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2021

ANNUAL REPORT

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 2021

| | |
|----------------------------|--|
| 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 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 2021 Annual General Meeting will be held virtually at
10.00am on Tuesday 19th October 2021.

Instructions are included with the Notice of Meeting.

chairman's report to shareholders

I present to you the Group's consolidated results for the year ended 30 June 2021.

Group's operations and results

Profit for the year ended 30 June 2021 was \$21,029,000 compared to \$38,115,000 for the prior 2020 financial year, a decrease of \$17,086,000 or 44.8%.

Dividends and distributions received, before special dividends, decreased by 18,219,000 (47.1%) from \$38,661,000 to \$20,442,000. The businesses of the Group's largest investment, Event Hospitality & Entertainment, have been greatly impacted by public health restrictions to suppress the spread of COVID-19 and no dividends were received for this investment during the year to 30 June 2021. The dividends received by the Group from Event in the 2020 financial year were \$16,009,000. There were also reductions in the dividends received from most other companies and in particular the banks, AGL, Perpetual and Sydney Airports. These reductions were partially offset by an increase in dividends received from mining companies.

Interest income decreased from \$360,000 in the prior to \$50,000 in the year to 30 June 2021, with continuing low interest rates and less funds held in term deposits. The weighted average interest rate on term deposits decreased from 1.88% in the prior year to 0.54%.

A low income tax expense of \$49,000 has resulted from the reversal of a provision for deferred income tax amounting to \$697,000, a previously anticipated liability which is no longer expected to eventuate. The income tax expense before this reversal was \$746,000.

Administration expenses were \$870,000 compared to \$916,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2021 has remained unchanged from the prior year at 0.10%.

Earnings per ordinary share

Basic and diluted earnings were \$0.794 per ordinary share for the year to 30 June 2021 compared to \$1.440 per share for the 2020 financial year.

Dividends

On 17 August 2021 the directors declared a final fully franked dividend of 41 cents per ordinary share, payable on 20 September 2021. The prior year final dividend paid in September 2020 was 56 cents per ordinary share. Total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2021 amount to 67 cents per share, a decrease of 44 cents per share. Dividends paid in respect of the year to 30 June 2021 equated to 84.4% of net profit compared to 77.1% in the prior year.

An interim dividend of 26 cents per ordinary share was paid in March 2021. The prior year interim dividend paid in March 2020 was 55 cents per ordinary share.

A final preference share dividend of 7 cents per share fully franked is also payable on 20 September 2021.

The record date for both the ordinary and preference final dividends is 1 September 2021.

The Dividend Reinvestment Plan remains suspended.

Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2021, 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 \$38.53 (2020: \$28.50). 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 \$31.99 (2020: \$24.65). The relevant figures as at 31 July 2021 were \$38.61 and \$32.07 respectively.

Investments

The market value of the equity investment portfolio as at 30 June 2021 was \$1,000,907,000 compared to \$731,517,000 at the prior year end. Short term cash holdings and term deposits totalled \$17,235,000 at 30 June 2021 (2020: \$23,581,000).

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 2021 totalled \$9,358,000 (2020: \$10,554,000). Acquisitions above \$400,000 during the year were:

| | |
|--------------------|-------------|
| Bank of Queensland | \$4,253,000 |
| Deterra Royalties | \$1,501,000 |
| Macquarie Group | \$1,000,000 |
| Tassal Group | \$999,000 |
| Rio Tinto | \$507,000 |
| NEXTDC | \$503,000 |
| IPH | \$499,000 |

In June 2021, Woolworths demerged its drinks and hotel business, Endeavour Group Limited, and the Group received shares in this new listed entity, which had a market value of \$906,000 at 30 June 2021.

There was only one investment disposal in the year, with the Group's holding in Coca-Cola Amatil being subject to a takeover offer and was disposed of for consideration of \$6,084,000. Prior year consideration received on disposals totalled \$5,106,000. There were no capital returns received during the year (2020: \$301,000).

Following the COVID-19 pandemic outbreak and a 25% fall in the market value of the Group's investments during the second six months of the prior financial year, we have seen market values for most of the Group's investments recover over the year to 30 June 2021. The market value of the Group's investment portfolio, after adjusting for investment acquisitions and disposals, increased during the year by \$266 million or 36%. The S&P/ASX 200 Index increased by 24.0% over the financial year. 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 38.9% compared with an increase in the S&P ASX 200 Accumulation Index over the period of 27.8%.

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.

