

# Appendix 4E

## Final Report 30 June 2020

**CARLTON INVESTMENTS LIMITED**

**ABN 85 000 020 262**

### 1. Financial reporting period

The current financial reporting period is for the year ended 30 June 2020 with the previous corresponding period being the year ended 30 June 2019.

### 2. Operating results for announcement to the market

			2020 \$000	2019 \$000
<b>Revenue</b>				
Dividends and distributions received - ordinary	Down	10.6%	38,661	43,251
Dividends - special	Down	68.1%	1,138	3,567
Interest received and other income	Down	25.5%	360	483
Total operating revenue	Down	15.1%	<u>40,159</u>	<u>47,301</u>
<b>Profit</b>				
Profit before income tax expense	Down	15.5%	39,231	46,419
Income tax expense	Up	25.0%	(1,116)	(893)
Net profit for the year	Down	16.3%	<u>38,115</u>	<u>45,526</u>
<b>3. Dividends</b>			Amount per security	Franked amount per security
Final dividends – Ordinary Shares			56.0 cents	56.0 cents
– Preference Shares			7.0 cents	7.0 cents
Year end 30 June 2019 – Ordinary Shares			70.0 cents	70.0 cents
– Ordinary Shares Special			8.0 cents	8.0 cents
– Preference Shares			7.0 cents	7.0 cents
Date final dividends payable			21 SEPTEMBER 2020	
Record date for determining entitlements to final dividends			2 SEPTEMBER 2020	
The dividend reinvestment plan continues to be suspended				

### 4. Refer to the attached Financial Report for details of the following:-

- Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows and notes thereon;
- Dividends paid and payable; and
- Net tangible asset backing (refer Chairman's Report)

### 5. Entities over which control has been gained or lost during the period:- Nil

### 6. Details of associates and joint ventures:- Nil

### 7. The Report is based on financial statements that have been audited. A copy of the audit report is included in the attached Financial Report.

# CARLTON INVESTMENTS LIMITED

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

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ABN 85 000 020 262

## Financial Report

For the year ended 30 June 2020

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](mailto:info@carltoninvestments.com.au)**  
**Website: [www.carltoninvestments.com.au](http://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)**

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### Annual General Meeting

The 2020 Annual General Meeting will be held virtually at  
**10.00am on Tuesday 20th October 2020**

### Closing date for nominations as a director

The date of close of nominations for election as a director  
at the Annual General Meeting is Friday 4 September 2020

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## CHAIRMAN'S REPORT TO SHAREHOLDERS

I present to you the Group's consolidated results for the year ended 30 June 2020.

### Group's operations and results

Profit for the year ended 30 June 2020 was \$38,115,000 compared to \$45,526,000 for the 2019 financial year, a decrease of \$7,411,000 or 16.3%.

The prior year result benefited from a significant increase in special dividends received, which totalled \$3,567,000. Special dividends in the year to 30 June 2020 totalled \$1,138,000, a decrease of 68%. Dividends and distributions received, before special dividends, decreased by \$4,590,000 (10.6%) from \$43,251,000 to \$38,661,000. This fall in dividends received largely occurred in the last quarter of the financial year when the COVID-19 outbreak caused several companies to conserve funds and either significantly reduce or defer dividend payments. The major impact on the Group's profit from this reduction or deferral of dividends came from the Group's bank investments. The prior year second six months results included dividends received or receivable from banks totalling \$6.4 million, as against \$2.2 million received or receivable in the six months to 30 June 2020.

With lower interest rates, interest income decreased from \$465,000 in the prior to \$360,000. The weighted average interest rate on term deposits decreased from 2.53% in the prior year to 1.88% and there was a small increase in average funds on deposit during the year of \$0.4 million.

Administration expenses were \$916,000, compared to \$870,000 in the previous year. The management expense ratio (MER) for the year ended 30 June 2020 was 0.10%.

### Earnings per ordinary share

Basic and diluted earnings were \$1.440 per ordinary share for the year to 30 June 2020 compared to \$1.720 per share for 2019.

### Dividends

On 21 August 2020 the directors declared a final fully franked dividend of 56 cents per ordinary share, payable on 21 September 2020. Total dividends paid and payable in respect of ordinary shares for the financial year ended 30 June 2020 amount to \$1.11 per share, a decrease of 14 cents per share, not taking into account the special dividend of 8 cents per ordinary share paid in respect of the prior year.

An interim dividend of 55 cents per ordinary share was paid in March 2020 and was consistent with the prior year interim dividend.

A final preference share dividend of 7 cents per share fully franked is also payable on 21 September 2020.

The record date for both the ordinary and preference final dividends is 2 September 2020.

The Dividend Reinvestment Plan remains suspended.

### Net tangible asset backing

The net tangible asset backing for each issued ordinary share at 30 June 2020, 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 \$28.50 (2019: \$36.68). 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 \$24.65 (2019: \$30.66). The relevant figures as at 31 July 2020 were \$27.42 and \$23.88 respectively.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## CHAIRMAN'S REPORT TO SHAREHOLDERS (CONT.)

### Investments

The market value of the equity investment portfolio as at 30 June 2020 was \$731,517,000 compared to \$945,446,000 at the prior year end. Short term cash holdings and term deposits totalled \$23,581,000 at 30 June 2020 (2019: \$23,211,000).

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 2020 totalled \$10,554,000 (2019: \$8,314,000). Acquisitions above \$500,000 during the year were:

BHP Group	\$1,005,000	Rio Tinto	\$1,492,000
Fortescue Metals Group	\$1,485,000	Santos	\$2,009,000
Iluka Resources	\$999,000	Tabcorp	\$503,000
Link Administration	\$1,009,000	Woodside Petroleum	\$1,002,000
Pendal Group	\$500,000		

During the period the Groups holding in Dulux was subject to a takeover offer and was disposed of for consideration of \$5,076,000. There was one other disposal resulting from a takeover, bringing the total consideration received from disposals to \$5,106,000. Capital returns received during the period totalled \$301,000 (2019 \$113,000).

