

2019

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 2019

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 2019 Annual General Meeting will be held at

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

**On Tuesday 15th October 2019
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 2019.

Group's operations and results

Profit for the year ended 30 June 2019 was \$45,526,000 compared to \$41,665,000 for the 2018 financial year, an increase of \$3,861,000 or 9.3%.

A large portion of the increase in profit for the year related to a significant increase in special dividends received. Special dividends received increased by \$3,249,000, from \$318,000 in the prior year to \$3,567,000. In the year to 30 June 2019 special dividends were received from 14 companies, with the larger special dividends coming from BHP, Wesfarmers, Fortescue Metals, Rio Tinto, Telstra, Dulux and Amcor. Dividends and distributions received, before special dividends, increased by \$729,000 (1.71%) from \$42,522,000 to \$43,251,000.

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

Administration expenses were \$870,000, compared to \$835,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2019 was 0.09%.

Earnings per ordinary share

Basic and diluted earnings were \$1.720 per ordinary share for the year to 30 June 2019 compared to \$1.574 per share for 2018.

Dividends

On 20 August 2019 the directors declared a final fully franked dividend of 70 cents per ordinary share, plus a special fully franked dividend of 8 cents per ordinary share, payable on 23 September 2019. Directors have declared a special dividend after taking into account the high level of special dividends received during the year. Including the special dividend to be paid, total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2019 amount to \$1.33 per share, an increase of 12 cents per share.

The interim dividend paid in March 2019 was increased from 51 to 55 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 23 September 2019.

The record date for both the ordinary and preference final dividends is 2 September 2019.

The Dividend Reinvestment Plan remains suspended.

Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2019, 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 \$36.68 (2018: \$37.09). 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 \$30.66 (2018: \$30.80). The relevant figures as at 31 July 2019 were \$37.03 and \$30.91 respectively.

Investments

The market value of the equity investment portfolio as at 30 June 2019 was \$945,446,000 compared to \$960,316,000 at the prior year end. Short term cash deposits at 30 June 2019 amounted to \$20,900,000 (2018: \$14,400,000).

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 2019 totalled \$8,314,000 (2018: \$7,711,000). Acquisitions above \$400,000 during the year were:

BHP Group	\$1,500,000
Boral	\$1,006,000
Fortescue Metals Group	\$1,497,000
G8 Education	\$497,000
Macquarie Group	\$1,004,000
Treasury Wine Estates	\$503,000
Woodside Petroleum	\$1,999,000

The Group also received shares in Coles Group during the period, which had an initial market value of \$7,828,000, when Wesfarmers demerged the Coles business to a separate listed entity.

There were no sales of equity investments during the financial year (2018: nil). Capital returns received during the period totalled \$113,000. Also during the period Fairfax Media was taken over by Nine Entertainment Co., resulting in the group receiving \$120,000 worth of shares in Nine Entertainment, plus \$5,000 in cash.