Outlook

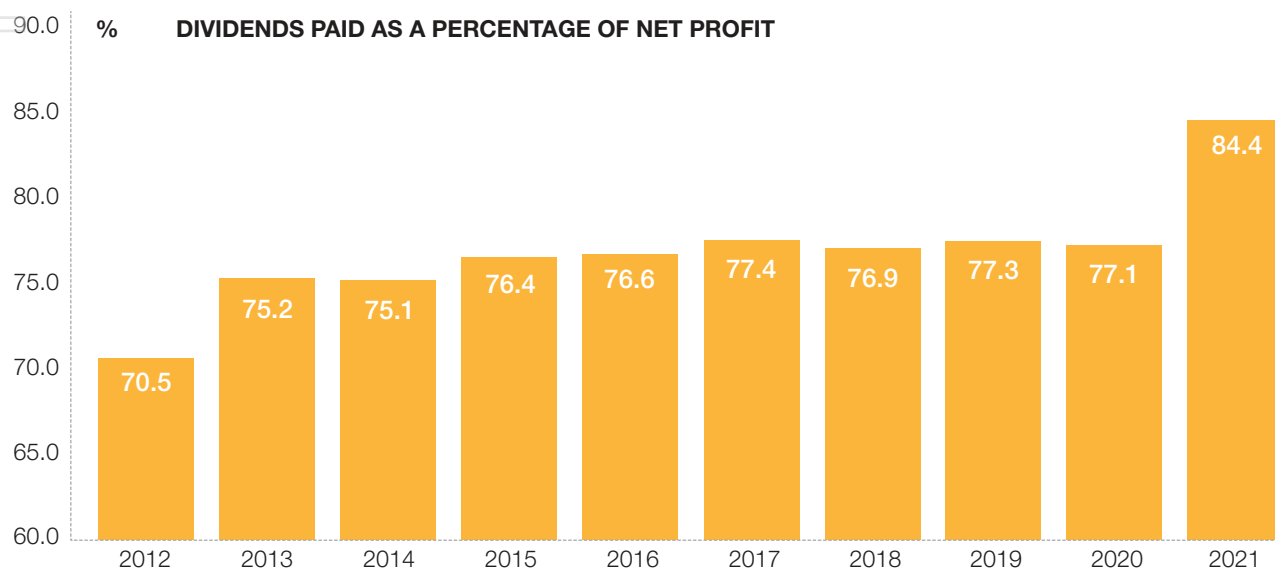
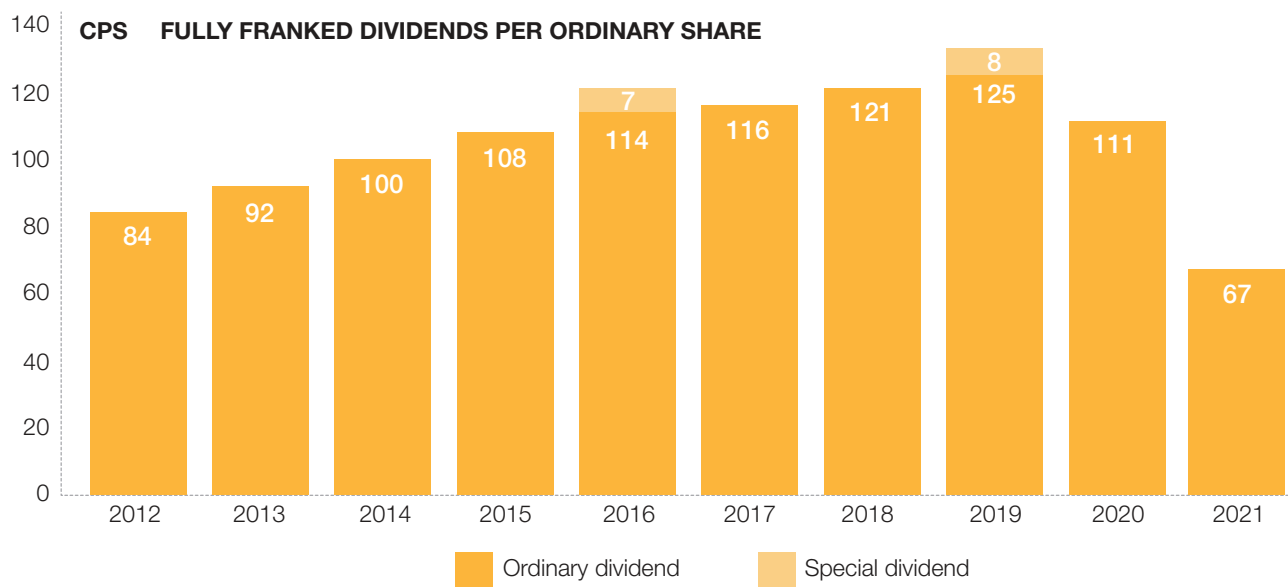
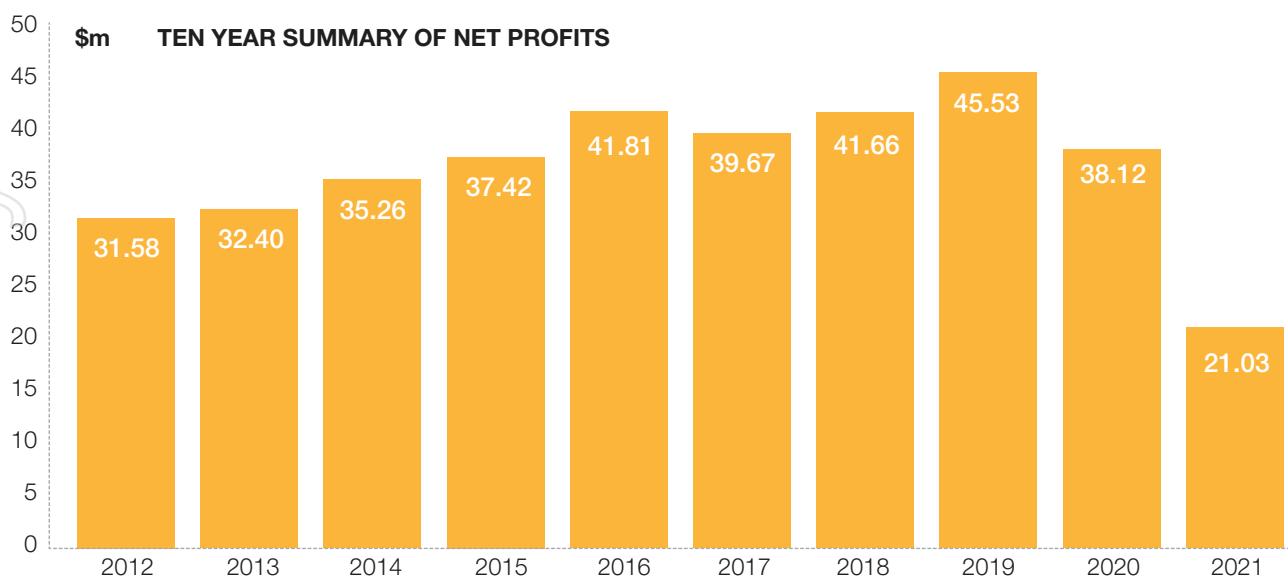
The economic impact of health restriction to contain the spread of COVID-19, on a number of market sectors, continues and with the current slow vaccine roll out it is difficult predict dividend income over the next twelve months, however it is anticipated that dividend income for the 2022 financial year will remain well down on the pre-COVID levels received in the 2020 financial year.

We remain confident, given the quality of the businesses in the investment portfolio, that those businesses impacted by COVID-19 restrictions will recover quickly once vaccination levels increase to required levels and we see an end to COVID restrictions.



A G RYDGE
Chairman

17 August 2021



directors' report

FOR THE YEAR ENDED 30 JUNE 2021

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 2021 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 Enbearn 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 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, 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 40 years' experience in accounting and financial services, with extensive experience in infrastructure and start-up investment. He was previously in charge of Macquarie Group's North American operations and was the CEO of Intoll Group, the Chairman of Suicide Prevention Australia and a Non-Executive Director and the Chairman of the Board Investment Committee at IFM Investors for 9 years.

He is Chairman and co-founder of start-up investment group, AddVenture/Tidal Ventures. Other directorships include Energy Action Ltd, of which he is Chairman, and GreenCollar Group.

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.

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, at a time when the audit firm undertook an audit of the Company. The most recent that any of these officers previously worked with KPMG was more than 19 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: | 6 | 3 | 1 |
| No. of meetings attended: | | | |
| Mr A G Rydge | 6 | 3 | 1 |
| Mr A J Clark | 6 | 3 | 1 |
| Mr M E Bleach | 6 | 3 | 1 |

directors' report

FOR THE YEAR ENDED 30 JUNE 2021

Corporate Governance

For the year ended 30 June 2021, the Board applied where practicable, the guidelines set out in the 4th Edition of ASX Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. The Company has disclosed its current 2021 Corporate Governance Statement in the Governance and Policies section on the Carlton Investments website at:

<https://www.carltoninvestments.com.au/AboutUs/GovernanceandPolicies.aspx>

The Group has also lodged the 2021 Corporate Governance Statement and Appendix 4G with the ASX. 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. As disclosed in the 2021 Corporate Governance Statement, 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 due to his related interests in the Company. The remaining members of the Board do not consider that this in any way diminishes the effective conduct of the Board's functions; and
- Recommendation 3.3, as the Company does not have a whistleblower policy. Given the size of the Company and also taking into account compensating procedures undertaken, the Board does not consider that this exception impacts on the effectiveness of the Board's governance processes.

