



Carlton Investments Limited  
ABN 85 000 020 262

Chairman's Address to the  
93rd Annual General Meeting of Shareholders

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Friends and Shareholders,

**Results for the year ended 30 June 2022**

I would firstly like to comment on the financial results for the year ended 30 June 2022.

The net profit for the year ended 30 June 2022 was \$33.76 million compared to a net profit of \$21.03 million in the prior financial year, representing a 60.5% increase. Dividend and distribution income received in the prior 2021 financial year was greatly impacted by COVID related issues and in that year we saw the net profit fall by 44.8%. It should also be noted that the 2022 profit result included a one-off, fully franked in-specie dividend of Woodside Energy shares valued at \$4.75 million, paid by BHP, resulting from the merger of BHP's petroleum business into Woodside Energy. The 2022 profit result, before this BHP in-specie dividend, was \$29.00 million, representing an increase on the prior year of 37.9%.

Consistent with the prior year, no dividends were received from the Group's largest holding, EVT, formerly Event Hospitality and Entertainment, whose businesses continued to be partly impacted by COVID public health restrictions. The last dividends received from EVT were in the 2020 financial year and totalled just over \$16 million.

Special dividends received in the 2022 financial year, in addition to the BHP in-specie dividend already mentioned, totalled \$1.21 million, compared with \$1.35 million in the prior year.

Administration expenses totalled \$898,000 compared \$870,000 for the prior year. The management expense ratio, representing operating costs as a percentage of the average market value of assets, for the year was 0.09%, compared to 0.10% in the prior year. This management expense ratio remains one of the lowest ratios for a listed investment company quoted on the Australian Securities Exchange.

**Dividends**

A final fully franked dividend of 44 cents per ordinary share, plus a special fully franked dividend of 14 cents per share was paid to shareholders on 19 September 2022. The special dividend of 14 cents per ordinary share was paid in recognition of the in-specie dividend received from BHP. Total ordinary dividends, excluding the special dividend, amounted to 84 cents per ordinary share for the year, an increase of 17 cents per ordinary share on that paid in respect of the 2021 financial year.

A final fully franked dividend of 7 cents per share was paid to preference shareholders also on 19 September 2022, whilst an interim fully franked dividend of 7 cents per share was paid in March 2022.

**Return to shareholders**

Investment market values fell sharply in June 2022, with heightened concerns about inflation, rising interest rates and other emerging global economic challenges. After a very high percentage return to ordinary shareholders of 38.9% for the 2021 financial year, the return for the year to 30 June 2022, calculated by taking the movement in the net tangible asset backing together with dividends paid, was minus 2.1%. This negative return compared to a decrease in the S&P/ASX 200 Accumulation Index during the same period of 6.5%.

## **Investments**

A full list of the Group's equity investments by industry sectors, as at 30 June 2022, is shown on pages 29 to 32 of the Annual Report. At 30 June 2022 the market value of Group's equity investment portfolio totalled \$949.3 million.

The Group also releases a list of its top thirty investment holding, representing over 90% of the value of its total investment holdings, through the ASX at the end of each quarter and also publishes this list on its website.

The Group purchased investments with a total value of \$8.8 million during the year to 30 June 2022. The larger additions to the investment portfolio were in BHP, Telstra, Resmed, South32, Bank of Queensland, Ramsay Healthcare, Woolworths and Transurban. The Group also received additional shares in Woodside Energy via the BHP in-specie dividend paid, as noted above, and shares in The Lottery Corporation via the demerger by Tabcorp of its lottery business.

Investments in Sydney Airports, Japara Healthcare, CIMIC and Crown Resorts were disposed of during the 2022 financial year for total consideration of \$7.8 million. All these disposals resulted from takeovers or takeover offers received. During the year to 30 June 2022, there were also large capital returns, totalling \$4.3 million, received from Wesfarmers and Boral.

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.

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

Cash in bank accounts and term deposits amounted to \$27.5 million at 30 June 2022 compared to \$17.2 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 the 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 2022**

Turning now to the current financial year, dividends, distributions and other income received and receivable for the first quarter to 30 September 2022 totalled \$10.59 million compared to \$11.28 million for the prior year first quarter. In the prior year September quarter, we saw a large increase in dividends received, particularly from mining companies, including some special dividends paid. Although we saw dividend levels increase across much of the portfolio, the level of dividends received from mining companies in the September 2022 quarter was well down compared to the prior year first quarter.

As at 30 September 2022, the total market value of the Group's equity investment portfolio was \$935.7 million compared with \$949.3 million as at 30 June 2022. Market volatility has continued, with ongoing concerns about the economic challenges ahead caused by inflation, higher interest rates and potential lower consumer spending and economic growth. With this ongoing market volatility, the Group will continue to seek to purchase additional investments when it is considered that valuations represent good long term value. During the quarter to 30 September 2022 the Group has purchased shares, with a total value of \$4.28 million, in ANZ Banking Group, JB Hi-Fi, and South 32. There were no investment disposals during the first quarter of the financial year.

It is pleasing to note that, subsequent to 30 September, EVT has announced that they will pay a fully franked special dividend and the Group will receive \$3.69 million from EVT next month.

As previously announced, Mr Tony Clark will retire as a director at the conclusion of this meeting. Tony was appointed a director in June 2000 and has served on the Board for over 22 years. During this period, he has also served as Chairman of both the Audit and Risk Committee and the Nominations and Remunerations Committee. Tony has made a very significant contribution to Board deliberations and has provided sound advice on a wide range of issues during his time on the Board. On behalf of the Board, company employees and shareholders, I would like to thank Tony for his contribution and wish him all the very best for the future.

Finally, I would like to thank my other co-directors, our company secretary Mr Peter Horton and our compliance manager Ms Barbara Thompson for their efforts during the year. This is also the final Carlton AGM for our KPMG audit partner, Duncan McLennan, who is rotating off the audit and I would like to thank Duncan for his work over the last five years. 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  
27 October 2022