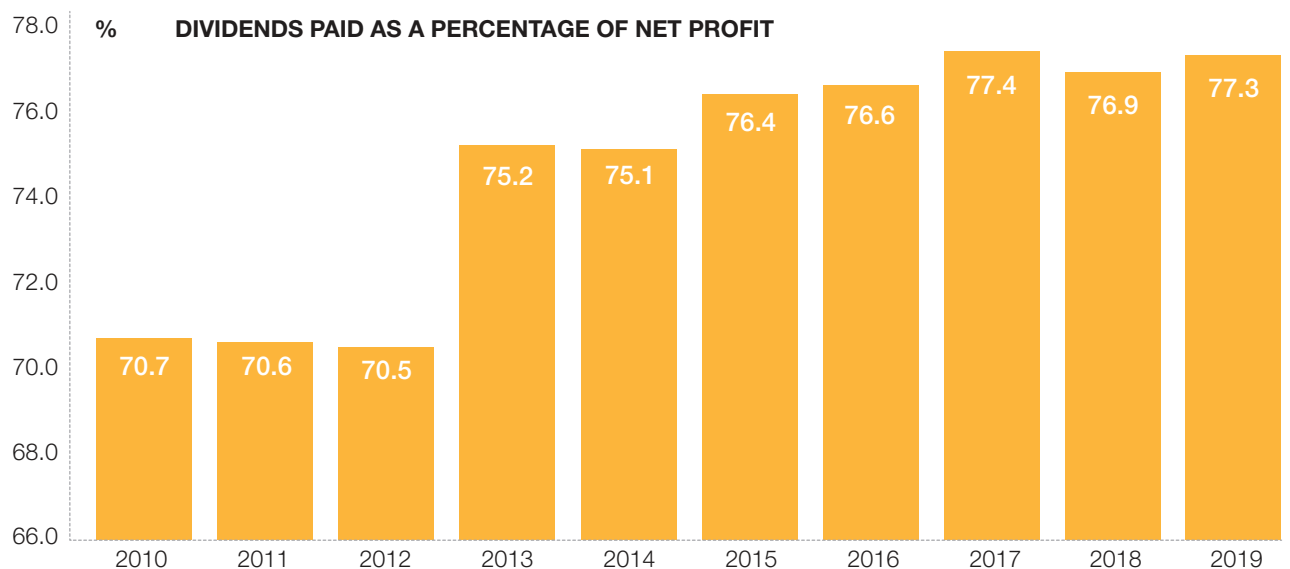
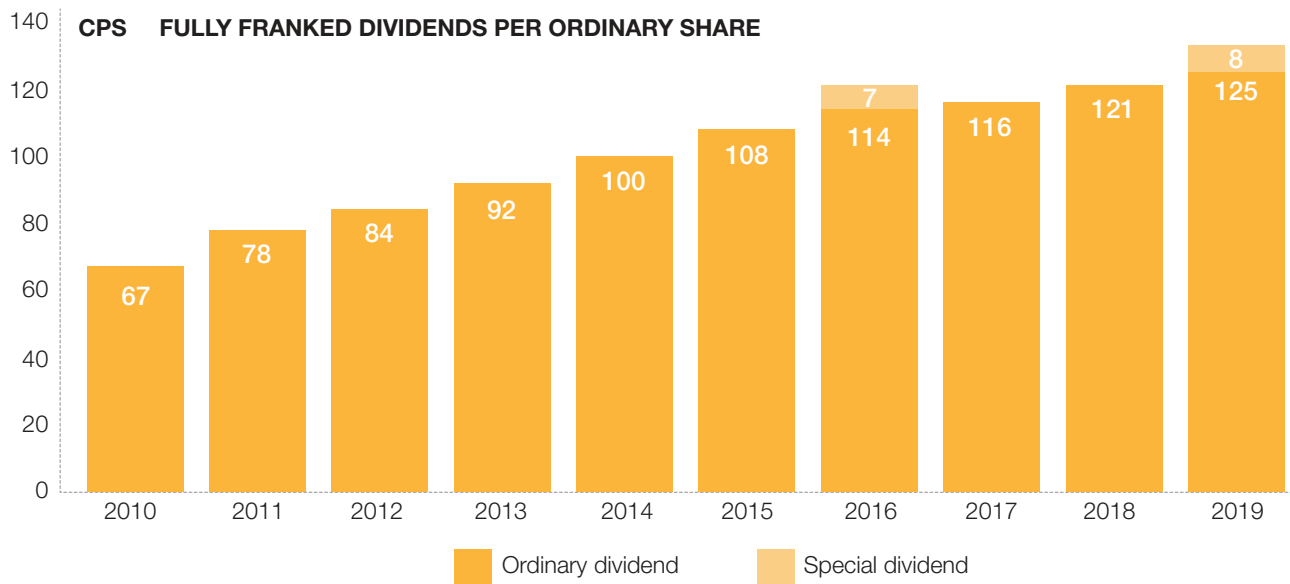
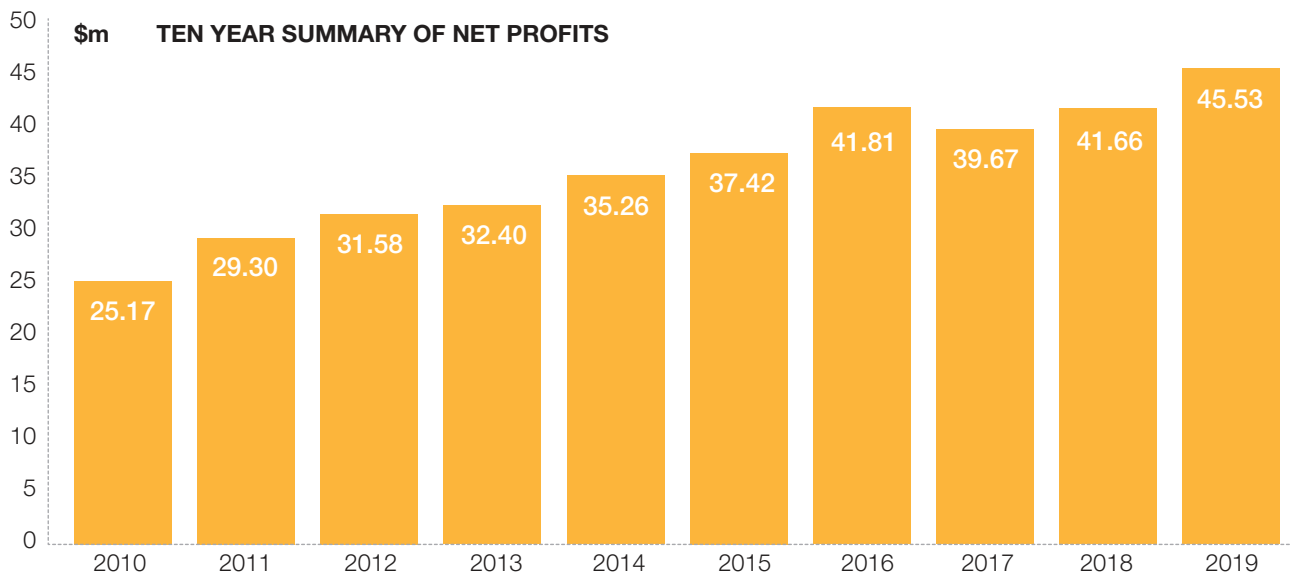
The year to 30 June 2019 was a very volatile period with the Australian investment market impacted by US and China trade policy, the Federal Election and more recently, falling interest rates. During the period we saw market values reaching decade highs in August 2018 before falling back significantly and then recovering back to new highs. The performance of the Group's investment portfolio during this period was mixed. The share price of the Group's largest investment, Event Hospitality & Entertainment, decreased during the period by 6.6%. The market value of some energy stocks fell significantly during the period. These falls in market value were partly offset by gains in mining stocks and some recovery in the market values for Telstra and Commonwealth Bank. The market value of the investment portfolio, after adjusting for investment acquisitions and capital returns, decreased during the year by \$23 million or 2.4%. The S&P/ASX 200 Index increased by 6.8% 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 2.2% compared with an increase in the S&P ASX 200 Accumulation Index over period of 11.5%.