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:

| | 2021 \$000 | 2020 \$000 |
|----------------------------------|---------------|---------------|
| Operating revenue | 21,960 | 40,159 |
| Administration and finance costs | (882) | (928) |
| Profit before income tax expense | 21,078 | 39,231 |
| Income tax expense | (49) | (1,116) |
| Net profit for the year | 21,029 | 38,115 |

Dividends and distributions received, before special dividends decreased by \$18,219,000 from \$38,661,000 in 2020 to \$20,442,000 in 2021, representing a 47% decrease. The businesses of the Group's largest investment, Event Hospitality & Entertainment (Event), have been greatly impacted by public health restrictions to suppress the spread of COVID-19 and no dividends were received for this investment during the year to 30 June 2021. In the prior year dividends totalling \$16,009,000 were received from Event. There was also a general decrease in dividends received across most of the Group's other investments, with the largest reductions in dividends received being from the banks, Sydney Airports, AGL and Perpetual. These decreases in dividends received were partially offset by the increase in dividends received from investments in mining companies amounting to \$1,768,000.

Interest income totalled only \$50,000, compared to \$360,000 in the prior year. The weighted average interest rate on term deposits decreased from 1.88% in the prior year to 0.54%. During the financial year, given investment market uncertainties, a greater proportion of funds were held in "at call" deposits rather than term deposits.

Administration expenses for the year were \$870,000 compared to \$916,000 in the prior year. The management expense ratio (MER) for the year remained at 0.10%.

The low income tax expense for the year of \$49,000 has resulted from the reversal of a provision for deferred income tax amounting to \$697,000, a previously anticipated liability which is no longer expected to eventuate. The income tax expense before this reversal was \$746,000 (2020: \$1,116,000).

Equity investments purchased during the year to 30 June 2021 totalled \$9,358,000 (2020: \$10,554,000). Major additions to the portfolio included Bank of Queensland, Deterra Royalties, Macquarie Group, Tassal Group, Rio Tinto, NEXTDC, and IPH. The Group continued to invest in Australian listed entities that are considered to be well managed and are anticipated to provide attractive levels

directors' report

FOR THE YEAR ENDED 30 JUNE 2021

of sustainable income through predominantly franked dividends and also long term capital growth. Details of investment acquisitions over \$400,000 during the year to 30 June 2021 are given in the Chairman's Report.

The only disposal of an equity investment during the financial year resulted from the takeover of Coca-Cola Amatil, with total consideration of \$6,084,000 being received for this disposal (2020: disposals consideration \$5,106,000). There were no capital returns received during the year (2020: \$301,000).

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. In the prior year to 30 June 2020, with the outbreak of COVID-19, the market value for the Group's investment portfolio fell by \$219 million or 23% for that year. During the year to 30 June 2021 we have seen the market values for most of the Group's investments increase throughout the year. The market value of the Group's investment portfolio, after adjusting for investment acquisitions and disposals, increased during the year by \$266 million or 36%. The S&P/ASX 200 Index increased by 24.0% over the financial year. 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 38.9% compared with an increase in the S&P ASX 200 Accumulation Index over the period of 27.8%.

With the current market values appearing high in these uncertain times, the Group will continue to take a cautious approach in identifying long term 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 56 cents per share, fully franked, amounting to \$14,826,000 was paid on 21 September 2020.
 - (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 21 September 2020.

| | |
|--|--------|
| | \$000 |
| • In respect of the current financial year: | |
| (i) An interim ordinary share dividend of 26 cents per share, fully franked, was declared and paid on 22 March 2021. | 6,883 |
| (ii) A final ordinary dividend of 41 cents per ordinary share in respect of the year ended 30 June 2021 has been declared. The dividend will be fully franked. | 10,855 |
| Total ordinary share dividends paid or payable in respect of the year ended 30 June 2021 | 17,738 |
| (iii) An interim preference share dividend of 7 cents per share, fully franked, was paid on 22 March 2021. | 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 2021 | 17,750 |

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

Outlook and likely developments

As stated in the Chairman's Report it is anticipated that the Group's dividend income, for the 2022 financial year, will remain well down on pre-COVID levels.

The Board remains confident, given the quality of the businesses in the investment portfolio, that those businesses impacted by COVID-19 restrictions will recover quickly once vaccination levels increase to those required and we see an end to COVID restrictions.

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.

directors' report

FOR THE YEAR ENDED 30 JUNE 2021

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 | 2021 | 90,411 | 8,589 | - | 99,000 |
| | 2020 | 90,411 | 8,589 | - | 99,000 |
| Mr A J Clark | 2021 | 79,452 | 7,548 | - | 87,000 |
| | 2020 | 79,452 | 7,548 | - | 87,000 |
| Mr M E Bleach | 2021 | 79,452 | 7,548 | - | 87,000 |
| | 2020 | 79,452 | 7,548 | - | 87,000 |
| | 2021 | 249,315 | 23,685 | - | 273,000 |
| | 2020 | 249,315 | 23,685 | - | 273,000 |
| Company Secretary/Chief Financial Officer | | | | | |
| Mr P W Horton | 2021 | 170,000 | 25,000 | 7,664 | 202,664 |
| | 2020 | 170,000 | 25,000 | 14,948 | 209,948 |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------|---------|---------|---------|---------|
| Net profit for year (\$000) | 21,029 | 38,115 | 45,526 | 41,665 | 39,666 |
| Dividends cents per ordinary share# | 67 | 111 | 133* | 121 | 116 |
| Net tangible asset backing before capital gains tax at 30 June | \$38.53 | \$28.50 | \$36.68 | \$37.09 | \$36.65 |
| Share price at 30 June | \$30.01 | \$22.97 | \$31.60 | \$33.08 | \$31.50 |
| Management Expense Ratio | 0.10% | 0.10% | 0.09% | 0.09% | 0.08% |

Interim, final and special dividends in respect of year

* 2019 includes a special dividend of 8 cents per share

directors' report

FOR THE YEAR ENDED 30 JUNE 2021

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 2020 | 1 July 2019 | 2021 | 2020 | 30 June 2021 | 30 June 2020 |
| Mr A G Rydge | 16,084,540 | 16,084,540 | - | - | 16,084,540 | 16,084,540 |
| Mr A J Clark | 5,000 | 5,000 | - | - | 5,000 | 5,000 |
| Mr M E Bleach | 6,120 | 6,120 | - | - | 6,120 | 6,120 |

The 16,084,540 ordinary shares disclosed above as being held directly, indirectly or beneficially by Mr A G Rydge includes 13,351,639 ordinary shares held by Enbearn 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 | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Mr A G Rydge | 1,214,360 | 1,214,360 | 14,852,116 | 14,852,116 | 16,066,476 | 16,066,476 |
| Mr A J Clark | 5,000 | 5,000 | - | - | 5,000 | 5,000 |
| Mr M E Bleach | - | - | 6,120 | 6,120 | 6,120 | 6,120 |

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 37,941 (2020: 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:

- 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
- 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:
 - 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
 - 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.

directors' report

FOR THE YEAR ENDED 30 JUNE 2021

Non-audit services (continued)

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

Services other than statutory audit

- Taxation compliance services

| 2021 \$ | 2020 \$ |
|---------------|---------------|
| 63,089 | 63,089 |
| 14,190 | 30,800 |
| 77,279 | 93,889 |

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 after the financial statements.

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 17 August 2021.