The second six months of the 30 June 2020 financial year has seen market values for most of the Group's investments fall with the outbreak of the COVID-19 pandemic impacting on the global and Australian investment markets. Over the second six months we have seen the market value of the group's investments fall by 25.2%. Restrictions to suppress the spread of COVID-19 have had a significant impact on the businesses of the Group's largest investment, Event Hospitality & Entertainment. The market values of the Group's investments in banks have also seen large falls due the general economic impact of the pandemic. The market value of the Group's investment portfolio, after adjusting for investment acquisitions and capital returns, decreased during the year by \$219 million or 23%. The S&P/ASX 200 Index decreased by 10.9% 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 negative 19.4% compared with an decrease in the S&P ASX 200 Accumulation Index over period of 7.7%.

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.

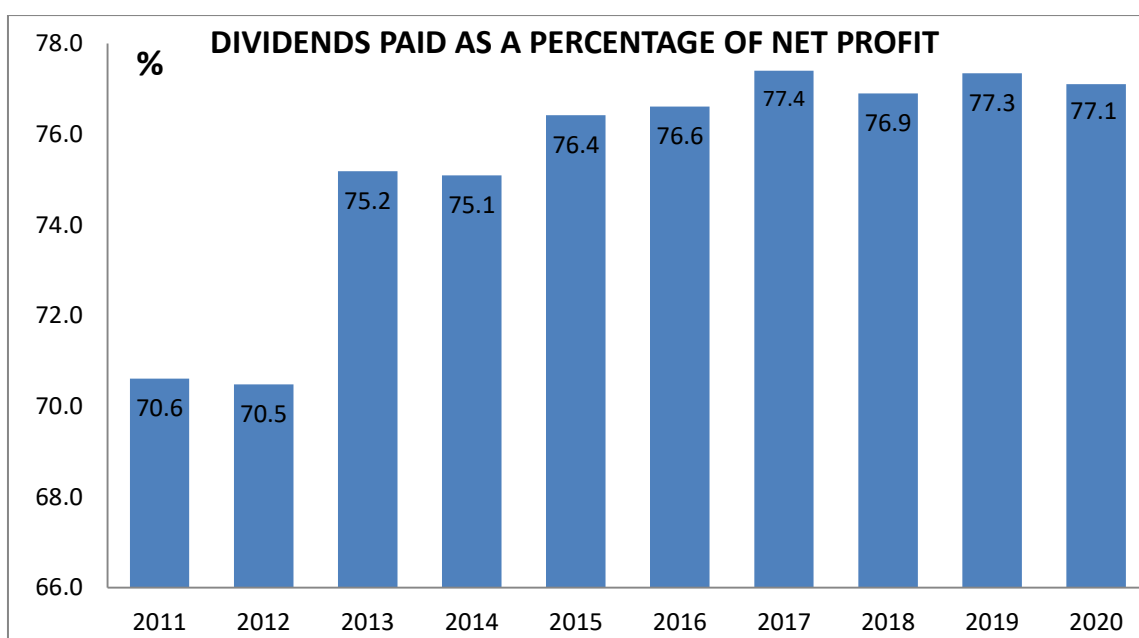
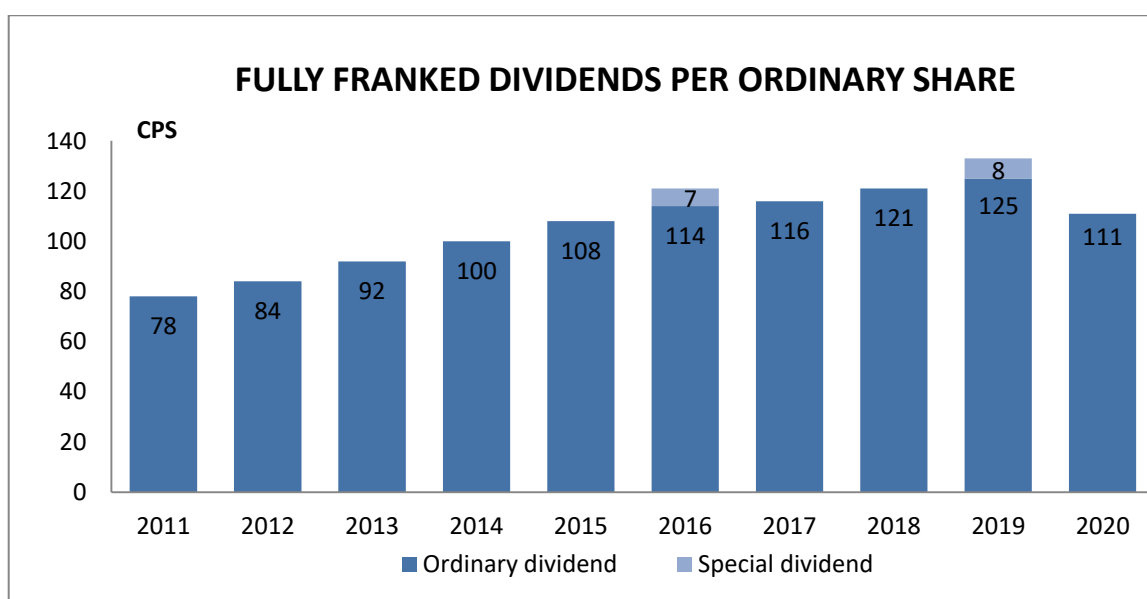
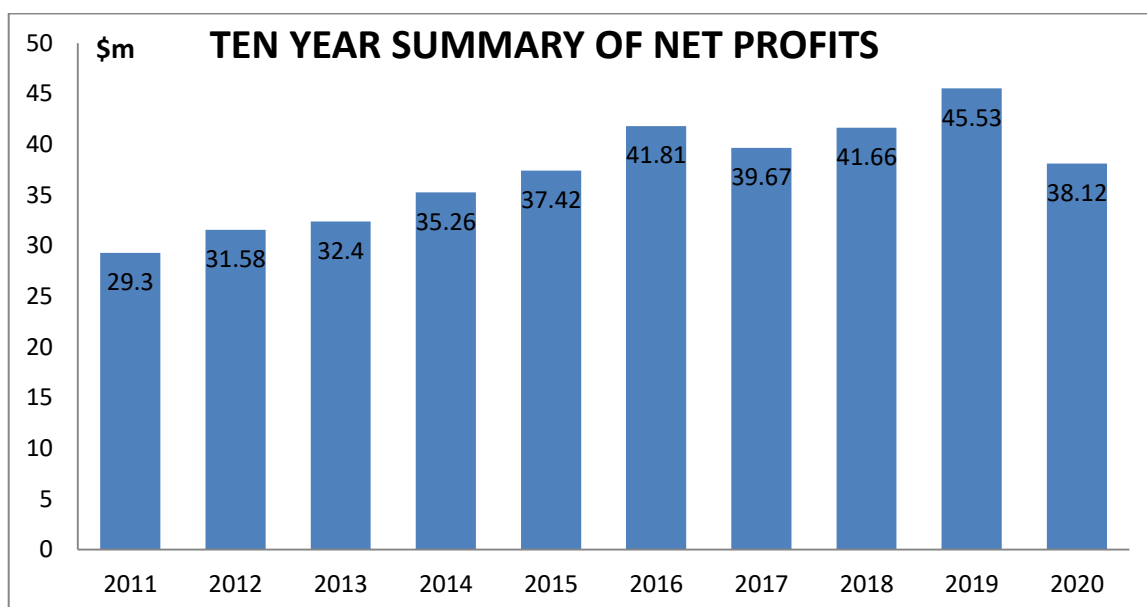
### Outlook