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

20 August 2019



directors' report

FOR THE YEAR ENDED 30 JUNE 2019

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 2019 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 Enbear Pty Limited, Alpheob 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), MAppFin.

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 39 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. 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, 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 17 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 2019

Corporate Governance

The Board has adopted the ASX Corporate Governance Principles and Recommendations, 3rd Edition, issued by the ASX Corporate Governance Council, where practicable. The Company has disclosed its 2019 Corporate Governance Statement in the Governance and Policies section on the Carlton Investments website (<https://www.carltoninvestments.com.au/AboutUs/GovernanceandPolicies.aspx>). The Group has also lodged the 2019 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 2019 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.

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:

	2019 \$000	2018 \$000
Operating revenue	47,301	43,237
Administration and finance costs	(882)	(847)
Profit before income tax expense	46,419	42,390
Income tax expense	(893)	(725)
Net profit for the year	45,526	41,665

Dividends and distributions received, before special dividends increased by \$729,000 from \$42,522,000 to \$44,251,000, representing at 1.71% increase. Special dividends received during the period increased significantly from \$318,000 in the prior year to \$3,567,000, an increase of \$3,249,000. The largest special dividends were paid by BHP, Wesfarmers, Fortescue Metals, Rio Tinto, Telstra, Dulux and Amcor.

Interest income totalled \$483,000, compared to \$397,000 in the prior year. Average funds on deposit increased by \$2,768,000 and the weighted average interest rate on term deposits remained unchanged from the prior year at 2.53%.

Administration expenses for the year were \$870,000 compared to \$835,000 in the prior year. The management expense ratio (MER) for the year to 30 June 2019 was 0.09%.

Equity investments purchased during the year to 30 June 2019 totalled \$8,314,000 (2018: \$7,711,000). Major additions to the portfolio included BHP Group, Boral, Fortescue Metals Group, G8 Education, Macquarie Group, Treasury Wine Estates and Woodside Petroleum. The Group also received shares in Coles Group during the period, which had an initial market value of \$7,828,000, when Wesfarmers demerged the Coles business to a separate listed entity.

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 \$400,000 during the year to 30 June 2019 are given in the Chairman's Report.

directors' report

FOR THE YEAR ENDED 30 JUNE 2019

There were no sales of equity investments during the financial year (2018: nil). Capital returns received during the period totalled \$113,000. During the period Fairfax Media was taken over by Nine Entertainment Co., resulting in the group receiving \$120,000 worth of shares in Nine Entertainment plus \$5,000 in cash.

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 decreased during the year to 30 June 2019 by \$23,066,000 or 2.4%. The market value of the Group's investment in Event Hospitality & Entertainment fell during the period by 6.6% and some energy stocks also fell significantly. These larger market value falls were partly offset by large gains in mining stocks and some recovery in the market values for Telstra and Commonwealth Bank. The S&P/ASX 200 Index increased by 6.8% over the year to 30 June 2019. 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 2.2% compared with an increase in the S&P ASX 200 Accumulation Index over the same period of 11.5%.

Market values in many industry sectors continue to trade at historically high levels in an environment where economic growth expectations remaining subdued and there are also a number of well publicised global macro-economic issues unresolved. With these current conditions 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:

- As proposed in last year's report, a final ordinary share dividend of 70 cents per share, fully franked, amounting to \$18,532,000 was paid on 24 September 2018.
- 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 24 September 2018.

- In respect of the current financial year:

- An interim ordinary share dividend of 55 cents per share, fully franked, was declared and paid on 25 March 2019. \$000
14,561
- A final ordinary dividend of 70 cents per ordinary share in respect of the year ended 30 June 2019 has been declared. The dividend will be fully franked. 18,532
- A special dividend of 8 cents per ordinary share in respect of the year ended 30 June 2019 has been declared. The dividend will be fully franked and is recognition of the high level of special dividends received during the year. 2,118

Total ordinary share dividends paid or payable in respect of the year ended 30 June 2019 35,211

- An interim preference share dividend of 7 cents per share, fully franked, was paid on 25 March 2019. 6
- 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 2019 35,223

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.

directors' report

FOR THE YEAR ENDED 30 JUNE 2019

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	2019	86,758	8,242	-	95,000
	2018	84,932	8,068	-	93,000
Mr A J Clark	2019	77,626	7,374	-	85,000
	2018	75,799	7,201	-	83,000
Mr M E Bleach	2019	77,626	7,374	-	85,000
	2018	75,799	7,201	-	83,000
	2019	242,010	22,990	-	265,000
	2018	236,530	22,470	-	259,000
Company Secretary/Chief Financial Officer					
Mr P W Horton	2019	165,000	25,000	13,814	203,814
	2018	150,000	25,000	25,535	200,535

