 19 to 85 days) with interest rates of between 2.46% and 2.57% (2016: 2.94% and 3.10%). The weighted average effective interest rate on term deposits for the year ended 30 June 2017 was 2.73% (2016: 2.96%). Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Credit risk on term deposits is minimised as deposits are only made with major Australian financial institutions with acceptable credit ratings determined by a recognised rating agency.

Non Current			
Investments and equities			
Shares and units held in listed entities - at fair value	6-10	**951,124**	919,363

Shares and units in listed entities are valued continuously at fair value. Inputs used to determine fair value are the unadjusted last-sale price, last-bid price and last-sell price quoted on the Australian Securities Exchange at balance date. Fair value is determined at a value within the quoted bid/sell price spread with most investments being valued at the quoted last-sale price. As the inputs used to determine the fair value of shares and units in listed entities are prices quoted in an active market, being the Australian Securities Exchange, values are categorised within Level 1 of the fair value hierarchy of measurement under Accounting Standards AASB 13.

Any change in fair value of shares and units in listed entities is recognised, through the Statement of Comprehensive Income, directly in equity. During the year to 30 June 2017 investments were acquired for consideration of $8,982,000 (2016: $11,611,000). Proceeds from disposal of investments in the year totalled $2,000 (2016: $113,000), resulting in a realised loss, based on original cost values, of $7,000 (2016: loss of $340,000). Proceeds from capital returns during the year to 30 June 2017 totalled $17,000 (2016: $16,000).

The group is not directly exposed to interest or currency risk through its equity investments.

The only individual, material investment in a listed equity, that is neither a subsidiary nor an interest in an associate or joint venture accounted for using the equity method, is:

Name	Principal Activities	Ownership		Carrying Amount		Dividends Received	
		2017	2016	**2017**	2016	**2017**	2016
		%	%	**$000**	$000	**$000**	$000
Event Hospitality & Entertainment Limited	Entertainment, hospitality, tourism and leisure	**19.2**	19.2	**411,618**	447,330	**15,701**	17,548*

*2016 dividends include a special dividend received of $2,463,000.

3-2 Receivables

	2017 $000	2016 $000
Current		
Dividends and interest receivable	**5,580**	5,484

3-3 Payables

Current		
Other creditors and accruals	**52**	54

The consolidated entity's exposure to liquidity risk related to creditors is disclosed in note 5-2.

3-4 Other financial liabilities

Non Current		
Cumulative preference shares	**166**	166

82,978 (2016: 82,978) 7% cumulative preference shares fully paid

Holders of preference shares are entitled to receive a fixed cumulative preferential dividend at the rate of 7% per annum on capital paid up of $2 per existing preference share. In the event of a winding up of the Company, preference shareholders are entitled to the capital and all arrears of dividends up to the date of the commencement of the winding up paid off in priority to any payment of capital on the ordinary shares. Holders of preference shares may attend and speak at general meetings but do not have a right to vote except where at the date of the meeting any dividend or part of a dividend is in arrears or on matters which directly or indirectly affect the rights attaching to the preference shares. The preference shares when issued were not classified as redeemable.

Dividends on these preference shares are recorded as a finance cost for accounting purposes.

Final dividend (7 cents per preference share paid on 26 September 2016)	**6**	6
Interim dividend (7 cents per preference share paid on 20 March 2017)	**6**	6
	12	12

Dividends paid were franked at a tax rate of 30%.