With a high level of uncertainty regarding the degree to which the economic impact of COVID-19 will persist, it is difficult to accurately predict future earnings. For the 2021 financial year it is anticipated that dividend income will be well down on that received during the 2020 financial year, as businesses take a conservative approach to the payment of dividends. Event Hospitality & Entertainment has announced that they do not currently intend to pay a final dividend for the year ended 30 June 2020 or an interim dividend for the half year ending 31 December 2020 and the dividend prospects from investments in a number of other industry sectors are in question.

We also consider that there will be continuing high market volatility that will require a patient approach in identifying new long term investment opportunities. We believe that given the quality of the businesses in the investment portfolio, they will persist through the current economic impacts of the COVID-19 pandemic.

  
A G RYDGE  
Chairman  
21 August 2020

## CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES





# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

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 2020 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, 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 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.

### 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 18 years ago.

## CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

#### 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:	8	3	1
No. of meetings attended:			
Mr A G Rydge	8	3	1
Mr A J Clark	8	3	1
Mr M E Bleach	8	3	1

#### Corporate Governance

For the year ended 30 June 2020, the Board applied where practicable, the guidelines set out in the 3<sup>rd</sup> Edition of ASX Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. The Board has adopted, where practicable, the 4<sup>th</sup> Edition of the ASX Corporate Governance Principles and Recommendations for the year ending 30 June 2021. The Company has disclosed its current 2020 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 2020 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 2020 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.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

### Results and review of operations

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

	<b>2020</b>	2019
	<b>\$000</b>	\$000
Operating revenue	<b>40,159</b>	47,301
Administration and finance costs	<b>(928)</b>	(882)
Profit before income tax expense	<b>39,231</b>	46,419
Income tax expense	<b>(1,116)</b>	(893)
Net profit for the year	<b>38,115</b>	45,526

Dividends and distributions received, before special dividends decreased by \$4,590,000 from \$43,251,000 to \$38,661,000, representing a 10.6% decrease. With the outbreak of COVID-19, a number of companies in which the Group has invested chose to conserve funds and either significantly reduce or defer dividend payments. Among these companies were the major banks whose dividends are declared in the last quarter of the financial year. Special dividends received during the period decreased significantly from \$3,567,000 in the prior year to \$1,138,000, a decrease of \$2,429,000.

Interest income totalled \$360,000, compared to \$465,000 in the prior year. The weighted average interest rate on term deposits decreased from 2.53% in the prior year to 1.88%, with only a small increase in average funds on deposit during the period. During the last quarter of the financial year, with low interest rates and investment market uncertainties, funds were moved out of term deposit to bank accounts where the funds are immediately available.

Administration expenses for the year were \$916,000 compared to \$870,000 in the prior year. The management expense ratio (MER) for the year was 0.10%, an increase of 0.01% from the prior year.

Equity investments purchased during the year to 30 June 2020 totalled \$10,554,000 (2019: \$8,314,000). Major additions to the portfolio included BHP Group, Fortescue Metals Group, Iluka Resources, Link Administration, Pandal Group, Rio Tinto, Santos, Tabcorp and Woodside Petroleum.

The Group continued to invest in Australian listed entities that are considered to be well managed and are anticipated to provide attractive levels of sustainable income through predominantly franked dividends and also long term capital growth. Details of investment acquisitions over \$500,000 during the year to 30 June 2020 are given in the Chairman's Report.

The only disposals of equity investments during the financial year resulted from takeovers, with total consideration of \$5,106,000 being received. The largest takeover was the acquisition of Dulux by Nippon Paints in August 2019, when the Group received \$5,076,000 in consideration for the disposal of its Dulux shares. Capital returns received during the period totalled \$301,000 (2019 \$113,000).