A G RYDGE
Director



A J CLARK AM
Director

consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 \$000 | 2020 \$000 |
|---|------|---------------|---------------|
| Dividends and distributions received | 2-3 | 21,794 | 39,799 |
| Interest income | | 50 | 360 |
| Other income | | 116 | - |
| Operating revenue | | 21,960 | 40,159 |
| Administration expenses | 2-4 | (870) | (916) |
| Finance costs | 3-4 | (12) | (12) |
| Profit before income tax expense | | 21,078 | 39,231 |
| Income tax expense | 2-5 | (49) | (1,116) |
| Profit for the year | | 21,029 | 38,115 |
| Basic and diluted earnings per ordinary share | 2-1 | \$0.794 | \$1.440 |

The consolidated income statement is to be read in conjunction with the notes to the financial statements set out on pages 16 to 29.

consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Net profit for the year | 21,029 | 38,115 |
| Other comprehensive income: | | |
| <i>Items that will not be reclassified to the income statement in the future:</i> | | |
| Increase/(decrease) in fair value of investments | 266,116 | (219,076) |
| Decrease/(increase) in deferred tax liability relating to change in fair value of investments | (70,947) | 56,970 |
| Total other comprehensive income/(loss) | 195,169 | (162,106) |
| Total comprehensive income/(loss) for the year | 216,198 | (123,991) |

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 16 to 29.

consolidated statement of financial position

AS AT 30 JUNE 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|------|------------------|----------------|
| CURRENT ASSETS | | | |
| Cash | 6-1 | 11,235 | 21,581 |
| Receivables | 3-2 | 2,602 | 1,219 |
| Investments - term deposits | 3-1 | 6,000 | 2,000 |
| TOTAL CURRENT ASSETS | | 19,837 | 24,800 |
| NON-CURRENT ASSETS | | | |
| Investments - equities | 3-1 | 1,000,907 | 731,517 |
| Deferred tax assets | 2-5 | 26 | 22 |
| TOTAL NON-CURRENT ASSETS | | 1,000,933 | 731,539 |
| TOTAL ASSETS | | 1,020,770 | 756,339 |
| CURRENT LIABILITIES | | | |
| Payables | 3-3 | 132 | 119 |
| Current tax liabilities | 2-5 | 392 | 778 |
| TOTAL CURRENT LIABILITIES | | 524 | 897 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 2-5 | 173,076 | 102,761 |
| Other financial liabilities | 3-4 | 166 | 166 |
| TOTAL NON-CURRENT LIABILITIES | | 173,242 | 102,927 |
| TOTAL LIABILITIES | | 173,766 | 103,824 |
| NET ASSETS | | 847,004 | 652,515 |
| EQUITY | | | |
| Share capital | 4-1 | 20,146 | 20,146 |
| Revaluation reserve | 4-1 | 458,687 | 263,518 |
| Retained profits | | 368,171 | 368,851 |
| TOTAL EQUITY | | 847,004 | 652,515 |

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 16 to 29.

consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2021

| Year to 30 June 2021 | Share capital \$000 | Revaluation reserve \$000 | Retained earnings \$000 | Total \$000 |
|--|------------------------|------------------------------|----------------------------|----------------|
| Equity as at 30 June 2020 | 20,146 | 263,518 | 368,851 | 652,515 |
| On Market share buy-back | - | - | - | - |
| Dividends paid | - | - | (21,709) | (21,709) |
| | 20,146 | 263,518 | 347,142 | 630,806 |
| Profit for the year | - | - | 21,029 | 21,029 |
| Other comprehensive income:- | | | | |
| Increase in fair value of investments | - | 266,116 | - | 266,116 |
| Decrease in deferred tax liability relating to change in fair value of investments | - | (70,947) | - | (70,947) |
| Other comprehensive income | - | 195,169 | - | 195,169 |
| Total comprehensive income/(loss) | - | 195,169 | 21,029 | 216,198 |
| Total equity as at 30 June 2021 | 20,146 | 458,687 | 368,171 | 847,004 |

| Year to 30 June 2020 | Share capital \$000 | Revaluation reserve \$000 | Retained earnings \$000 | Total \$000 |
|--|------------------------|------------------------------|----------------------------|----------------|
| Equity as at 30 June 2019 | 20,146 | 425,624 | 365,947 | 811,717 |
| On Market share buy-back | - | - | - | - |
| Dividends paid | - | - | (35,211) | (35,211) |
| | 20,146 | 425,624 | 330,736 | 776,506 |
| Profit for the year | - | - | 38,115 | 38,115 |
| Other comprehensive income:- | | | | |
| Decrease in fair value of investments | - | (219,076) | - | (219,076) |
| Decrease in deferred tax liability relating to change in fair value of investments | - | 56,970 | - | 56,970 |
| Other comprehensive (loss) | - | (162,106) | - | (162,106) |
| Total comprehensive income/(loss) | - | (162,106) | 38,115 | (123,991) |
| Total equity as at 30 June 2020 | 20,146 | 263,518 | 368,851 | 652,515 |

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 16 to 29.

consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 \$000 | 2020 \$000 |
|---|------|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Dividends and distributions received | | 20,395 | 42,199 |
| Interest received | | 66 | 387 |
| Other income | | 116 | - |
| Cash paid for operating expenses | | (857) | (892) |
| Income tax paid | | (1,092) | (981) |
| Income tax refunds | | 21 | 27 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 6-1 | 18,649 | 40,740 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from capital returns and disposal of investments | | 6,084 | 5,407 |
| Payments for acquisition of investments | | (9,358) | (10,554) |
| Term deposits (increase)/reduction | | (4,000) | 18,900 |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES | | (7,274) | 13,753 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | (21,709) | (35,211) |
| Finance costs | | (12) | (12) |
| NET CASH USED IN FINANCING ACTIVITIES | | (21,721) | (35,223) |
| Net increase/(decrease) in cash held | | (10,346) | 19,270 |
| CASH AT BEGINNING OF FINANCIAL YEAR | | 21,581 | 2,311 |
| CASH AT END OF FINANCIAL YEAR | 6-1 | 11,235 | 21,581 |

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 16 to 29.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

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 2021 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 17 August 2021.

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 2021. These new accounting standards and interpretations have not had a material effect on the Group's consolidated financial statements.

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 new and amended accounting standards and interpretations will have a significant effect on the consolidated financial statements of the Group when they are adopted.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

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.