SECTION 4 – SHARE CAPITAL, RESERVES AND DIVIDENDS PAID

4-1 Share capital and reserves

	2017 $000	2016 $000
Issued and paid up capital		
26,474,675 (2016: 26,474,675) ordinary shares fully paid	**20,146**	20,146
Movements in ordinary share capital		
Balance at the beginning of the financial year	**20,146**	20,146
On market share buy-back – nil	**-**	-
Balance at the end of the financial year	**20,146**	20,146

On 14 November 2001 the Company announced an On Market Buy Back of up to 2,500,000 of the Company's ordinary shares. This Buy-Back has been extended until 28 November 2017. There were no shares bought back during the year ended 30 June 2017 (2016: Nil). At 30 June 2017 the cumulative number of shares bought back since 14 November 2001 is 806,612 at a cost of $10,700,000.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at shareholders' meetings. In the event of a winding up of the Company, ordinary shareholders rank after preference shareholders and creditors and are fully entitled to any proceeds of liquidation.

Revaluation reserve		
Revaluation reserve	**440,680**	420,061

The revaluation reserve comprises the cumulative change in the fair value of equity investments net of the estimated capital gains tax relating thereto.

4-2 Dividends

The following dividends were declared and paid by the Company:

Declared and paid during the year

	Cents per share	Total amount $000	Franked/ unfranked	Date of payment
2016				
Final – ordinary share	68.0	18,003	Franked	26 September 2016
Special – ordinary shares	7.0	1,853	Franked	26 September 2016
2017				
Interim – ordinary share	48.0	12,708	Franked	20 March 2017
Total		32,564		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Declared after the end of the financial year:				
Final – ordinary share	68.0	18,003	Franked	25 September 2017

The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

4-2 Dividends (cont.)

	2017 $000	2016 $000
Dividend franking account		
30% franking credits available to shareholders of Carlton Investments Limited for subsequent financial years	**44,104**	42,433

The above available amount is based on the balance of the dividend franking account at year-end adjusted for franking credits that will arise from the payment of the current tax liability.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce it by $7,718,000 (2016: $8,512,000).

4-3 Capital management

The Board manages the Group's capital base so as to maintain investors' value, market confidence and to sustain future growth of the business. In addition to endeavouring to achieve an increase in the value of capital invested by ordinary shareholders, the Board aims to be able to pay dividends which can be increased over future years. The actual level of dividends payable is dependent upon the level of income the Group receives from its investments. Capital management initiatives undertaken when appropriate from time to time include a share purchase plan, a dividend reinvestment plan and on market share buy-backs. The Group's capital consists of total shareholders' equity. Changes in the capital base are shown in the Consolidated Statement of Changes in Equity.

SECTION 5 – RISK

5-1 Critical accounting estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

A deferred tax liability has been recognised, in accordance with the requirements of Accounting Standards, in respect of Capital Gains Tax calculated on the unrealised gains applicable to listed equity investments. It is the intention of Group entities to hold these investments for the long term and not to dispose of them. Accordingly, the deferred tax liability may not be realised at the amount disclosed in the financial statements and may also be affected by subsequent changes in tax legislation in regard to capital gains.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

5-2 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The risks associated with the Group's assets fall into three categories, namely, credit risk, liquidity risk and market risk. Market risk includes interest rate risk, currency risk and other price risk. The Group is not currently materially exposed to interest rate risk as its cash and term deposits are short term and for a fixed interest rate. There is no material direct exposure to currency risk as almost all financial assets and liabilities are denominated in Australian dollars.

Credit risk

Credit risk is the risk of financial loss to the Group if a counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from investment securities and term deposits. For the Company it arises from receivables due from subsidiaries. The credit risk with respect to term deposits is referred to in note 3-1. None of these assets are considered to be impaired.

5-2 Financial risk management (cont.)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another asset.

The only financial liabilities the Group has are for tax payable from time to time to the Australian Taxation Office, administration cost payables and payables for the purchases of investments. Cash flow forecasts are prepared on a monthly basis allowing for dividends and interest to be received, movements in term deposits, investments to be purchased, dividends to be paid and other outgoings. If the level of dividends or interest to be received were to reduce significantly the Group can reduce its planned acquisition of investments so that adequate liquid funds are available to meet any liabilities. Investments in listed entities could readily be sold on the Australian Securities Exchange to generate required funds.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

As the Group invests in equities listed on the Australian Securities Exchange there will always be a market risk as the price of the equities is subject to fluctuation. Equity investments represent 98.0% of total assets at 30 June 2017 (2016: 97.7%). If the market prices applicable to the listed equity portfolio were to fall by 5% or 10%, and if this fall was spread equally over all assets in the portfolio, total equity represented by share capital, reserves and retained profits would reduce by $35,578,000 and $71,155,000 respectively after tax.