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

	2019	2018	2017	2016	2015
Net profit for year (\$000)	45,526	41,665	39,666	41,812	37,418
Dividends cents per ordinary share#	133*	121	116	121^	108
Net tangible asset backing before capital gains tax at 30 June	\$36.68	\$37.09	\$36.65	\$35.52	\$34.51
Share price at 30 June	\$31.60	\$33.08	\$31.50	\$31.72	\$31.69
Management Expense Ratio	0.09%	0.09%	0.08%	0.08%	0.09%

Interim, final and special dividends in respect of year

* 2019 includes a special dividend of 8 cents per share

^ 2016 includes a special dividend of 7 cents per share

directors' report

FOR THE YEAR ENDED 30 JUNE 2019

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 2018	1 July 2017	2019	2018	30 June 2019	30 June 2018
Mr A G Rydge	15,589,458	15,589,458	495,082	-	16,084,540	15,589,458
Mr A J Clark	5,000	5,000	-	-	5,000	5,000
Mr M E Bleach	-	-	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 Enbee 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	
	2019	2018	2019	2018	2019	2018
Mr A G Rydge	1,214,360	719,278	14,852,116	14,855,116	16,066,476	15,574,394
Mr A J Clark	5,000	-	-	5,000	5,000	5,000
Mr M E Bleach	-	-	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 (2018: 37,941) preference shares and at the prior 2018 year end had a non-beneficial interest in 630,169 ordinary 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 2019

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

2019 \$	2018 \$
60,368	59,015
12,100	23,402
72,468	82,417

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 20 August 2019.



A G RYDGE
Director



A J CLARK AM
Director

consolidated income statement

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$000	2018 \$000
Dividends and distributions received	2-3	46,818	42,840
Interest income		465	397
Other income		18	-
Operating revenue		47,301	43,237
Administration expenses	2-4	(870)	(835)
Finance costs	3-4	(12)	(12)
Profit before income tax expense		46,419	42,390
Income tax expense	2-5	(893)	(725)
Profit for the year		45,526	41,665
Basic and diluted earnings per ordinary share	2-1	\$1.720	\$1.574

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 2019

	2019 \$000	2018 \$000
Net profit for the year	45,526	41,665
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	(23,066)	1,480
Decrease/(increase) in deferred tax liability relating to change in fair value of investments	6,886	(356)
Total other comprehensive income/(loss)	(16,180)	1,124
Total comprehensive income for the year	29,346	42,789

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 2019

	Note	2019 \$000	2018 \$000
CURRENT ASSETS			
Cash	6-1	2,311	2,356
Receivables	3-2	3,646	5,674
Investments - term deposits	3-1	20,900	14,400
TOTAL CURRENT ASSETS		26,857	22,430
NON-CURRENT ASSETS			
Investments - equities	3-1	945,446	960,316
Deferred tax assets	2-5	16	9
TOTAL NON-CURRENT ASSETS		945,462	960,325
TOTAL ASSETS		972,319	982,755
CURRENT LIABILITIES			
Payables	3-3	95	78
Current tax liabilities	2-5	476	305
TOTAL CURRENT LIABILITIES		571	383
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2-5	159,865	166,742
Other financial liabilities	3-4	166	166
TOTAL NON-CURRENT LIABILITIES		160,031	166,908
TOTAL LIABILITIES		160,602	167,291
NET ASSETS		811,717	815,464
EQUITY			
Share capital	4-1	20,146	20,146
Revaluation reserve	4-1	425,624	441,804
Retained profits		365,947	353,514
TOTAL EQUITY		811,717	815,464

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 2019

Year to 30 June 2019	Share capital \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
Equity as at 30 June 2018	20,146	441,804	353,514	815,464
On Market share buy-back	-	-	-	-
Dividends paid	-	-	(33,093)	(33,093)
	20,146	441,804	320,421	782,371
Profit for the year	-	-	45,526	45,526
Other comprehensive income:-				
Decrease in fair value of investments	-	(23,066)	-	(23,066)
Decrease in deferred tax liability relating to change in fair value of investments	-	6,886	-	6,886
Other comprehensive income	-	(16,180)	-	(16,180)
Total comprehensive income	-	(16,180)	45,526	29,346
Total equity as at 30 June 2019	20,146	425,624	365,947	811,717

Year to 30 June 2018	Share capital \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
Equity as at 30 June 2017	20,146	440,680	343,354	804,180
On Market share buy-back	-	-	-	-
Dividends paid	-	-	(31,505)	(31,505)
	20,146	440,680	311,849	772,675
Profit for the year	-	-	41,665	41,665
Other comprehensive income:-				
Increase in fair value of investments	-	1,480	-	1,480
Increase in deferred tax liability relating to change in fair value of investments	-	(356)	-	(356)
Other comprehensive income	-	1,124	-	1,124
Total comprehensive income	-	1,124	41,665	42,789
Total equity as at 30 June 2018	20,146	441,804	353,514	815,464