Basic and diluted earnings per ordinary share

| 2021 | 2020 |
|-------------------|------------|
| \$0.794 | \$1.440 |
| \$000 | \$000 |
| 21,029 | 38,115 |
| Number | Number |
| 26,474,675 | 26,474,675 |

Reconciliation of earnings used in the calculation of earnings per share:

Profit as per the consolidated statement of profit

Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share

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

Dividends and distributions received

Dividends and distributions received from listed entities:

Dividends – ordinary

Dividends – special

Distributions from trusts

Dividends from:

Investments held at year end

Investments disposed of during the year

| Note | 2021 \$000 | 2020 \$000 |
|------|---------------|---------------|
| | 19,610 | 37,501 |
| | 1,352 | 1,138 |
| | 832 | 1,160 |
| | 21,794 | 39,799 |
| | 21,671 | 39,799 |
| | 123 | - |
| | 21,794 | 39,799 |
| | 551 | 558 |
| 6-5 | 77 | 94 |
| | 24 | 22 |
| | 218 | 242 |
| | 870 | 916 |

2-4 Administration expenses

Directors' fees and employee remuneration

Auditor's remuneration

Rent and office service charges

Other administration costs

2-5 Income tax

Accounting policy

Income tax expense comprises current and deferred tax. Current or deferred income tax is recognised in the profit or loss for the year 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.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

2-5 Income tax (continued)

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.

| | 2021 \$000 | 2020 \$000 |
|---|---------------|---------------|
| Income tax expense | | |
| Prima facie income tax expense calculated at 30% (2020: 30%) on operating profit | 6,323 | 11,769 |
| Increase/(decrease) in income tax expense due to: | | |
| Imputation gross up on dividends received | 2,135 | 4,872 |
| Franking credits on dividends received | (7,117) | (16,241) |
| Difference in timing of recognition of franked dividends receivable | (414) | 595 |
| Other adjustments | (95) | 194 |
| Over provision in previous year | (86) | (73) |
| | 746 | 1,116 |
| Reversal of prior year deferred income tax provision no longer required | (697) | - |
| Income tax expense | 49 | 1,116 |
| Income tax expense in the statement of profit or loss comprises: | | |
| Current income tax expense | 832 | 1,014 |
| Over provision current income tax prior year | (86) | (73) |
| Deferred income tax expense adjustments | (697) | 175 |
| | 49 | 1,116 |
| Current tax liability | | |
| Balance at beginning of year | 778 | 476 |
| Income tax paid | (1,071) | (954) |
| Current year's income tax provision | 741 | 1,313 |
| Over provision in previous year | (56) | (57) |
| Balance at end of year | 392 | 778 |
| Deferred tax liability | | |
| Balance at beginning of year | 102,761 | 159,865 |
| Increase/(decrease) in deferred tax liability on change in market value of investments recognised directly in equity | 70,947 | (57,369) |
| Origination and reversal of timing differences | (632) | 265 |
| Balance at end of year | 173,076 | 102,761 |
| Represented by: | | |
| Capital gains tax on unrealised investment gains | 173,011 | 102,027 |
| Temporary differences on timing of recognition of dividend and distribution income | 65 | 734 |
| | 173,076 | 102,761 |
| Deferred tax asset | | |
| Balance at beginning of year | 22 | 16 |
| Origination and reversal of temporary differences | 4 | 6 |
| Balance at end of year | 26 | 22 |
| Represented by: | | |
| Temporary differences - employee entitlements accrued | 26 | 22 |

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

SECTION 3 – ASSETS AND LIABILITIES

3-1 Investments

| | Note | 2021 \$000 | 2020 \$000 |
|----------------|------|---------------|---------------|
| Current | | | |
| Term deposits | | 6,000 | 2,000 |

Term deposits are carried at cost. They have been placed with major financial institutions and at 30 June 2021 had maturity periods of 49 to 78 days (2020: 50 days) with interest rates of 0.30% to 0.32% (2020: 1.50%). The weighted average effective interest rate on term deposits for the year ended 30 June 2021 was 0.54% (2020: 1.88%). 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 | 1,000,907 | 731,517 |
|--|------|------------------|---------|

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 2021 investments were acquired for consideration of \$9,358,000 (2020: \$10,554,000). Proceeds from disposal of investments in the year to 30 June 2021 totalled \$6,084,000 (2020: \$5,106,000). There were no proceeds from capital returns during the year to 30 June 2021 (2020: \$301,000). The prior year market value for the Group's investment portfolio was following a rapid fall in market values in the second six months to 30 June 2020, with the outbreak of the COVID-19 pandemic impacting on the global and Australian investment markets. During the twelve months to 30 June 2021, we have seen market values for most of the group's investments recover, with the Group's portfolio market value, after adjusting for investment acquisitions and disposals, increasing by 36.2%.

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 | |
|---|---|-------------|-----------|-----------------|---------------|--------------------|---------------|
| | | 2021 % | 2020 % | 2021 \$000 | 2020 \$000 | 2021 \$000 | 2020 \$000 |
| Event Hospitality & Entertainment Limited | Entertainment, hospitality, tourism and leisure | 19.1 | 19.1 | 389,144 | 258,916 | - | 16,009 |

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

3-2 Receivables

Current

Dividends and interest receivable

| 2021 \$000 | 2020 \$000 |
|---------------|---------------|
| 2,602 | 1,219 |

3-3 Payables

Current

Other creditors and accruals

| | |
|-----|-----|
| 132 | 119 |
|-----|-----|

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 (2020: 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 21 September 2020)

| | |
|----|----|
| 6 | 6 |
| 6 | 6 |
| 12 | 12 |

Interim dividend (7 cents per preference share paid on 22 March 2021)

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

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

SECTION 4 – SHARE CAPITAL, RESERVES AND DIVIDENDS PAID

4-1 Share capital and reserves

| | 2021 \$000 | 2020 \$000 |
|--|---------------|---------------|
| Issued and paid up capital | | |
| 26,474,675 (2020: 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 2021. There were no shares bought back during the year ended 30 June 2021 (2020: Nil). At 30 June 2021 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 | 458,687 | 263,518 |
|---------------------|---------|---------|

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 |
|--------------------------|--------------------|-----------------------|-----------------------|-------------------|
| 2020 | | | | |
| Final – ordinary share | 56.0 | 14,826 | Franked | 21 September 2020 |
| 2021 | | | | |
| Interim – ordinary share | 26.0 | 6,883 | Franked | 22 March 2021 |
| Total | | 21,709 | | |

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 | 41.0 | 10,855 | Franked | 20 September 2021 |
|------------------------|------|--------|---------|-------------------|

The financial effect of the final dividend has not been brought to account in the financial statements for the year ended 30 June 2021 and will be recognised in subsequent financial reports.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

4-2 Dividends (continued)

Dividend franking account

30% franking credits available to shareholders of Carlton Investments
Limited for subsequent financial years

| 2021 \$000 | 2020 \$000 |
|---------------|---------------|
| 65,581 | 68,772 |

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.

In addition to the above amount, there are franking credits available in subsidiary entities at 30 June 2021 totalling \$6,897,000 (2020: \$7,673,000).

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 \$4,654,000 (2020: \$6,356,000).

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.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

5-2 Financial risk management (continued)

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 2021 (2020: 96.7%). 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 at 30 June 2021, total equity represented by share capital, reserves and retained profits would reduce by \$37,295,000 and \$69,078,000 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:

| | 2021 \$000 | 2020 \$000 |
|------|---------------|---------------|
| Cash | 11,235 | 21,581 |

(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 | 21,029 | 38,115 |
| Finance costs | 12 | 12 |
| Net cash provided by operating activities before changes in assets and liabilities | 21,041 | 38,127 |
| (Decrease)/increase in current tax payable | (385) | 268 |
| (Decrease)/increase in deferred income tax | (637) | (106) |
| Increase/(decrease) in other creditors and provisions | 13 | 24 |
| (Increase)/decrease in receivables | (1,383) | 2,427 |
| Net cash provided by operating activities | 18,649 | 40,740 |

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

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:

| | 2021 \$ | 2020 \$ |
|--|----------------|----------------|
| Short-term: | | |
| - Base emolument | 419,315 | 419,315 |
| - Leave entitlements movements | 7,664 | 14,948 |
| Post-employment: | | |
| - Superannuation relating to base emoluments | 48,685 | 48,685 |
| | 475,664 | 482,948 |

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 2021.