A major part of the Group's income consists of dividends and distributions received from its investments. The level of these dividends and distributions fluctuates depending on the profits earned by the entities in which investments are held. There is a risk that in downturns in the economy the level of these profits will fall and consequently may affect dividends and distributions received.

The portfolio of listed equity investments is spread over a number of market sectors so as to reduce the market risk of a major fall in a particular sector. Details of investments held and the relevant market sectors are included in note 6-10.

SECTION 6 – OTHER INFORMATION

6-1 Cash flow information

(i) **Reconciliation of cash**

For the purposes of the Statements of Cash Flows, cash comprises of cash on hand and call bank deposits with original maturities of three months or less. Cash at the end of the financial year as shown on the Statements of Cash Flows is reconciled to the items in the consolidated statement of financial position as follows:

	2017 $000	2016 $000
Cash	**2,271**	2,172

(ii) **Reconciliation of profit after income tax to net cash provided by operating activities**

Profit for the year as per the consolidated statement of profit or loss	**39,666**	41,812
Finance costs	**12**	12
Net cash provided by operating activities before changes in assets and liabilities	**39,678**	41,824
Increase/(decrease) in current tax payable	**(65)**	54
(Decrease)/increase in deferred income tax	**24**	(104)
Increase/(decrease) in other creditors	**(1)**	2
Decrease/(increase) in receivables	**(98)**	55
Net cash provided by operating activities	**39,538**	41,831

6-2 Related parties

(a) Key management personnel compensation

Directors and the company secretary / chief financial officer do not receive any bonuses, non-cash benefits or the granting of options over shares in the Company. Their only remuneration is by way of fees and salary respectively, together with the Superannuation Guarantee levy.

The key management personnel compensation comprised:

	2017	2016
	$	$
Short-term:		
- Base emolument	**393,310**	369,612
- Leave entitlements movements	**(545)**	(1,740)
Post-employment:		
- Superannuation relating to base emoluments	**56,690**	55,388
	449,455	423,260

Apart from details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year, and there were no material contracts involving directors' interests existing at 30 June 2017.

(b) Other related party transactions in respect of the Company

Investments in controlled entities	**Class of Share**	**Interest Held**	
		2017	2016
		%	%
Controlled Entities			
Carlton Hotel Limited	Preference	**100**	100
Carlton Hotel Limited	Ordinary	**100**	100
Eneber Investment Company Limited	Ordinary	**100**	100
The Manly Hotels Pty Limited	Ordinary	**100**	100

Amounts receivable from controlled entities	**The Company**	
	2017	2016
	$000	$000
Inter-Company loans receivable		
Non Current	**181,184**	177,403

The amounts due to the Company are non-interest bearing and are at call. Receipt of payment is not expected within twelve months and therefore the balance due is disclosed as non-current in the parent entity disclosure in note 6-6. Carlton Investments Limited has undertaken not to require repayment of all or part of the amounts owing to it by the controlled entities before 31 July 2020 if repayment would result in the controlled entities not having sufficient funds to pay their other debts as and when they fall due.

Rent of premises

Rent and office service charges totalling $20,938 (2016: $21,057) were paid to an entity which is controlled by a listed public company of which a director of the Company is also a director. Rent and office service charges are paid monthly at commercial rates.

6-2 Related parties (cont.)