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 2019

	Note	2019 \$000	2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		48,793	42,768
Interest received		517	376
Other income		18	-
Cash paid for operating expenses		(853)	(810)
Income tax paid		(741)	(735)
Income tax refunds		22	114
NET CASH PROVIDED BY OPERATING ACTIVITIES	6-1	47,756	41,713
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from capital returns and disposal of investments		118	-
Payments for acquisition of investments		(8,314)	(7,711)
Proceeds from reduction/(increase) in term deposits		(6,500)	(2,400)
NET CASH USED IN INVESTING ACTIVITIES		(14,696)	(10,111)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(33,093)	(31,505)
Finance costs		(12)	(12)
NET CASH USED IN FINANCING ACTIVITIES		(33,105)	(31,517)
Net (decrease)/ increase in cash held		(45)	85
CASH AT BEGINNING OF FINANCIAL YEAR		2,356	2,271
CASH AT END OF FINANCIAL YEAR	6-1	2,311	2,356

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 2019

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 2019 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 20 August 2019.

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 2019. These new accounting standards and interpretations have not had a material effect on the Group's consolidated financial statements.

Accounting Standard AASB 9 *Financial Instruments* (2009) was early adopted in the year ended 30 June 2010 and has continued to be applied in the preparation of the Group's financial statements. The final accounting standard (2014) became mandatory for the current financial year ended 30 June 2019.

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, including AASB 16 *Leases*, 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 2019

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	2019	2018
	\$1.720	\$1.574
	\$000	\$000
Reconciliation of earnings used in the calculation of earnings per share:		
Profit as per the consolidated statement of profit	45,526	41,665
	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	2019	2018
		\$000	\$000
Dividends and distributions received			
Dividends and distributions received from listed entities:			
Dividends – ordinary		42,069	41,221
Dividends – special		3,567	318
Distributions from trusts		1,182	1,301
		46,818	42,840
Dividends from:			
Investments held at year end		46,818	42,840
Investments disposed of during the year		-	-
		46,818	42,840

2-4 Administration expenses

Directors’ fees and employee remuneration		540	525
Auditor’s remuneration	6-5	72	82
Rent and office service charges		23	21
Other administration costs		235	207
		870	835

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.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

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.

	2019 \$000	2018 \$000
Income tax expense		
Prima facie income tax expense calculated at 30% (2018: 30%) on operating profit	13,926	12,717
Increase/(decrease) in income tax expense due to:		
Imputation gross up on dividends received	5,813	5,086
Franking credits on dividends received	(19,376)	(16,955)
Difference in timing of recognition of franked dividends receivable	569	2
Other adjustments	8	(81)
Over provision in previous year	(47)	(44)
Income tax expense	893	725
Income tax expense in the statement of profit or loss comprises:		
Current income tax expense	1,014	779
Over provision current income tax prior year	(47)	(44)
Deferred income tax expense adjustments	(74)	(10)
	893	725
Current tax liability		
Balance at beginning of year	305	190
Income tax paid	(719)	(620)
Current year's income tax	944	779
Over provision in previous year	(54)	(44)
Balance at end of year	476	305
Deferred tax liability		
Balance at beginning of year	166,742	166,389
Increase/(decrease) in deferred tax liability on change in market value of investments recognised directly in equity	(7,169)	356
Origination and reversal of timing differences	292	(3)
Balance at end of year	159,865	166,742
Represented by:		
Capital gains tax on unrealised investment gains	159,396	166,565
Temporary differences on timing of recognition of dividend and trust distribution income	469	177
	159,865	166,742
Deferred tax asset		
Balance at beginning of year	9	2
Origination and reversal of temporary differences	7	7
Balance at end of year	16	9
Represented by:		
Temporary differences - employee entitlements accrued	16	9

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

SECTION 3 – ASSETS AND LIABILITIES

3-1 Investments

	Note	2019 \$000	2018 \$000
Current			
Term deposits		20,900	14,400

Term deposits are carried at cost. They have been placed with major financial institutions and at 30 June 2019 had maturity periods of between 17 to 82 days (2018: 18 to 83 days) with interest rates of between 1.60% and 2.70% (2018: 2.50% and 2.75%). The weighted average effective interest rate on term deposits for the year ended 30 June 2019 was 2.53% (2018: 2.53%). 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	945,446	960,316
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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 2019 investments were acquired for consideration of \$8,314,000 (2018: \$7,711,000). Proceeds from disposal of investments in the year to 30 June 2019 totalled \$5,000 (2018: nil). Proceeds from capital returns during the year to 30 June 2019 were \$113,000 (2018: nil).