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

Investments in controlled entities

| | Class of Share | Interest Held | |
|-----------------------------------|----------------|---------------|-----------|
| | | 2021 % | 2020 % |
| <i>Controlled Entities</i> | | | |
| 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 | |
|--------------------------------|----------------|----------------|
| | 2021 \$000 | 2020 \$000 |
| Inter-Company loans receivable | | |
| Non-Current | 227,990 | 219,715 |

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 2025 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 \$23,870 (2020: \$21,675) 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.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

6-2 Related parties (continued)

Management fees

The Company provided accounting, administrative and other services during the year to its controlled entities for a management fee of \$954,000 (2020: \$1,004,000). The management fees are determined using costs incurred by the Company, plus a mark-up of 10%, and are apportioned between each controlled based upon investment portfolio market values. 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 17 (2020: 18). The total brokerage paid on these transactions was \$15,354 (2020: \$30,670).

6-5 Auditor's remuneration

Amounts paid or due and payable for:

Audit services: KPMG

Audit and review of financial reports

Other services: KPMG

Taxation services - Compliance

| 2021 \$ | 2020 \$ |
|---------------|---------------|
| 63,089 | 63,089 |
| 14,190 | 30,800 |
| 77,279 | 93,889 |

6-6 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2021 the immediate parent entity of the Group was Carlton Investments Limited.

Result of Parent Entity

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Financial position of parent entity at year end

Current assets

Total assets

Current liabilities

Total liabilities

Net assets

Total equity of parent entity comprising of:

Share capital

Retained profits

Total equity

| 2021 \$000 | 2020 \$000 |
|----------------|----------------|
| 20,078 | 34,630 |
| - | - |
| 20,078 | 34,630 |
| 11,235 | 21,581 |
| 244,726 | 246,793 |
| 167 | 603 |
| 333 | 769 |
| 244,393 | 246,024 |
| 20,146 | 20,146 |
| 224,247 | 225,878 |
| 244,393 | 246,024 |

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

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 named 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 2021, are set out on pages 11, 12 and 13 of the financial statements.

6-9 Events subsequent to reporting date

For final dividends declared after 30 June 2021 refer note 4-2.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

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

| SECTOR | 2021 | | | 2020 | | |
|---|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| | No of shares or units | \$'000 | % | No of shares or units | \$'000 | % |
| CONSUMER DISCRETIONARY | | | | | | |
| Media | | | | | | |
| Event Hospitality & Entertainment Ltd | 30,786,687 | 389,144 | | 30,786,687 | 258,916 | |
| Seven West Media Ltd | 1,040,000 | 484 | | 1,040,000 | 95 | |
| Nine Entertainment Co Holdings Ltd | 72,540 | 211 | | 72,540 | 100 | |
| HT & E Limited | 41,027 | 70 | | 41,027 | 49 | |
| NZME Limited | 29,630 | 21 | | 29,630 | 7 | |
| | | 389,930 | 38.96 | | 259,167 | 35.43 |
| Consumer Services | | | | | | |
| Tabcorp Holdings Ltd | 776,541 | 4,023 | | 776,541 | 2,625 | |
| The Star Entertainment Group Limited | 369,000 | 1,362 | | 369,000 | 1,048 | |
| G8 Education Limited | 361,000 | 363 | | 361,000 | 319 | |
| Ardent Leisure Group Limited | 386,224 | 379 | | 386,224 | 151 | |
| Crown Resorts Limited | 48,804 | 581 | | 48,804 | 472 | |
| | | 6,708 | 0.67 | | 4,615 | 0.63 |
| | | 396,638 | 39.63 | | 263,782 | 36.06 |
| FINANCIALS | | | | | | |
| Banks | | | | | | |
| National Australia Bank Limited | 2,201,067 | 57,712 | | 2,201,067 | 40,103 | |
| Commonwealth Bank of Australia Ltd | 573,183 | 57,243 | | 573,183 | 39,790 | |
| Westpac Banking Corporation Limited | 1,784,093 | 46,047 | | 1,784,093 | 32,024 | |
| ANZ Banking Group Limited | 1,004,298 | 28,271 | | 1,004,298 | 18,720 | |
| Bank of Queensland Limited | 2,010,338 | 18,314 | | 1,431,667 | 8,833 | |
| Bendigo & Adelaide Bank Limited | 1,117,147 | 11,719 | | 1,117,147 | 7,831 | |
| Virgin Money UK plc | 549,206 | 2,021 | | 549,206 | 909 | |
| | | 221,327 | 22.12 | | 148,210 | 20.26 |
| Capital Markets | | | | | | |
| Perpetual Limited | 424,964 | 17,020 | 1.70 | 423,973 | 12,579 | 1.72 |
| Multi-Sector Holdings | | | | | | |
| Gowing Bros Limited | 4,701,144 | 11,001 | 1.10 | 4,701,144 | 6,817 | 0.93 |
| Insurance | | | | | | |
| Suncorp Group Limited | 194,459 | 2,160 | | 194,459 | 1,795 | |
| Medibank Private Limited | 185,000 | 585 | | 185,000 | 553 | |
| AMP Limited | 170,000 | 191 | | 170,000 | 315 | |
| | | 2,936 | 0.29 | | 2,663 | 0.37 |
| Diversified Financial Services | | | | | | |
| Macquarie Group Limited | 29,905 | 4,678 | | 23,270 | 2,760 | |
| ASX Limited | 55,916 | 4,345 | | 55,916 | 4,774 | |
| Milton Corporation Limited | 599,060 | 3,774 | | 599,060 | 2,450 | |
| WAM Capital Limited | 1,322,000 | 2,895 | | 1,322,000 | 2,406 | |
| Australian United Investments Limited | 210,938 | 2,143 | | 210,938 | 1,698 | |
| Australian Foundation Co. Limited | 245,167 | 1,917 | | 245,167 | 1,493 | |
| Pendal Group Limited | 74,364 | 599 | | 69,952 | 418 | |
| Challenger Limited | 60,451 | 327 | | 60,451 | 267 | |
| Argo Investments Limited | 18,118 | 162 | | 18,118 | 130 | |
| | | 20,840 | 2.08 | | 16,396 | 2.24 |
| Real Estate Management & Development | | | | | | |
| Lend Lease Corporation Ltd | 498,039 | 5,708 | 0.57 | 498,039 | 6,161 | 0.84 |
| Real Estate Investment Trusts (REITS) | | | | | | |
| Mirvac Group | 426,575 | 1,245 | | 426,575 | 926 | |
| Cromwell Property Group | 1,302,253 | 1,139 | | 1,302,253 | 1,172 | |
| Stockland | 96,053 | 448 | | 96,053 | 318 | |
| | | 2,832 | 0.28 | | 2,416 | 0.33 |
| | | 281,664 | 28.14 | | 195,242 | 26.69 |