Management fees

The Company provided accounting, administrative and other services during the year to its controlled entities for a management fee of $1,420,000 (2016: $1,412,000). The management fee is based upon 3.5% of the dividend and trust income of the controlled entities, excluding special dividends. These management fees eliminate on group consolidation.

Transactions eliminated on consolidation

The balances and effects of transactions between controlled entities have been eliminated in the consolidated financial statements.

6-3 Financing facilities

The Company has not negotiated any financing facilities.

6-4 Investment transactions

The total number of transactions in securities that occurred during the financial year was 20 (2016: 14). The total brokerage paid on these transactions was $24,727 (2016: $14,095).

6-5 Auditor's remuneration

	2017 $	2016 $
Amounts paid or due and payable for:		
Audit services: KPMG		
Audit and review of financial reports	**58,850**	57,035
Other services: KPMG		
Taxation services - Compliance	**12,402**	12,100
	71,252	69,135

6-6 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017 the immediate parent entity of the Group was Carlton Investments Limited.

	2017 $000	2016 $000
Result of Parent Entity		
Profit for the year	**36,473**	39,491
Other comprehensive income	**-**	-
Total comprehensive income for the year	**36,473**	39,491
Financial position of parent entity at year end		
Current assets	**2,269**	2,165
Total assets	**188,930**	185,044
Current liabilities	**247**	259
Total liabilities	**413**	425
Net assets	**188,517**	184,619
Total equity of parent entity comprising of:		
Share capital	**20,146**	20,146
Retained profits	**168,371**	164,473
Total equity	**188,517**	184,619

6-7 Operating segments

The Group operates only in Australia, investing predominantly in Australian listed securities and has no reportable segments.

6-8 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned controlled entities listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that the Company and each of the controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

The controlled entities subject to the Deed are Carlton Hotel Limited, The Manly Hotels Pty Limited and Eneber Investment Company Limited. There are no controlled entities that are not party to the Deed.

The consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between those entities at 30 June 2017, are set out on pages 14, 15 and 16 of the financial statements.

6-9 Events subsequent to reporting date

For final dividends declared after 30 June 2017 refer note 4-2.

6-10 Investments in listed equities valued at fair value through other comprehensive income

