



Carlton Investments Limited
ABN 85 000 020 262

Chairman's Address to the 92nd Annual General Meeting of Shareholders

Ladies and Gentlemen,

Welcome to the 92nd Annual General meeting of Carlton Investments. After 90 years of face to face meetings, this is the second year in a row that we have had to hold a virtual meeting. Hopefully these difficult and unusual times, caused by the COVID-19 pandemic, will soon be a distant memory.

Results for the year ended 30 June 2021

Firstly, I will deal with the financial results for the year ended 30 June 2021.

The net profit for the year ended 30 June 2021 was \$21.03 million. This net profit result was well down on the prior year net profit of \$38.12 million and represented a decrease of 44.8%. Dividend and distribution income fell by 45.2% from \$39.8 million to \$21.8 million. No dividend was received in the year from the Group's largest holding, Event Hospitality and Entertainment, with the businesses of Event having been greatly impacted by public health restrictions due to COVID. This accounted for \$16.01 million of the decrease in dividends from those of the prior year. There was also a decrease in dividends and distributions across the Group's other investments, with the exception of our investments in mining companies where we saw dividends increase by \$1.77 million. Interest income also decreased from \$360,000 in 2020 financial year to only \$50,000 due to low interest rates.

Administration expenses totalled \$870,000 compared \$916,000 for the prior year. The management expense ratio, representing operating costs as a percentage of the average market value of assets, remained at 0.10%. This management expense ratio remains one of the lowest ratios for a listed investment company quoted on the Australian Securities Exchange.

Dividends

Total dividends paid in respect of ordinary shares for the financial year amounted to 67 cents per share, with an interim dividend of 26 cents paid in March 2021 and a final dividend of 41 cents paid on 20 September 2021. This compares with ordinary share dividends totalling \$1.11 per share paid in respect of the prior year. Total ordinary share dividends for the 2021 financial year represented a payout percentage of 84.4% of the net profit compared to 77.1% for the 2020 year. A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 20 September 2021, whilst an interim fully franked dividend of 7 cents per share was paid in March 2021.

Return to shareholders

The return to ordinary shareholders for the year to 30 June 2021, calculated by taking the movement in the net tangible asset backing together with dividends paid, was 38.9% compared with the movement in the S&P/ASX 200 Accumulation Index during the same period of 27.8%. As noted in the Annual Report, this high percentage return for the year to 30 June 2021 followed a 25% fall in the market value of the Group's investment portfolio during the COVID impacted second six months of the 2020 financial year.

Investments

A full list of the Group's equity investments by industry sectors, as at 30 June 2021, is shown on pages 27 to 29 of the Annual Report. At 30 June 2021 the market value of Group's equity investment portfolio totalled just over \$1 billion.

Investments (continued)

The Group purchased investments to the value of \$9.36 million during the year to 30 June 2021. Major additions to the investment portfolio were Bank of Queensland, Deterra Royalties, Macquarie Group, Tassal Group, Rio Tinto, NEXTDC and IPH. Also in June 2021, Woolworths demerged its drinks and hotel business into a newly listed entity, Endeavour Group, and the Group received shares in this entity which had a market value of \$906,000 at year end.

There continues to be no external borrowings and all acquisitions of equities are made from cash generated through the Group's operations.

The Group continues to invest in Australian listed entities to be held on a long term basis, which are considered to be well managed and are anticipated to provide attractive levels of sustainable income through predominantly franked dividends and also long term capital growth.

Cash in bank accounts and term deposits amounted to \$17.2 million at 30 June 2021 compared to \$23.6 million at the end of the previous financial year.

Corporate governance

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

The Board regularly reviews the Group's corporate governance practices and updates procedures as necessary and, where practicable, in line with current ASX Corporate Governance Principles and Recommendations. These practices include controls and procedures that the Board considers to be appropriate bearing in mind the nature and size of the Group's operations and the small number of personnel involved in the day to day management of the Group.

Operations for the three months to 30 September 2021

Now turning to the current financial year, dividends, distributions and other income received and receivable for the first quarter to 30 September 2021 totalled \$11.28 million compared to \$6.24 million for the prior year first quarter. It should be noted that the prior year first quarter income was greatly impacted by companies adopting very conservative dividend policies following the COVID-19 outbreak. In the September quarter there were large increases in dividends received from mining companies, however total dividend and distribution income remained well down on the pre COVID September 2019 quarter level of \$17.7 million particularly due to no dividend being received from Event.

As at 30 September 2021, the total market value of the Group's equity investment portfolio was \$1.07 billion compared with \$1 billion as at 30 June 2021. The share price of Event Hospitality and Entertainment recovered strongly during the first quarter with a 20.7% increase between its 30 June and 30 September share price.

The Group's top 20 investments, as at 30 September, are available on the ASX website and also our Company's website. There were no investments purchased or sold during the first quarter of the financial year.

Finally, I would like to thank my co-directors, our company secretary Mr Peter Horton and our compliance manager Ms Barbara Thompson for their efforts during the year and on behalf of the Board I would also like to thank shareholders for your continuing interest in and support for the company.

Alan G Rydge
Chairman
19 October 2021