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

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

| SECTOR | 2021 | | | 2020 | | |
|---|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| | No of shares or units | \$000 | % | No of shares or units | \$000 | % |
| MATERIALS | | | | | | |
| <i>Diversified Metals & Mining</i> | | | | | | |
| BHP Group Limited | 884,146 | 42,943 | | 884,146 | 31,670 | |
| Fortescue Metals Group Limited | 938,000 | 21,893 | | 938,000 | 12,991 | |
| Rio Tinto Limited | 160,860 | 20,371 | | 156,760 | 15,356 | |
| South32 Limited | 800,446 | 2,345 | | 800,446 | 1,633 | |
| Deterra Royalties Limited | 502,308 | 2,260 | | - | - | |
| Iluka Resources Limited | 164,057 | 1,501 | | 164,057 | 1,401 | |
| | | 91,313 | 9.12 | | 63,051 | 8.62 |
| <i>Steel</i> | | | | | | |
| Bluescope Steel Limited | 471,711 | 10,359 | | 471,711 | 5,514 | |
| Sims Metal Management Limited | 100,000 | 1,660 | | 100,000 | 793 | |
| | | 12,019 | 1.20 | | 6,307 | 0.86 |
| <i>Gold</i> | | | | | | |
| Newcrest Mining Limited | 8,508 | 215 | 0.02 | 8,508 | 268 | 0.04 |
| <i>Chemicals</i> | | | | | | |
| Orica Limited | 541,764 | 7,195 | 0.72 | 541,764 | 9,015 | 1.23 |
| <i>Construction Materials</i> | | | | | | |
| James Hardie Industries plc | 625,362 | 28,310 | | 625,362 | 17,210 | |
| Boral Limited | 1,163,826 | 8,554 | | 1,163,826 | 4,411 | |
| Fletcher Building Limited | 298,415 | 2,101 | | 298,415 | 1,030 | |
| CSR Limited | 235,000 | 1,354 | | 235,000 | 865 | |
| Adbri Limited | 280,000 | 972 | | 280,000 | 890 | |
| | | 41,291 | 4.13 | | 24,406 | 3.34 |
| <i>Containers & Packaging</i> | | | | | | |
| Ancor plc | 853,133 | 12,908 | | 853,133 | 12,353 | |
| Orora Limited | 1,258,507 | 4,191 | | 1,258,507 | 3,197 | |
| | | 17,099 | 1.71 | | 15,550 | 2.12 |
| | | 169,132 | 16.90 | | 118,597 | 16.21 |
| CONSUMER STAPLES | | | | | | |
| <i>Food, Beverage & Tobacco</i> | | | | | | |
| Treasury Wine Estates Limited | 274,795 | 3,210 | | 274,795 | 2,880 | |
| Inghams Group Limited | 280,000 | 1,114 | | 280,000 | 896 | |
| Tassal Group Limited | 270,000 | 967 | | - | - | |
| Graincorp Limited | 112,000 | 578 | | 112,000 | 461 | |
| United Malt Group Limited | 112,000 | 502 | | 112,000 | 460 | |
| Coca-Cola Amatil Limited | - | - | | 456,761 | 3,956 | |
| | | 6,371 | 0.64 | | 8,653 | 1.18 |
| <i>Food & Staples Retailing</i> | | | | | | |
| Wesfarmers Limited | 609,410 | 36,016 | | 609,410 | 27,320 | |
| Coles Group Limited | 609,410 | 10,415 | | 609,410 | 10,464 | |
| Woolworths Limited | 144,000 | 5,491 | | 144,000 | 5,368 | |
| Endeavour Group Limited | 144,000 | 906 | | - | - | |
| | | 52,828 | 5.28 | | 43,152 | 5.90 |
| <i>Household & Personal Products</i> | | | | | | |
| Blackmores Limited | 17,000 | 1,249 | 0.12 | 17,000 | 1,325 | 0.18 |
| | | 60,448 | 6.04 | | 53,130 | 7.26 |
| ENERGY | | | | | | |
| <i>Oil, Gas & Consumable Fuels</i> | | | | | | |
| Santos Limited | 1,594,352 | 11,304 | | 1,594,352 | 8,450 | |
| Woodside Petroleum Limited | 262,428 | 5,829 | | 262,428 | 5,682 | |
| Origin Energy Limited | 1,139,489 | 5,139 | | 1,139,489 | 6,654 | |
| Ampol Limited (formerly Caltex Australia Limited) | 100,000 | 2,821 | | 100,000 | 2,932 | |
| | | 25,093 | 2.51 | | 23,718 | 3.24 |

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2021

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

| SECTOR | 2021 | | | 2020 | | |
|---|-----------------------|-----------|--------|-----------------------|---------|--------|
| | No of shares or units | \$000 | % | No of shares or units | \$000 | % |
| UTILITIES | | | | | | |
| <i>Gas Utilities</i> | | | | | | |
| APA Group | 959,991 | 8,544 | 0.86 | 959,991 | 10,685 | 1.46 |
| <i>Multi-Utilities</i> | | | | | | |
| AGL Energy Limited | 1,627,757 | 13,348 | 1.33 | 1,627,757 | 27,753 | 3.80 |
| | | 21,892 | 2.19 | | 38,438 | 5.26 |
| INFORMATION TECHNOLOGY | | | | | | |
| <i>Software & Services</i> | | | | | | |
| Computershare Limited | 22,273 | 376 | | 20,000 | 265 | |
| Link Administration Holdings Limited | 207,000 | 1,043 | | 207,000 | 849 | |
| NextDC Limited | 40,500 | 480 | | - | - | |
| Domain Holdings Australia Limited | 20,000 | 103 | | 20,000 | 67 | |
| | | 2,002 | 0.20 | | 1,181 | 0.16 |
| TELECOMMUNICATION SERVICES | | | | | | |
| <i>Telecommunication Services</i> | | | | | | |
| Telstra Corporation Limited | 4,333,600 | 16,294 | 1.63 | 4,333,600 | 13,564 | 1.86 |
| INDUSTRIALS | | | | | | |
| <i>Capital Goods</i> | | | | | | |
| Seven Group Holdings Limited | 100,000 | 2,035 | | 100,000 | 1,718 | |
| CIMIC Group Limited | 60,765 | 1,202 | | 60,765 | 1,466 | |
| | | 3,237 | 0.32 | | 3,184 | 0.44 |
| <i>Commercial & Professional Services</i> | | | | | | |
| IPH Limited | 222,500 | 1,736 | | 141,000 | 1,052 | |
| Brambles Limited | 45,758 | 524 | | 45,758 | 497 | |
| Ovato Limited | 1,193,000 | 4 | | 100,000 | 1 | |
| Left Field Printing Group Limited | 9,072 | 1 | | 9,072 | 1 | |
| | | 2,265 | 0.22 | | 1,551 | 0.21 |
| <i>Transportation</i> | | | | | | |
| Sydney Airport Limited | 632,029 | 3,659 | | 632,029 | 3,584 | |
| Transurban Group | 179,635 | 2,556 | | 179,635 | 2,538 | |
| Atlas Arteria | 131,776 | 839 | | 131,776 | 872 | |
| | | 7,054 | 0.70 | | 6,994 | 0.95 |
| | | 12,556 | 1.24 | | 11,729 | 1.60 |
| HEALTH CARE | | | | | | |
| <i>Health Care Equipment & Services</i> | | | | | | |
| Ansell Limited | 222,854 | 9,696 | | 222,854 | 8,179 | |
| Sonic Healthcare Limited | 82,370 | 3,163 | | 82,370 | 2,507 | |
| Healius Limited | 303,945 | 1,407 | | 303,945 | 927 | |
| Estia Health Limited | 160,000 | 395 | | 160,000 | 246 | |
| Japara Healthcare Limited | 240,000 | 307 | | 240,000 | 118 | |
| Regis Healthcare Ltd | 113,000 | 220 | | 113,000 | 159 | |
| | | 15,188 | 1.52 | | 12,136 | 1.66 |
| TOTAL | | 1,000,907 | 100.00 | | 731,517 | 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 11 to 29, and the Remuneration Report on pages 8 to 9, 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 2021 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 2021.
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 17 August 2021

declarations



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 2021 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.