SECTOR	2017 No of shares or units	2017 $000	2017 %	2016 No of shares or units	2016 $000	2016 %
CONSUMER DISCRETIONARY						
Media						
Event Hospitality & Entertainment Ltd	**30,786,687**	**411,618**		30,786,687	447,330	
Seven West Media Ltd	**1,040,000**	**744**		1,040,000	1,102	
Ten Network Holdings Ltd	**148,500**	**-**		148,500	134	
Fairfax Media Ltd	**200,000**	**220**		200,000	186	
HT & E Ltd (formerly APN News & Media Ltd)	**41,027**	**108**		29,630	119	
NZME Limited	**29,630**	**26**		29,630	22	
		412,716	**43.39**		448,893	48.83
Consumer Services						
Tabcorp Holdings Ltd	**663,541**	**2,900**		663,541	3,032	
The Star Entertainment Group	**369,000**	**1,864**		369,000	1,993	
Ardent Leisure Group	**386,224**	**726**		386,224	726	
Crown Resorts Ltd	**48,804**	**599**		48,804	615	
		6,089	**0.64**		6,366	0.69
		418,805	**44.03**		455,259	49.52
FINANCIALS						
Banks						
National Australia Bank Ltd	**2,196,827**	**65,004**		2,196,827	55,865	
CYBG PLC	**549,206**	**2,587**		549,206	2,290	
Westpac Banking Corporation	**1,781,613**	**54,357**		1,781,613	52,379	
Commonwealth Bank of Aust.	**573,183**	**47,465**		573,183	42,628	
ANZ Banking Group Ltd	**1,004,298**	**28,843**		1,004,298	24,224	
Bendigo & Adelaide Bank Ltd	**1,117,147**	**12,378**		1,117,147	10,725	
Bank of Queensland Ltd	**1,423,413**	**16,298**		1,423,413	15,074	
		226,932	**23.86**		203,185	22.10
Capital Markets						
Perpetual Ltd	**423,973**	**23,687**	**2.49**	402,213	16,539	1.80
Multi-Sector Holdings						
Gowing Bros Ltd	**4,701,144**	**14,950**	**1.57**	4,701,144	15,702	1.71
Insurance						
Suncorp Group Ltd	**200,266**	**2,968**		200,266	2,439	
AMP Ltd	**170,000**	**882**		170,000	877	
Medibank Private Ltd	**185,000**	**518**		185,000	546	
		4,368	**0.46**		3,862	0.42
Diversified Financial Services						
Milton Corporation Ltd	**599,060**	**2,702**		599,060	2,564	
WAM Capital Ltd	**1,322,000**	**3,160**		1,322,000	2,948	
Aust. Found. Inv. Co. Ltd	**245,167**	**1,424**		245,167	1,375	
Aust. United Inv. Co. Ltd	**210,938**	**1,707**		210,938	1,508	
ASX Ltd	**55,916**	**2,998**		45,516	2,083	
Macquarie Group Ltd	**15,000**	**1,328**		15,000	1,034	
Argo Investments Ltd	**18,118**	**139**		18,118	134	
Challenger Ltd	**60,451**	**806**		60,451	522	
		14,264	**1.50**		12,168	1.32
Real Estate Management & Development						
Lend Lease Corporation Ltd	**494,978**	**8,241**	**0.87**	494,978	6,237	0.68
Real Estate Investment Trusts (REITS)						
Cromwell Property Group	**1,128,619**	**1,072**		1,128,619	1,146	
Mirvac Ltd	**426,575**	**909**		426,575	862	
Stockland	**96,053**	**421**		96,053	452	
		2,402	**0.25**		2,460	0.27
		294,844	**31.00**		260,153	28.30

6-10 Investments in listed equities valued at fair value through other comprehensive income (cont.)

SECTOR	2017 No of shares or units	2017 $000	2017 %	2016 No of shares or units	2016 $000	2016 %
MATERIALS						
Diversified Metals & Mining						
BHP Billiton Ltd	**800,446**	**18,634**		800,446	14,928	
South32 Ltd	**800,446**	**2,145**		800,446	1,233	
Rio Tinto Ltd	**116,845**	**7,393**		108,345	4,930	
Iluka Resources Ltd	**43,057**	**374**		43,057	279	
		28,546	**3.00**		21,370	2.32
Steel						
Bluescope Steel Ltd	**471,711**	**6,231**		471,711	3,005	
Sims Metal Management Ltd	**100,000**	**1,518**		100,000	782	
Arrium Ltd	**368,327**	**-**		368,327	-	
		7,749	**0.82**		3,787	0.41
Gold						
Newcrest Mining Ltd	**6,164**	**124**	**0.01**	6,164	142	0.02
Chemicals						
Orica Ltd	**541,764**	**11,204**		541,764	6,680	
Dulux Group Ltd	**541,764**	**3,760**		541,764	3,424	
		14,964	**1.57**		10,104	1.10
Construction Materials						
CSR Ltd	**235,000**	**994**		235,000	855	
Fletcher Building Ltd	**243,760**	**1,855**		243,760	1,989	
James Hardie Inds. SE	**625,362**	**12,820**		625,362	12,789	
Adelaide Brighton Ltd	**280,000**	**1,576**		280,000	1,560	
Boral Ltd	**958,826**	**6,664**		661,053	4,112	
		23,909	**2.51**		21,305	2.32
Containers & Packaging						
Amcor Ltd	**853,133**	**13,829**		853,133	12,737	
Orora Ltd	**1,573,133**	**4,499**		1,573,133	4,342	
		18,328	**1.93**		17,079	1.86
		93,620	**9.84**		73,787	8.03
CONSUMER STAPLES						
Food, Beverage & Tobacco						
Coca-Cola Amatil Ltd	**456,761**	**4,216**		456,761	3,759	
Treasury Wine Estates Ltd	**239,295**	**3,149**		239,295	2,209	
Graincorp Ltd	**112,000**	**1,061**		112,000	967	
		8,426	**0.89**		6,935	0.75
Food & Staples Retailing						
Wesfarmers Ltd	**609,410**	**24,450**		609,410	24,437	
Woolworths Ltd	**144,000**	**3,678**		144,000	3,008	
		28,128	**2.96**		27,445	2.99
Household & Personal Products						
Blackmores Ltd	**17,000**	**1,629**	**0.17**	17,000	2,234	0.24
		38,183	**4.02**		36,614	3.98
ENERGY						
Oil, Gas & Consumable Fuels						
Origin Energy Ltd	**1,139,489**	**7,817**		1,139,489	6,552	
Santos Ltd	**1,069,352**	**3,240**		1,061,736	4,926	
Caltex Australia Ltd	**100,000**	**3,161**		100,000	3,190	
Woodside Petroleum Ltd	**107,350**	**3,207**		89,200	2,394	
		17,425	**1.83**		17,062	1.85