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. Following the outbreak of the global COVID-19 pandemic the market value of the investment portfolio fell significantly resulting in a decrease in value for the year to 30 June 2020 of \$219,076,000 or 23%. The S&P/ASX 200 Index decreased by 10.9% over the year to 30 June 2020. 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 negative 19.4% compared with a decrease in the S&P ASX 200 Accumulation Index over the same period of 7.7%.

With the current market uncertainties and an expectation of continuing high market volatility, the Group will continue to take a cautious approach in identifying long term investment opportunities.



## CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

#### 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 70 cents per share, fully franked, amounting to \$18,532,000 was paid on 23 September 2019.

As also proposed in last year's report, a special dividend of 8 cents per share, fully franked, amounting to \$2,118,000 was also paid on 23 September 2019.

- (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 23 September 2019.

- In respect of the current financial year:

	\$000
(i) An interim ordinary share dividend of 55 cents per share, fully franked, was declared and paid on 23 March 2020.	14,561
(ii) A final ordinary dividend of 56 cents per ordinary share in respect of the year ended 30 June 2020 has been declared. The dividend will be fully franked.	14,826
Total ordinary share dividends paid or payable in respect of the year ended 30 June 2020	<u>29,387</u>

(iii) An interim preference share dividend of 7 cents per share, fully franked, was paid on 23 March 2020.	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 2020	<u>29,399</u>
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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

The COVID19 pandemic has impacted global and Australian economies and companies. The pandemic is likely to remain a major global issue until a treatment or vaccine is developed and the full financial impact on the Group will play out in the 2021 financial year.

As stated in the Chairman's Report it is anticipated that the Group's dividend income will be impacted in the financial year to 30 June 2021 as companies in a number of industry sectors are taking a conservative approach to the payment of dividends. Also, Event Hospitality & Entertainment have announced that they do not currently intend to pay a final dividend for the year ended 30 June 2020 or an interim dividend for the half year to 31 December 2020. Dividends received by the Group from Event for the 2020 financial year were \$16,009,000.

The level of special dividends received in the 2019 and 2020 financial years is not expected to continue for the 2021 year.

Lower interest rates are expected to continue for some time thus reducing the return on the Group's deposits.

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.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

### 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
		\$	\$	\$	\$
<b>Directors</b>					
Mr A G Rydge	<b>2020</b>	<b>90,411</b>	<b>8,589</b>	<b>-</b>	<b>99,000</b>
	2019	86,758	8,242	-	95,000
Mr A J Clark	<b>2020</b>	<b>79,452</b>	<b>7,548</b>	<b>-</b>	<b>87,000</b>
	2019	77,626	7,374	-	85,000
Mr M E Bleach	<b>2020</b>	<b>79,452</b>	<b>7,548</b>	<b>-</b>	<b>87,000</b>
	2019	77,626	7,374	-	85,000
	<b>2020</b>	<b>249,315</b>	<b>23,685</b>	<b>-</b>	<b>273,000</b>
	2019	242,010	22,990	-	265,000
<b>Company Secretary/Chief Financial Officer</b>					
Mr P W Horton	<b>2020</b>	<b>170,000</b>	<b>25,000</b>	<b>14,948</b>	<b>209,948</b>
	2019	165,000	25,000	13,814	203,814

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

	2020	2019	2018	2017	2016
Net profit for year (\$000)	<b>38,115</b>	45,526	41,665	39,666	41,812
Dividends cents per ordinary share#	<b>111</b>	133*	121	116	121^
Net tangible asset backing before capital gains tax at 30 June	<b>\$28.50</b>	\$36.68	\$37.09	\$36.65	\$35.52
Share price at 30 June	<b>\$22.97</b>	\$31.60	\$33.08	\$31.50	\$31.72
Management Expense Ratio	<b>0.10%</b>	0.09%	0.09%	0.08%	0.08%

# 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

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

### Remuneration Report (continued)

#### 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 1 July 2019	Held at 1 July 2018	Change during year 2020	2019	Held at 30 June 2020	Held at 30 June 2019
Mr A G Rydge	16,084,540	15,589,458	-	495,082	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	
	2020	2019	2020	2019	2020	2019
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 (2019: 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.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020 (CONT.)

### Non-audit services

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

- (a) the non-audit services provided during the financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and
- (b) any non-audit services provided during the financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:
  - (i) the nature and scope of any non-audit service provided is reviewed and approved by the Audit and Risk Committee to ensure that they do not adversely affect the integrity and objectivity of the auditor; and
  - (ii) the amount of non-audit fees paid to KPMG in comparison to the amount of audit fees are considered to be significantly within an appropriate threshold to maintain auditor independence.

	2020 \$	2019 \$
Details of amounts paid to KPMG for audit and non-audit services provided during the year are:		
<b>Statutory Audit</b>		
- Audit and review of financial reports	63,089	60,368
<b>Services other than statutory audit</b>		
- Taxation compliance services	30,800	12,100
	<b>93,889</b>	<b>72,468</b>

### 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 21 August 2020.



**A G RYDGE**  
Director



**A J CLARK AM**  
Director

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$000	2019 \$000
Dividends and distributions received	2-3	39,799	46,818
Interest income		360	465
Other income		-	18
Operating revenue		40,159	47,301
Administration expenses	2-4	(916)	(870)
Finance costs	3-4	(12)	(12)
Profit before income tax expense		39,231	46,419
Income tax expense	2-5	(1,116)	(893)
Profit for the year		38,115	45,526
Basic and diluted earnings per ordinary share	2-1	\$1.440	\$1.720

The consolidated income statement is to be read in conjunction with the notes to the financial statements set out on pages 17 to 30.



# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$000	2019 \$000
Net profit for the year	<b>38,115</b>	<u>45,526</u>
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	<b>(219,076)</b>	(23,066)
Decrease/(increase) in deferred tax liability relating to change in fair value of investments	<b>56,970</b>	<u>6,886</u>
Total other comprehensive (loss)	<b>(162,106)</b>	<u>(16,180)</u>
Total comprehensive (loss)/income for the year	<b>(123,991)</b>	<u>29,346</u>

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 17 to 30.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 \$000	2019 \$000
<b>CURRENT ASSETS</b>			
Cash	6-1	21,581	2,311
Receivables	3-2	1,219	3,646
Investments - term deposits	3-1	2,000	20,900
<b>TOTAL CURRENT ASSETS</b>		<b>24,800</b>	<b>26,857</b>
<b>NON-CURRENT ASSETS</b>			
Investments - equities	3-1	731,517	945,446
Deferred tax assets	2-5	22	16
<b>TOTAL NON-CURRENT ASSETS</b>		<b>731,539</b>	<b>945,462</b>
<b>TOTAL ASSETS</b>		<b>756,339</b>	<b>972,319</b>
<b>CURRENT LIABILITIES</b>			
Payables	3-3	119	95
Current tax liabilities	2-5	778	476
<b>TOTAL CURRENT LIABILITIES</b>		<b>897</b>	<b>571</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	2-5	102,761	159,865
Other financial liabilities	3-4	166	166
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>102,927</b>	<b>160,031</b>
<b>TOTAL LIABILITIES</b>		<b>103,824</b>	<b>160,602</b>
<b>NET ASSETS</b>		<b>652,515</b>	<b>811,717</b>
<b>EQUITY</b>			
Share capital	4-1	20,146	20,146
Revaluation reserve	4-1	263,518	425,624
Retained profits		368,851	365,947
<b>TOTAL EQUITY</b>		<b>652,515</b>	<b>811,717</b>

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 17 to 30.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

<b>Year to 30 June 2020</b>	<b>Share capital</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
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

<b>Year to 30 June 2019</b>	<b>Share capital</b>	<b>Revaluation Reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
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:-				
Increase in fair value of investments	-	(23,066)	-	(23,066)
Increase in deferred tax liability relating to change in fair value of investments	-	6,886	-	6,886
Other comprehensive (loss)	-	(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

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 17 to 30.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$000	2019 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends and distributions received		42,199	48,793
Interest received		387	517
Other income		-	18
Cash paid for operating expenses		(892)	(853)
Income tax paid		(981)	(741)
Income tax refunds		27	22
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	6-1	<b>40,740</b>	<b>47,756</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from capital returns and disposal of investments		5,407	118
Payments for acquisition of investments		(10,554)	(8,314)
Proceeds from reduction/(increase) in term deposits		18,900	(6,500)
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>13,753</b>	<b>(14,696)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(35,211)	(33,093)
Finance costs		(12)	(12)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(35,223)</b>	<b>(33,105)</b>
Net increase/(decrease) in cash held		19,270	(45)
<b>CASH AT BEGINNING OF FINANCIAL YEAR</b>		<b>2,311</b>	<b>2,356</b>
<b>CASH AT END OF FINANCIAL YEAR</b>	6-1	<b>21,581</b>	<b>2,311</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 17 to 30.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 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 2020 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 21 August 2020.

#### 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 2020. These new accounting standards and interpretations, including IFRS 16 *Leases*, 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.



# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

### 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.

	2020	2019
Basic and diluted earnings per ordinary share	\$1.440	\$1.720
<b>Reconciliation of earnings used in the calculation of earnings per share:</b>	<b>\$000</b>	<b>\$000</b>
Profit as per the consolidated statement of profit	38,115	45,526
	<b>Number</b>	<b>Number</b>
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

	2020 \$000	2019 \$000
<b>Dividends and distributions received</b>		
Dividends and distributions received from listed entities:		
Dividends – ordinary	37,501	42,069
Dividends – special	1,138	3,567
Distributions from trusts	1,160	1,182
	<b>39,799</b>	<b>46,818</b>
Dividends from:		
Investments held at year end	39,799	46,818
Investments disposed of during the year	-	-
	<b>39,799</b>	<b>46,818</b>

#### 2-4 Administration expenses

Directors’ fees and employee remuneration	558	540
Auditor’s remuneration	94	72
Rent and office service charges	22	23
Other administration costs	242	235
	<b>916</b>	<b>870</b>

6-5

#### 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.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 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.

	2020 \$000	2019 \$000
<b>Income tax expense</b>		
Prima facie income tax expense calculated at 30% (2019: 30%) on operating profit	11,769	13,926
Increase/(decrease) in income tax expense due to:		
Imputation gross up on dividends received	4,872	5,813
Franking credits on dividends received	(16,241)	(19,376)
Difference in timing of recognition of franked dividends receivable	595	569
Deferred tax adjustments	189	-
Other adjustments	5	8
Over provision in previous year	(73)	(47)
Income tax expense	1,116	893
Income tax expense in the statement of profit or loss comprises:		
Current income tax expense	1,014	1,014
Over provision current income tax prior year	(73)	(47)
Deferred income tax expense adjustments	175	(74)
	1,116	893
<b>Current tax liability</b>		
Balance at beginning of year	476	305
Income tax paid	(954)	(719)
Current year's income tax	1,313	944
Over provision in previous year	(57)	(54)
Balance at end of year	778	476
<b>Deferred tax liability</b>		
Balance at beginning of year	159,865	166,742
Increase/(decrease) in deferred tax liability on change in market value of investments recognised directly in equity	(57,369)	(7,169)
Origination and reversal of timing differences	265	292
Balance at end of year	102,761	159,865
Represented by:		
Capital gains tax on unrealised investment gains	102,027	159,396
Temporary differences on timing of recognition of dividend and distribution income	734	469
	102,761	159,865
<b>Deferred tax asset</b>		
Balance at beginning of year	16	9
Origination and reversal of temporary differences	6	7
Balance at end of year	22	16
Represented by:		
Temporary differences - employee entitlements accrued	22	16