The KPMG logo, consisting of the letters 'KPMG' in a bold, blue, sans-serif font, with a stylized graphic of four vertical bars of increasing height to the left of the letters.

KPMG

A handwritten signature in black ink, appearing to read 'D McLennan'.

Duncan McLennan
Partner

Sydney, Australia
17 August 2021

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Independent Auditor's Report

To the shareholders of Carlton Investments Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Carlton Investments Limited (the Company).

In our opinion, the accompanying Financial Report of the Company 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 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated income statement, 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; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

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 ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

This matter was 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 this matter.

Valuation of listed equity investments (\$1,000,907,000)

Refer to Note 3-1 to the financial report

The key audit matter

Valuation of investments in listed equities is a key audit matter due to the:

- Size of the Group's portfolio of listed equities. These investments represent 98% of the Group's total assets at year end; and
- Importance of the performance of these investments in driving the Group's operating revenue and capital performance, as reported in the Financial Report.

As a result, this was the area with the greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.

How the matter was addressed in our audit

Our procedures included:

- We assessed the appropriateness of the accounting policies applied by the Group, including those relevant to the fair value of investments, against the requirements of the accounting standards;
- We checked the existence of a sample of investments being the ownership and quantity held to external independent share registry electronic records as at 30 June 2021;
- We checked the valuation of a sample of investments, as recorded in the general ledger, to externally quoted market prices from relevant stock exchanges on the 30 June 2021;
- We evaluated the Group's disclosures of investments, using our understanding obtained from our testing, against the requirements of the accounting standards.

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.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do 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 and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 and Company 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/admin/file/content102/c3/ar1_2020.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 2021, 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 8 to 9 of the Directors' report for the year ended 30 June 2021.

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



KPMG



Duncan McLennan
Partner

Sydney, Australia
17 August 2021

securities exchange requirements

FOR THE YEAR ENDED 30 JUNE 2021

DETAILS OF SHAREHOLDINGS

AS AT 17 AUGUST 2021

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

16,066,476*

* Includes associates' holdings

SUBSTANTIAL SHAREHOLDERS - PREFERENCE SHARES

EVENT HOSPITALITY & ENTERTAINMENT LIMITED

37,941

DISTRIBUTION OF SHAREHOLDERS

| Category Ordinary | No. of Shareholders | No. of Shares |
|----------------------|------------------------|-------------------|
| 1 – 1,000 | 1,326 | 536,654 |
| 1,001 – 5,000 | 982 | 2,385,276 |
| 5,001 – 10,000 | 200 | 1,427,736 |
| 10,001 – 100,000 | 187 | 4,303,755 |
| 100,001 & Over | 12 | 17,821,254 |
| | 2,707 | 26,474,675 |

Number of Ordinary Shareholders
holding less than a marketable parcel

108

| Category Preference | No. of Shareholders | No. of Shares |
|------------------------|------------------------|------------------|
| 1 – 1,000 | 30 | 8,319 |
| 1,001 – 5,000 | 4 | 6,627 |
| 5,001 – 10,000 | 3 | 17,575 |
| 10,001 & Over | 2 | 50,457 |
| | 39 | 82,978 |

Number of Preference Shareholders
holding less than a marketable parcel

18

TWENTY LARGEST ORDINARY SHAREHOLDERS

| | No. of shares held | % of capital held |
|--|-----------------------|-------------------------|
| 1. Enbelaar Pty Limited | 13,351,639 | 50.4 |
| 2. Alphoe Pty Limited | 1,415,231 | 5.4 |
| 3. Rydge A G | 1,214,360 | 4.6 |
| 4. Milton Corporation Limited | 356,778 | 1.4 |
| 5. T N Phillips Investments Pty Limited | 245,000 | 0.9 |
| 6. Somoke Pty Ltd (Pulman Super Fund A/C) | 211,349 | 0.8 |
| 7. Gowing Bros Limited | 206,224 | 0.8 |
| 8. A.J Dixon Pty Ltd (Super Fund A/C) | 194,457 | 0.7 |
| 9. Marlen Pty Limited | 176,785 | 0.6 |
| 10. Ravenscourt Proprietary Limited | 165,000 | 0.6 |
| 11. HSBC Custody Nominees (Australia) Limited | 148,431 | 0.6 |
| 12. Charles and Cornelia Goode Foundation Pty Ltd (CCG Foundation A/C) | 136,000 | 0.5 |
| 13. A & M Dixon Investments Pty Ltd | 98,732 | 0.4 |
| 14. Govett Investments Pty Ltd | 98,046 | 0.4 |
| 15. Hamilton RS | 96,523 | 0.4 |
| 16. Phillips JN | 93,168 | 0.3 |
| 17. A.C.N. 009 757 948 Pty Ltd | 86,164 | 0.3 |
| 18. Aygeear Pty Limited | 85,246 | 0.3 |
| 19. Mythia Pty Ltd (Mythia Family A/C) | 80,779 | 0.3 |
| 20. Bofinger Dr. M | 77,113 | 0.3 |
| | 18,537,025 | 70.0 |

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. Green A J | 5,819 | 7.0 |
| 5. Winpar Holdings Limited | 5,746 | 6.9 |
| 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. Lamproglou J | 350 | 0.4 |
| 19. Gowing J E | 300 | 0.4 |
| 20. Morton I E | 300 | 0.4 |
| | 81,411 | 98.1 |

Issued Preference Shares

82,978

ordinary dividends and share issues

SINCE 1 JULY 2011

| Date | Share issue/Dividend | Issue price/ Dividend rate | Franking % |
|------------|-------------------------|----------------------------|------------|
| 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 |
| 20/03/2018 | Cash Dividend | \$0.51 | 100 |
| 24/09/2018 | Cash Dividend | \$0.70 | 100 |
| 25/03/2019 | Cash Dividend | \$0.55 | 100 |
| 23/09/2019 | Cash Dividend | \$0.70 | 100 |
| 23/09/2019 | Cash Dividend – special | \$0.08 | 100 |
| 23/03/2020 | Cash Dividend | \$0.55 | 100 |
| 21/09/2020 | Cash Dividend | \$0.56 | 100 |
| 22/03/2021 | Cash Dividend | \$0.26 | 100 |
| 20/09/2021 | Cash Dividend | \$0.41 | 100 |

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Carlton Investments Limited

ABN 85 000 020 262

Level 15, 478 George Street, Sydney NSW 2000

Telephone: (02) 9373 6732. Email: info@carltoninvestments.com.au

Website: www.carltoninvestments.com.au