6-10 Investments in listed equities valued at fair value through other comprehensive income (cont.)

SECTOR	2017 No of shares or units	2017 $000	2017 %	2016 No of shares or units	2016 $000	2016 %
UTILITIES						
Gas Utilities						
APA Group	**906,658**	**8,314**	**0.88**	906,658	8,378	0.91
Multi-Utilities						
AGL Energy Ltd	**1,604,557**	**40,916**	**4.30**	1,604,557	30,952	3.37
		49,230	**5.18**		39,330	4.28
INFORMATION TECHNOLOGY						
Software & Services						
Computershare Ltd	**20,000**	**283**	**0.03**	20,000	183	0.02
TELECOMMUNICATION SERVICES						
Telecommunication Services						
Telstra Corporation Ltd	**4,333,600**	**18,635**	**1.96**	4,333,600	24,095	2.62
INDUSTRIALS						
Capital Goods						
CIMIC Ltd	**60,765**	**2,360**		60,765	2,172	
Seven Group Holdings Ltd	**100,000**	**1,094**		100,000	601	
Spicers Ltd	**721,864**	**20**		721,864	19	
		3,474	**0.37**		2,792	0.30
Commercial & Professional Services						
Brambles Industries Ltd	**45,758**	**445**		45,758	567	
PMP Ltd	**100,000**	**75**		100,000	54	
Opus Group Limited	**3,024**	**1**		3,024	1	
		521	**0.05**		622	0.07
Transportation						
Sydney Airport	**563,029**	**3,992**		329,029	2,283	
Transurban Ltd	**166,162**	**1,969**		75,162	901	
Macquarie Atlas Roads Group	**91,770**	**515**		91,770	475	
		6,476	**0.68**		3,659	0.40
		10,471	**1.10**		7,073	0.77
HEALTH CARE						
Health Care Equipment & Services						
Ansell Ltd	**222,854**	**5,288**		222,854	4,049	
Sonic Healthcare	**81,600**	**1,976**		81,600	1,758	
Estia Healthcare Ltd	**160,000**	**488**		-	-	
Japara Healthcare Ltd	**240,000**	**504**		-	-	
Primary Healthcare Ltd	**255,000**	**928**		-	-	
Regis Healthcare Ltd	**113,000**	**444**		-	-	
		9,628	**1.01**		5,807	0.63
TOTAL		**951,124**	**100.00**		919,363	100.00

declarations

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Carlton Investments Limited ("the Company"):

   (a) the consolidated financial statements and notes that are set out on pages 14 to 32, and the Remuneration Report on pages 10 to 12, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

   (c) there are reasonable grounds to believe that the Company and the Group entities identified in note 6-2 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief financial officer for the financial year ended 30 June 2017.