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### SECTION 3 – ASSETS AND LIABILITIES

#### 3-1 Investments

	Note	2020 \$000	2019 \$000
<b>Current</b>			
Term deposits		<b>2,000</b>	20,900

Term deposits are carried at cost. They have been placed with major financial institutions and at 30 June 2020 had a maturity periods of 50 days (2019: 17 to 82 days) with interest rate of 1.50% (2019: 1.60% and 2.70%). The weighted average effective interest rate on term deposits for the year ended 30 June 2020 was 1.88% (2019: 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	<b>731,517</b>	945,446
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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 2020 investments were acquired for consideration of \$10,554,000 (2019: \$8,314,000). Proceeds from disposal of investments in the year to 30 June 2020 totalled \$5,106,000 (2019: \$5,000). Proceeds from capital returns during the year to 30 June 2020 were \$301,000 (2019: \$113,000). The second six months of the 30 June 2020 financial year has seen market values for most of the Group's investments fall with the outbreak of the COVID-19 pandemic impacting on the global and Australian investment markets. During the second six month period the market value of the group's investments fell by 25.2%.

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	
		2020 %	2019 %	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Event Hospitality & Entertainment Limited	Entertainment, hospitality, tourism and leisure	19.1	19.1	258,916	384,834	16,009	16,009

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$000	2019 \$000
<b>3-2 Receivables</b>		
<b>Current</b>		
Dividends and interest receivable	1,219	3,646

### 3-3 Payables

<b>Current</b>		
Other creditors and accruals	119	95

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

### 3-4 Other financial liabilities

<b>Non-Current</b>		
Cumulative preference shares	166	166

82,978 (2019: 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 23 September 2019)	6	6
Interim dividend (7 cents per preference share paid on 23 March 2020)	6	6
	12	12

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

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### SECTION 4 – SHARE CAPITAL, RESERVES AND DIVIDENDS PAID

#### 4-1 Share capital and reserves

	2020 \$000	2019 \$000
<b>Issued and paid up capital</b>		
26,474,675 (2019: 26,474,675) ordinary shares fully paid	20,146	20,146
<b>Movements in ordinary share capital</b>		
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 2020. There were no shares bought back during the year ended 30 June 2020 (2019: Nil). At 30 June 2020 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	263,518	425,624
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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
2019				
Final – ordinary share	70.0	18,532	Franked	23 September 2019
– ordinary share special	8.0	2,118	Franked	23 September 2019
	78.0	20,650		
2020				
Interim – ordinary share	55.0	14,561	Franked	23 March 2020
Total		35,211		

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	56.0	14,826	Franked	21 September 2020
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The financial effect of the final dividend has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial reports.



## CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

#### 4-2 Dividends (continued)

##### Dividend franking account

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

2020 \$000	2019 \$000
68,772	69,022

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 2020 totalling \$7,673,000 (2019: \$5,025,000).

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 \$6,356,000 (2019: \$8,853,000).

#### 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

**5-2 Financial risk management (continued)**

**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.

**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 96.7% of total assets at 30 June 2020 (2019: 97.2%). 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 2020, total equity represented by share capital, reserves and retained profits would reduce by \$27,602,000 and \$55,203,000 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.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

### 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:

	2020	2019
	\$000	\$000
Cash	21,581	2,311

##### (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	38,115	45,526
Finance costs	12	12
Net cash provided by operating activities before changes in assets and liabilities	38,127	45,538
Increase/(decrease) in current tax payable	268	171
(Decrease)/increase in deferred income tax	(106)	3
Increase/(decrease) in other creditors and provisions	24	17
Decrease/(increase) in receivables	2,427	2,027
Net cash provided by operating activities	40,740	47,756

#### 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:

	2020	2019
	\$	\$
Short-term:		
- Base emolument	419,315	407,009
- Leave entitlements movements	14,948	13,814
Post-employment:		
- Superannuation relating to base emoluments	48,685	47,991
	482,948	468,814

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 2020.

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

### 6-2 Related Parties (continued)

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

Investments in controlled entities	Class of Share	Interest Held	
		2020 %	2019 %
<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	
	2020 \$000	2019 \$000
Inter-Company loans receivable		
Non-Current	219,715	239,320

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 \$21,675 (2019: \$22,954) 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.

#### Management fees

The Company provided accounting, administrative and other services during the year to its controlled entities for a management fee of \$1,004,000 (2019: \$956,000). 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 18 (2019: 11). The total brokerage paid on these transactions was \$30,670 (2019: \$24,543).

### 6-5 Auditor's remuneration

	2020 \$	2019 \$
Amounts paid or due and payable for:		
Audit services: KPMG		
Audit and review of financial reports	63,089	60,368
Other services: KPMG		
Taxation services - Compliance	30,800	12,100
	<b>93,889</b>	<b>72,468</b>

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 6-6 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2020 the immediate parent entity of the Group was Carlton Investments Limited.

	2020 \$000	2019 \$000
<b>Result of Parent Entity</b>		
Profit for the year	34,630	35,868
Other comprehensive income	-	-
Total comprehensive income for the year	34,630	35,868
<b>Financial position of parent entity at year end</b>		
Current assets	21,581	2,310
Total assets	246,793	247,121
Current liabilities	603	338
Total liabilities	769	504
Net assets	246,024	246,617
<b>Total equity of parent entity comprising of:</b>		
Share capital	20,146	20,146
Retained profits	225,878	226,471
Total equity	246,024	246,617

### 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 2020, are set out on pages 12, 13 and 14 of the financial statements.