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	
		2019 %	2018 %	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Event Hospitality & Entertainment Limited	Entertainment, hospitality, tourism and leisure	19.1	19.1	384,834	412,234	16,009	16,009

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

3-2 Receivables

	2019 \$000	2018 \$000
Current		
Dividends and interest receivable	3,646	5,674

3-3 Payables

Current		
Other creditors and accruals	95	78

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 (2018: 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 24 September 2018)	6	6
Interim dividend (7 cents per preference share paid on 25 March 2019)	6	6
	12	12

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

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

SECTION 4 – SHARE CAPITAL, RESERVES AND DIVIDENDS PAID

4-1 Share capital and reserves

	2019 \$000	2018 \$000
Issued and paid up capital		
26,474,675 (2018: 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 2019. There were no shares bought back during the year ended 30 June 2019 (2018: Nil). At 30 June 2019 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	425,624	441,804
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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
2018				
Final – ordinary share	70.0	18,532	Franked	24 September 2018
2019				
Interim – ordinary share	55.0	14,561	Franked	25 March 2019
Total		33,093		

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	70.0	18,532	Franked	23 September 2019
Special – ordinary share	8.0	2,118	Franked	23 September 2019
Total		20,650		

The financial effect of the final and special dividends has not been brought to account in the financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

4-2 Dividends (continued)

	2019 \$000	2018 \$000
Dividend franking account		
30% franking credits available to shareholders of Carlton Investments Limited for subsequent financial years	69,022	67,828

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 \$8,853,000 (2018: \$7,945,000).

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 2019

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 97.2% of total assets at 30 June 2019 (2018: 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 \$35,455,000 and \$70,911,000 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:

	2019 \$000	2018 \$000
Cash	2,311	2,356

(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	45,526	41,665
Finance costs	12	12
Net cash provided by operating activities before changes in assets and liabilities	45,538	41,677
Increase/(decrease) in current tax payable	171	114
(Decrease)/increase in deferred income tax	3	(10)
Increase/(decrease) in other creditors and provisions	17	26
Decrease/(increase) in receivables	2,027	(94)
Net cash provided by operating activities	47,756	41,713

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

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:

	2019 \$	2018 \$
Short-term:		
- Base emolument	407,009	386,530
- Leave entitlements movements	13,814	25,535
Post-employment:		
- Superannuation relating to base emoluments	47,991	47,470
	468,814	459,535

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 2019.

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

Investments in controlled entities

Investments in controlled entities	Class of Share	Interest Held	
		2019 %	2018 %
<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	
	2019 \$000	2018 \$000
Inter-Company loans receivable		
Non-Current	239,320	236,462

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 \$22,954 (2018: \$21,368) 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 2019

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 \$956,000 (2018: \$1,491,000). 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. In the prior year management fees were based on a percentage of dividend and trust income of the controlled entities. 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 11 (2018: 11). The total brokerage paid on these transactions was \$24,543 (2018: \$19,948).

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

2019 \$	2018 \$
60,368	59,015
12,100	23,402
72,468	82,417

6-6 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2019 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

2019 \$000	2018 \$000
35,868	86,854
-	-
35,868	86,854
2,310	2,356
247,121	244,302
338	281
504	447
246,617	243,855
20,146	20,146
226,471	223,709
246,617	243,855

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

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 2019, 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 2019 refer note 4-2.

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

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

SECTOR	2019			2018		
	No of shares or units	\$000	%	No of shares or units	\$000	%
CONSUMER DISCRETIONARY						
<i>Media</i>						
Event Hospitality & Entertainment Ltd	30,786,687	384,834		30,786,687	412,234	
Seven West Media Ltd	1,040,000	484		1,040,000	874	
Fairfax Media Ltd	-	-		200,000	150	
Nine Entertainment Co Holdings Ltd	72,540	136		-	-	
HT & E Ltd	41,027	72		41,027	103	
NZME Limited	29,630	15		29,630	23	
		385,541	40.78		413,384	43.05
<i>Consumer Services</i>						
Tabcorp Holdings Ltd	663,541	2,953		663,541	2,959	
The Star Entertainment Group	369,000	1,520		369,000	1,819	
G8 Education Ltd	236,000	715		-	-	
Ardent Leisure Group	386,224	406		386,224	763	
Crown Resorts Ltd	48,804	608		48,804	659	
		6,202	0.65		6,200	0.65
		391,743	41.43		419,584	43.70
FINANCIALS						
<i>Banks</i>						
National Australia Bank Ltd	2,196,827	58,699		2,196,827	60,215	
Westpac Banking Corporation	1,781,613	50,527		1,781,613	52,201	
Commonwealth Bank of Aust.	573,183	47,448		573,183	41,768	
ANZ Banking Group Ltd	1,004,298	28,331		1,004,298	28,361	
Bank of Queensland Ltd	1,423,413	13,565		1,423,413	14,505	
Bendigo & Adelaide Bank Ltd	1,117,147	12,937		1,117,147	12,110	
CYBG PLC	549,206	1,878		549,206	3,092	
		213,385	22.57		212,252	22.10
<i>Capital Markets</i>						
Perpetual Ltd	423,973	17,909	1.90	423,973	17,637	1.84
<i>Multi-Sector Holdings</i>						
Gowing Bros Ltd	4,701,144	11,706	1.24	4,701,144	13,586	1.41
<i>Insurance</i>						
Suncorp Group Ltd	200,266	2,698		200,266	2,922	
AMP Ltd	170,000	360		170,000	605	
Medibank Private Ltd	185,000	646		185,000	540	
		3,704	0.39		4,067	0.42
<i>Diversified Financial Services</i>						
ASX Ltd	55,916	4,606		55,916	3,601	
WAM Capital Ltd	1,322,000	2,670		1,322,000	3,146	
Milton Corporation Ltd	599,060	2,822		599,060	2,762	
Macquarie Group Ltd	23,270	2,918		15,000	1,855	
Aust. United Inv. Co. Ltd	210,938	1,915		210,938	1,825	
Aust. Found. Inv. Co. Ltd	245,167	1,532		245,167	1,510	
Challenger Ltd	60,451	401		60,451	715	
Argo Investments Ltd	18,118	147		18,118	144	
		17,011	1.80		15,558	1.62
<i>Real Estate Management & Development</i>						
Lend Lease Corporation Ltd	494,978	6,435	0.68	494,978	9,806	1.02
<i>Real Estate Investment Trusts (REITS)</i>						
Cromwell Property Group	1,302,253	1,504		1,128,619	1,264	
Mirvac Ltd	426,575	1,335		426,575	926	
Stockland	96,053	401		96,053	381	
		3,240	0.34		2,571	0.27
		273,390	28.92		275,477	28.68