3. The directors draw attention to note 1-2 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

A G RYDGE
Director

A J CLARK AM
Director

Dated at Sydney 22 August 2017

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the directors of Carlton Investments Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Carlton Investments Limited for the financial year ended 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

John Teer
Partner

Sydney, Australia

22 August 2017

KPMG

Independent Auditor's Report

To the shareholders of Carlton Investments Limited

Report on the audit of the Financial Report

Opinion

In our opinion, the accompanying ***Financial Report*** of Carlton Investments Limited is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with Australian *Accounting Standards* and the *Corporations Regulations 2001*.

We have audited the ***Financial Report*** of the Group.

The ***Group*** consists of Carlton Investments Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year.

The ***Financial Report*** comprises the:

- Consolidated statements of financial position as at 30 June 2017.
- Consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the Corporations Act 2001 and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of listed equity investments ($951,124,000)

Refer to Note 3-1 to the financial report

The key audit matter

Valuation of listed equity investments is a key audit matter due to:

- The size of the group's portfolio of listed equity investments (98% of total assets);
- It was the key driver of operations and performance results; and
- It was the area with greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

How the matter was addressed in our audit

Our procedures included:

- Checking the ownership of listed equity investments to external independent share registry electronic records;
- Checking the valuation of listed equity investments in the portfolio, as recorded in the general ledger, to externally quoted market prices;
- Considering the Group's disclosures of listed equity investments, such as the fair value hierarchy, to the requirements of the accounting standards.

KPMG

Other Information

Other Information is financial and non-financial information in Carlton Investments Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report and Chairman's report to shareholders. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards and the Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Carlton Investments Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Director's responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 10 to 12 of the Director's report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

John Teer
Partner

Sydney, Australia

22 August 2017

securities exchange requirements

FOR THE YEAR ENDED 30 JUNE 2017

DETAILS OF SHAREHOLDINGS

AS AT 22 AUGUST 2017

SHAREHOLDERS
(Ordinary Shares)
VOTING RIGHTS:
1 Vote for each Ordinary Shareholder
POLL: One vote for each fully paid ordinary share held

SHAREHOLDERS
(7% Cumulative Preference Shares)
VOTING RIGHTS:
Restricted - Subject to Article 9

SUBSTANTIAL SHAREHOLDERS - ORDINARY SHARES

ENBEEAR PTY LIMITED	16,216,563*
EVENT HOSPITALITY & ENTERTAINMENT LIMITED	16,216,563+

* Includes Event Hospital & Entertainment Limited's and associates' holdings
\+ Includes Enbeear Pty Limited's and associates' holdings

SUBSTANTIAL SHAREHOLDERS - PREFERENCE SHARES

EVENT HOSPITALITY & ENTERTAINMENT LIMITED	37,941

DISTRIBUTION OF SHAREHOLDINGS

Category Ordinary	No. of Shareholders	No. of Shares
1 – 1,000	1,107	525,332
1,001 – 5,000	1,135	2,740,036
5,001 – 10,000	207	1,463,722
10,001 – 100,000	178	4,105,665
100,001 & Over	12	17,639,920
	2,639	**26,474,675**
Number of Ordinary Shareholders holding less than a marketable parcel	79	

Category Preference	No. of Shareholders	No. of Shares
1 – 1,000	32	8,485
1,001 – 5,000	4	6,627
5,001 – 10,000	3	17,409
10,001 & Over	2	50,457
	41	**82,978**
Number of Preference Shareholders holding less than a marketable parcel	21	