### 6-9 Events subsequent to reporting date

For final dividends declared after 30 June 2020 refer note 4-2.



# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

SECTOR	2020			2019		
	No of shares or units	\$000	%	No of shares or units	\$000	%
<b>CONSUMER DISCRETIONARY</b>						
<b>Media</b>						
Event Hospitality & Entertainment Ltd	30,786,687	258,916		30,786,687	384,834	
Seven West Media Ltd	1,040,000	95		1,040,000	484	
Nine Entertainment Co Holdings Ltd	72,540	100		72,540	136	
HT & E Limited	41,027	49		41,027	72	
NZME Limited	29,630	7		29,630	15	
		<u>259,167</u>	<u>35.43</u>		<u>385,541</u>	<u>40.78</u>
<b>Consumer Services</b>						
Tabcorp Holdings Ltd	776,541	2,625		663,541	2,953	
The Star Entertainment Group Limited	369,000	1,048		369,000	1,520	
G8 Education Limited	361,000	319		236,000	715	
Ardent Leisure Group Limited	386,224	151		386,224	406	
Crown Resorts Limited	48,804	472		48,804	608	
		<u>4,615</u>	<u>0.63</u>		<u>6,202</u>	<u>0.65</u>
		<u>263,782</u>	<u>36.06</u>		<u>391,743</u>	<u>41.43</u>
<b>FINANCIALS</b>						
<b>Banks</b>						
National Australia Bank Limited	2,201,067	40,103		2,196,827	58,699	
Westpac Banking Corporation Limited	1,784,093	32,024		1,781,613	50,527	
Commonwealth Bank of Australia Ltd	573,183	39,790		573,183	47,448	
ANZ Banking Group Limited	1,004,298	18,720		1,004,298	28,331	
Bank of Queensland Limited	1,431,667	8,833		1,423,413	13,565	
Bendigo & Adelaide Bank Limited	1,117,147	7,831		1,117,147	12,937	
Virgin Money UK plc (formerly CYBG plc)	549,206	909		549,206	1,878	
		<u>148,210</u>	<u>20.26</u>		<u>213,385</u>	<u>22.57</u>
<b>Capital Markets</b>						
Perpetual Limited	423,973	12,579	1.72	423,973	17,909	1.90
<b>Multi-Sector Holdings</b>						
Gowing Bros Limited	4,701,144	6,817	0.93	4,701,144	11,706	1.24
<b>Insurance</b>						
Suncorp Group Limited	194,459	1,795		200,266	2,698	
AMP Limited	170,000	315		170,000	360	
Medibank Private Limited	185,000	553		185,000	646	
		<u>2,663</u>	<u>0.37</u>		<u>3,704</u>	<u>0.39</u>
<b>Diversified Financial Services</b>						
ASX Limited	55,916	4,774		55,916	4,606	
WAM Capital Limited	1,322,000	2,406		1,322,000	2,670	
Milton Corporation Limited	599,060	2,450		599,060	2,822	
Macquarie Group Limited	23,270	2,760		23,270	2,918	
Australian United Investments Limited	210,938	1,698		210,938	1,915	
Australian Foundation Co. Limited	245,167	1,493		245,167	1,532	
Pendal Group Limited	69,952	418		-	-	
Challenger Limited	60,451	267		60,451	401	
Argo Investments Limited	18,118	130		18,118	147	
		<u>16,396</u>	<u>2.24</u>		<u>17,011</u>	<u>1.80</u>
<b>Real Estate Management &amp; Development</b>						
Lend Lease Corporation Ltd	498,039	6,161	0.84	494,978	6,435	0.68
<b>Real Estate Investment Trusts (REITS)</b>						
Cromwell Property Group	1,302,253	1,172		1,302,253	1,504	
Mirvac Group	426,575	926		426,575	1,335	
Stockland	96,053	318		96,053	401	
		<u>2,416</u>	<u>0.33</u>		<u>3,240</u>	<u>0.34</u>
		<u>195,242</u>	<u>26.69</u>		<u>273,390</u>	<u>28.92</u>