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

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

SECTOR	2019			2018		
	No of shares or units	\$000	%	No of shares or units	\$000	%
MATERIALS						
<i>Diversified Metals & Mining</i>						
BHP Group Ltd	847,646	34,889		800,446	27,143	
Rio Tinto Ltd	138,810	14,403		138,810	11,582	
South32 Ltd	800,446	2,545		800,446	2,890	
Fortescue Metals Group Ltd	791,000	7,135		406,000	1,782	
Iluka Resources Ltd	43,057	464		43,057	481	
		<u>59,436</u>	<u>6.29</u>		<u>43,878</u>	<u>4.57</u>
<i>Steel</i>						
Bluescope Steel Ltd	471,711	5,684		471,711	8,142	
Sims Metal Management Ltd	100,000	1,086		100,000	1,608	
		<u>6,770</u>	<u>0.71</u>		<u>9,750</u>	<u>1.02</u>
<i>Gold</i>						
Newcrest Mining Ltd	6,164	197	0.02	6,164	134	0.01
<i>Chemicals</i>						
Orica Ltd	541,764	10,982		541,764	9,616	
Dulux Group Ltd	541,764	5,049		541,764	4,144	
		<u>16,031</u>	<u>1.70</u>		<u>13,760</u>	<u>1.43</u>
<i>Construction Materials</i>						
James Hardie Inds. SE	625,362	11,694		625,362	14,183	
Boral Ltd	1,163,826	5,959		958,826	6,261	
Adelaide Brighton Ltd	280,000	1,131		280,000	1,946	
Fletcher Building Ltd	298,415	1,391		298,415	1,901	
CSR Ltd	235,000	919		235,000	1,079	
		<u>21,094</u>	<u>2.23</u>		<u>25,370</u>	<u>2.64</u>
<i>Containers & Packaging</i>						
Amcor plc	853,133	13,812		853,133	12,294	
Orora Ltd	1,573,133	5,097		1,573,133	5,616	
		<u>18,909</u>	<u>2.00</u>		<u>17,910</u>	<u>1.87</u>
		<u>122,437</u>	<u>12.95</u>		<u>110,802</u>	<u>11.54</u>
CONSUMER STAPLES						
<i>Food, Beverage & Tobacco</i>						
Coca-Cola Amatil Ltd	456,761	4,668		456,761	4,202	
Treasury Wine Estates Ltd	274,795	4,100		239,295	4,161	
Inghams Group Ltd	280,000	1,126		280,000	1,070	
Graincorp Ltd	112,000	893		112,000	860	
		<u>10,787</u>	<u>1.14</u>		<u>10,293</u>	<u>1.07</u>
<i>Food & Staples Retailing</i>						
Wesfarmers Ltd	609,410	22,036		609,410	30,081	
Coles Group Ltd	609,410	8,136		-	-	
Woolworths Ltd	144,000	4,785		144,000	4,395	
		<u>34,957</u>	<u>3.70</u>		<u>34,476</u>	<u>3.59</u>
<i>Household & Personal Products</i>						
Blackmores Ltd	17,000	1,528	0.16	17,000	2,423	0.25
		<u>47,272</u>	<u>5.00</u>		<u>47,192</u>	<u>4.91</u>
ENERGY						
<i>Oil, Gas & Consumable Fuels</i>						
Origin Energy Ltd	1,139,489	8,330		1,139,489	11,429	
Santos Ltd	1,069,352	7,571		1,069,352	6,705	
Woodside Petroleum Ltd	199,928	7,269		136,578	4,843	
Caltex Australia Ltd	100,000	2,475		100,000	3,254	
		<u>25,645</u>	<u>2.71</u>		<u>26,231</u>	<u>2.73</u>

notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2019

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

SECTOR	2019			2018		
	No of shares or units	\$000	%	No of shares or units	\$000	%
UTILITIES						
<i>Gas Utilities</i>						
APA Group	959,991	10,368	1.10	959,991	9,456	0.99
<i>Multi-Utilities</i>						
AGL Energy Ltd	1,627,757	32,571	3.44	1,627,757	36,592	3.81
		42,939	4.54		46,048	4.80
INFORMATION TECHNOLOGY						
<i>Software & Services</i>						
Computershare Ltd	20,000	324		20,000	369	
Domain Holdings Australia Ltd	20,000	64		20,000	64	
		388	0.04		433	0.04
TELECOMMUNICATION SERVICES						
Telstra Corporation Ltd	4,333,600	16,684	1.77	4,333,600	11,354	1.18
INDUSTRIALS						
<i>Capital Goods</i>						
CIMIC Ltd	60,765	2,720		60,765	2,570	
Seven Group Holdings Ltd	100,000	1,849		100,000	1,903	
Spicers Ltd	721,864	50		721,864	27	
		4,619	0.49		4,500	0.47
<i>Commercial & Professional Services</i>						
IPH Limited	141,000	1,052		141,000	628	
Brambles Industries Ltd	45,758	589		45,758	406	
Ovato Ltd	100,000	7		100,000	24	
Left Field Printing Group Ltd	9,072	1		-	-	
Opus Group Limited	-	-		3,024	2	
		1,649	0.17		1,060	0.11
<i>Transportation</i>						
Sydney Airport	632,029	5,082		632,029	4,525	
Transurban Group	179,635	2,648		179,635	2,150	
Atlas Arteria	105,633	827		105,633	679	
		8,557	0.91		7,354	0.77
		14,825	1.57		12,914	1.35
HEALTH CARE						
<i>Health Care Equipment & Services</i>						
Ansell Ltd	222,854	5,984		222,854	6,059	
Sonic Healthcare	82,370	2,232		81,600	2,002	
Healius Ltd	303,945	918		255,000	890	
Estia Health Ltd	160,000	422		160,000	526	
Japara Healthcare Ltd	240,000	270		240,000	433	
Regis Healthcare Ltd	113,000	297		113,000	371	
		10,123	1.07		10,281	1.07
TOTAL		945,446	100.00		960,316	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 and 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 2019 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 2019.
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 20 August 2019

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 2019 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.

A handwritten signature of the KPMG representative, written in black ink.

KPMG

A handwritten signature of Duncan McLennan, written in black ink.

Duncan McLennan
Partner

Sydney, Australia

20 August 2019



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 2019 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 2019
- 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
- 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.

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 (\$945,446,000)

Refer to Note 3-1 to the financial report

The key audit matter	How the matter was addressed in our audit
<p>Valuation of listed equity investments is a key audit matter due to:</p> <ul style="list-style-type: none">- The size of the group's portfolio of listed equity investments (97% 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	<p>Our procedures included:</p> <ul style="list-style-type: none">• Vouching the ownership of listed equity investments to external independent share registry electronic records;• Vouching 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.

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 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 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.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Carlton Investments Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Responsibilities of the Directors for the Remuneration Report

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*.

Auditor's responsibilities for the audit of the Remuneration Report

We have audited the Remuneration Report included in pages 8 and 9 of the Directors' report for the year ended 30 June 2019.

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

KPMG

Sydney, Australia
20 August 2019

Duncan McLennan
Partner

securities exchange requirements

FOR THE YEAR ENDED 30 JUNE 2019

DETAILS OF SHAREHOLDINGS

AS AT 20 AUGUST 2019

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	1,167	517,014
1,001 – 5,000	1,043	2,534,996
5,001 – 10,000	200	1,414,831
10,001 – 100,000	179	4,150,462
100,001 & Over	12	17,857,372
	2,601	26,474,675

Number of Ordinary Shareholders holding less than a marketable parcel

87

Category Preference	No. of Shareholders	No. of Shares
1 – 1,000	31	8,319
1,001 – 5,000	4	6,627
5,001 – 10,000	3	17,575
10,001 & Over	2	50,457
	40	82,978

Number of Preference Shareholders holding less than a marketable parcel

20

TWENTY LARGEST ORDINARY SHAREHOLDERS

	No. of shares held	% of capital held
1. Enbear Pty Limited	13,351,639	50.4
2. Alphoeb 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. HSBC Custody Nominees (Australia) Ltd	211,917	0.8
7. Somoke Pty Ltd (Pulman Super Fund A/C)	211,349	0.8
8. Gowing Bros Limited	206,224	0.8
9. Marlen Pty Limited	172,785	0.6
10. A.J Dixon Pty Ltd (Super Fund A/C)	171,089	0.6
11. Ravenscourt Proprietary Limited	165,000	0.6
12. Charles and Cornelia Goode Foundation Pty Ltd (CCG Foundation A/C)	136,000	0.5
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. A.C.N. 009 757 948 Pty Ltd	86,164	0.3
17. Aygeear Pty Ltd	85,246	0.3
18. Mythia Pty Ltd	80,779	0.3
19. Phillips J N & Aust Executor Trustees (Estate T N Phillips A/C)	76,698	0.3
20. A & M Dixon Investments Pty Ltd	67,833	0.3
	18,541,829	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. Gowing J E	300	0.4
19. Morton I E	300	0.4
20. Kreskin Pty Ltd (KD Superannuation Fund A/C)	250	0.3
	81,311	98.0

Issued Preference Shares

82,978

ordinary dividends and share issues

SINCE 1 JULY 2009

Date	Share issue/Dividend	Issue price/ Dividend rate	Franking %
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
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



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