TWENTY LARGEST ORDINARY SHAREHOLDERS

	No. of shares held	% of capital held
1. Enbeear Pty Limited	13,351,639	50.4
2. Alphoeb Pty Limited	1,415,231	5.4
3. Rydge A G	719,278	2.7
4. Event Hospitality & Entertainment Ltd	630,169	2.4
5. Milton Corporation Limited	356,778	1.3
6. T N Phillips Investments Pty Limited	245,000	0.9
7. Somoke Pty Ltd (Pulman Super Fund A/C)	211,349	0.8
8. Marlen Pty Limited	172,785	0.7
9. Gowing Bros Limited	171,137	0.6
10. Ravenscourt Pty Limited	165,000	0.6
11. A.J Dixon Pty Ltd (Super Fund A/C)	101,308	0.4
12. Aygeear Pty Limited	100,246	0.4
13. Govett Investments Pty Ltd	98,046	0.4
14. Hamilton R S	96,523	0.4
15. Phillips J N	93,168	0.3
16. Crawley M F	91,294	0.3
17. A.C.N. 009 757 948 Pty Ltd	86,164	0.3
18. Mythia Pty Ltd	80,779	0.3
19. Phillips J N & Aust Executor Trustees	76,698	0.3
20. HSBC Custody Nominees (Australia) Ltd	67,583	0.3
	18,330,175	69.2
Issued Ordinary Shares	26,474,675	

TWENTY LARGEST PREFERENCE SHAREHOLDERS

	No. of shares held	% of capital held
1. Event Hospitality & Entertainment Ltd	37,941	45.7
2. Morton IE & DL (Debian Super Fund A/C)	12,516	15.1
3. Wilcorp No 41 Pty Limited	6,010	7.2
4. Winpar Holdings Limited	5,746	6.9
5. Green A J	5,653	6.8
6. Cameron W R	2,127	2.6
7. Seven Bob Investments Pty Ltd (RF Cameron Super Fund A/C)	1,700	2.0
8. Neild D R G	1,500	1.8
9. Cameron A D	1,300	1.6
10. Elkington Dr G B	1,000	1.2
11. Turner A H	834	1.0
12. Fitzharris J M	833	1.0
13. Hallworth G T	800	1.0
14. Cameron K V M	750	0.9
15. Elkington M	585	0.7
16. Crawley D E	534	0.6
17. Lukins N L	466	0.6
18. Gowing J E	300	0.4
19. Morton I E	300	0.4
20. Fletcher N E J	250	0.3
	81,145	97.8
Issued Preference Shares	82,978	

ordinary dividends and share issues

SINCE 1 JULY 2007

Date	Share issue/Dividend	Issue price/ Dividend rate	Franking %
19/09/2007	Cash dividend	$0.36	100
07/03/2008	Cash dividend	$0.27	100
24/09/2008	Cash dividend	$0.40	100
18/03/2009	Cash dividend	$0.27	100
15/09/2009	Cash dividend	$0.40	100
18/03/2010	Cash dividend	$0.27	100
19/09/2010	Cash dividend	$0.40	100
24/03/2011	Cash dividend	$0.30	100
21/09/2011	Cash dividend	$0.48	100
22/03/2012	Cash dividend	$0.32	100
19/09/2012	Cash dividend	$0.52	100
21/03/2013	Cash dividend	$0.34	100
18/09/2013	Cash dividend	$0.58	100
20/03/2014	Cash dividend	$0.37	100
17/09/2014	Cash dividend	$0.63	100
19/03/2015	Cash dividend	$0.43	100
21/09/2015	Cash dividend	$0.65	100
21/03/2016	Cash dividend	$0.46	100
26/09/2016	Cash dividend	$0.68	100
26/09/2016	Cash dividend – special	$0.07	100
20/03/2017	Cash Dividend	$0.48	100
25/09/2017	Cash Dividend	$0.68	100

Carlton Investments Limited

ABN 85 000 020 262

Level 15, 478 George Street, Sydney NSW 2000

Telephone: (02) 9373 6732 Facsimile: (02) 9373 6539

Email: info@carltoninvestments.com.au

Website: www.carltoninvestments.com.au