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

SECTOR	2020			2019		
	No of shares or units	\$000	%	No of shares or units	\$000	%
<b>MATERIALS</b>						
<i><b>Diversified Metals &amp; Mining</b></i>						
BHP Group Limited	884,146	31,670		847,646	34,889	
Rio Tinto Limited	156,760	15,356		138,810	14,403	
South32 Limited	800,446	1,633		800,446	2,545	
Fortescue Metals Group Limited	938,000	12,991		791,000	7,135	
Iluka Resources Limited	164,057	1,401		43,057	464	
		<u>63,051</u>	<u>8.62</u>		<u>59,436</u>	<u>6.29</u>
<i><b>Steel</b></i>						
Bluescope Steel Limited	471,711	5,514		471,711	5,684	
Sims Metal Management Limited	100,000	793		100,000	1,086	
		<u>6,307</u>	<u>0.86</u>		<u>6,770</u>	<u>0.71</u>
<i><b>Gold</b></i>						
Newcrest Mining Limited	8,508	268	0.04	6,164	197	0.02
<i><b>Chemicals</b></i>						
Orica Limited	541,764	9,015		541,764	10,982	
Dulux Group Limited		-		541,764	5,049	
		<u>9,015</u>	<u>1.23</u>		<u>16,031</u>	<u>1.70</u>
<i><b>Construction Materials</b></i>						
James Hardie Industries plc	625,362	17,210		625,362	11,694	
Boral Limited	1,163,826	4,411		1,163,826	5,959	
Adbri Limited (formerly Adelaide Brighton Ltd)	280,000	890		280,000	1,131	
Fletcher Building Limited	298,415	1,030		298,415	1,391	
CSR Limited	235,000	865		235,000	919	
		<u>24,406</u>	<u>3.34</u>		<u>21,094</u>	<u>2.23</u>
<i><b>Containers &amp; Packaging</b></i>						
Amcor plc	853,133	12,353		853,133	13,812	
Orora Limited	1,258,507	3,197		1,573,133	5,097	
		<u>15,550</u>	<u>2.12</u>		<u>18,909</u>	<u>2.00</u>
		<u>118,597</u>	<u>16.21</u>		<u>122,437</u>	<u>12.95</u>
<b>CONSUMER STAPLES</b>						
<i><b>Food, Beverage &amp; Tobacco</b></i>						
Coca-Cola Amatil Limited	456,761	3,956		456,761	4,668	
Treasury Wine Estates Limited	274,795	2,880		274,795	4,100	
Inghams Group Limited	280,000	896		280,000	1,126	
Graincorp Limited	112,000	461		112,000	893	
United Malt Group Limited	112,000	460		-	-	
		<u>8,653</u>	<u>1.18</u>		<u>10,787</u>	<u>1.14</u>
<i><b>Food &amp; Staples Retailing</b></i>						
Wesfarmers Limited	609,410	27,320		609,410	22,036	
Coles Group Limited	609,410	10,464		609,410	8,136	
Woolworths Limited	144,000	5,368		144,000	4,785	
		<u>43,152</u>	<u>5.90</u>		<u>34,957</u>	<u>3.70</u>
<i><b>Household &amp; Personal Products</b></i>						
Blackmores Limited	17,000	1,325	0.18	17,000	1,528	0.16
		<u>53,130</u>	<u>7.26</u>		<u>47,272</u>	<u>5.00</u>
<b>ENERGY</b>						
<i><b>Oil, Gas &amp; Consumable Fuels</b></i>						
Origin Energy Limited	1,139,489	6,654		1,139,489	8,330	
Santos Limited	1,594,352	8,450		1,069,352	7,571	
Woodside Petroleum Limited	262,428	5,682		199,928	7,269	
Ampol Limited (formerly Caltex Australia Limited)	100,000	2,932		100,000	2,475	
		<u>23,718</u>	<u>3.24</u>		<u>25,645</u>	<u>2.71</u>

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

SECTOR	2020			2019		
	No of shares or units	\$000	%	No of shares or units	\$000	%
<b>UTILITIES</b>						
<i><b>Gas Utilities</b></i>						
APA Group	959,991	10,685	1.46	959,991	10,368	1.10
<i><b>Multi-Utilities</b></i>						
AGL Energy Limited	1,627,757	27,753	3.80	1,627,757	32,571	3.44
		38,438	5.26		42,939	4.54
<b>INFORMATION TECHNOLOGY</b>						
<i><b>Software &amp; Services</b></i>						
Computershare Limited	20,000	265		20,000	324	
Link Administration Holdings Limited	207,000	849		-	-	
Domain Holdings Australia Limited	20,000	67		20,000	64	
		1,181	0.16		388	0.04
<b>TELECOMMUNICATION SERVICES</b>						
<i><b>Telecommunication Services</b></i>						
Telstra Corporation Limited	4,333,600	13,564	1.86	4,333,600	16,684	1.77
<b>INDUSTRIALS</b>						
<i><b>Capital Goods</b></i>						
CIMIC Group Limited	60,765	1,466		60,765	2,720	
Seven Group Holdings Limited	100,000	1,718		100,000	1,849	
Spicers Limited	-	-		721,864	50	
		3,184	0.44		4,619	0.49
<i><b>Commercial &amp; Professional Services</b></i>						
IPH Limited	141,000	1,052		141,000	1,052	
Brambles Limited	45,758	497		45,758	589	
Ovato Limited	100,000	1		100,000	7	
Left Field Printing Group Limited	9,072	1		9,072	1	
		1,551	0.21		1,649	0.17
<i><b>Transportation</b></i>						
Sydney Airport Limited	632,029	3,584		632,029	5,082	
Transurban Group	179,635	2,538		179,635	2,648	
Atlas Arteria	131,776	872		105,633	827	
		6,994	0.95		8,557	0.91
		11,729	1.60		14,825	1.57
<b>HEALTH CARE</b>						
<i><b>Health Care Equipment &amp; Services</b></i>						
Ansell Limited	222,854	8,179		222,854	5,984	
Sonic Healthcare Limited	82,370	2,507		82,370	2,232	
Healius Limited	303,945	927		303,945	918	
Estia Health Limited	160,000	246		160,000	422	
Japara Healthcare Limited	240,000	118		240,000	270	
Regis Healthcare Ltd	113,000	159		113,000	297	
		12,136	1.66		10,123	1.07
<b>TOTAL</b>		731,517	100.00		945,446	100.00

# CARLTON INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES

## 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 12 to 30, and the Remuneration Report on pages 9 to 10, 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 2020 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 2020.
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

:DIRECTORS

  
A J CLARK AM

Dated at Sydney 21 August 2020



# 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 2020 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 2020
- 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.

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 (\$731,517,000)

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 97% of the Group's total assets at year end;
- Importance of the performance of these investments in driving the Group's operating revenue and capital performance, as reported in the Financial Report; and

As a result, this was the area with 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 2020.
- 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 2020.
- 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 the 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.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 2020, 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 9 to 10 of the Directors' report for the year ended 30 June 2020.

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  
21 August 2020





# 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 2020 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 stylized, handwritten signature of the KPMG firm in blue ink.

KPMG

A handwritten signature of Duncan McLennan in blue ink.

Duncan McLennan

Partner

Sydney

21 August 2020