

Company Announcements  
Australian Stock Exchange, Sydney

15 February 2018

**Announcement of Half-Year Results – 31 December 2017**


Half-year information given to the ASX under Listing Rule 4.2A

Please find attached the following documents with respect to the Group's results for the half-year ended 31 December 2017:

- Appendix 4D; and
- Interim financial report for the half-year ended 31 December 2017, including the auditor's unqualified review report.

This information should be read in conjunction with the most recent Annual Report of the Group for the financial year ended 30 June 2017.

Yours' sincerely,



Biju Vikraman  
Company Secretary

# Appendix 4D

Lodged with the ASX under Listing Rule 4.2A.3  
Results for Announcement to the Market

## Half-Year Ended 31 December 2017

(Previous corresponding period – Half-Year Ended 31 December 2016)

				\$
Revenue from ordinary activities	up	13%	to	4,869,487
Profit from ordinary activities before tax attributable to members	down	13%	to	853,717
Profit from ordinary activities after tax attributable to members	down	79%	to	590,186

Dividends per share	Amount per security	Franked amount per security
Interim Dividend – FY18 (proposed)	1.5 cents	1.5 cents
Final Dividend – FY17 (paid)	1.5 cents	1.5 cents

Record date for determining entitlements to the interim dividend is

22 March 2018

### Explanation of Revenue

Revenue from continuing operations for the half-year totalled \$4,869,487 (HY16: \$4,320,870) representing a 13% increase over the previous corresponding period.

On 14 July 2017, Clime acquired 100% equity of CBG Asset Management Ltd (CBG). Since the acquisition date, CBG has contributed revenue of \$675,155 and a profit before tax of \$100,401 which is included within the consolidated profit.

Funds management fees of \$4,379,112 increased from \$3,724,297 earned in HY2016, on account of higher FUM and CBG Acquisition. Gross FUM as at 31 December 2017 was \$811 million compared to \$607 million in December 2016.

Software revenue from StocksinValue business was \$301,645 compared to \$383,858 in HY2016 as a result of drop in membership levels.

Direct investment income dropped from \$820,487 in HY16 to \$475,007 this half year, mainly due to mark-to-market movements on our investments in Clime Capital Limited.

### Explanation of Net Profit

Clime Investment Management Limited recorded an after-tax profit attributable to members of \$590,186 for the half-year to 31 December 2017 (31 December 2016: \$663,775 before abnormal items). Prior year profit after-tax included a one-off tax benefit of \$1,941,185 and other income of \$140,750 arising from the in-specie distribution to shareholders of the Company's 21.75% direct stake in Jasco Holdings Limited in November 2016.

Administration expenses were \$3,864,380 (compared to \$3,705,228 for HY16).

### Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share before tax	\$0.17	\$0.20
Net tangible asset backing per ordinary share after tax	\$0.17	\$0.20

### Dividends

Details of dividends/distributions declared or paid during or subsequent to the six months ended 31 December 2017 are as follows:

Record Date	Payment Date	Type	Amount per security	Total Dividend \$000's	Franked amount per security	Foreign sourced dividend amount per security
26 September 2017	6 October 2017	Final	1.5 cents	850	1.5 cents	-
22 March 2018	12 April 2018	Interim	1.5 cents	850	1.5 cents	-

### Dividend/Distribution Reinvestment Plans

The consolidated entity does not currently operate a dividend/distribution reinvestment plan.

### Associates and Joint Venture entities

Name	Ownership Interest		Contribution to net profit	
	Current period %	Previous corresponding period %	Current period \$	Previous corresponding period \$
Clime Super Pty Limited	50	-	9,846	-

### Review

This report is based on accounts that have been reviewed. The unqualified review report is attached on page 18 of the attached Interim Financial Report.

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Clime Investment  
Management  
Limited

Interim Financial Report -  
31 December 2017

 **clime**



CBG



**GENERAL PURPOSE INTERIM FINANCIAL REPORT 31 DECEMBER 2017**

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Dear Shareholders

Your Directors present their report on the consolidated entities ("Group" or "Clime") consisting of Clime Investment Management Limited and its controlled entities for the half-year ended 31 December 2017.

## Directors

The following persons were Directors of Clime Investment Management Limited during the financial period and up to the date of this report:

Donald McLay	-	Non-executive Chairman
John Abernethy	-	Managing Director
Neil Schafer	-	Independent Director
Allyn Chant	-	Independent Director

## Review of Operations

**Gross balances of FUM as at 31 December 2017 total \$811m (\$599m as at 30 June 2017) were as follows:**

<u>Gross Funds under Management (FUM)</u>	<u>31 December 2017</u>	<u>30 June 2017</u>
Clime Individually Managed Accounts	\$395 million	\$379 million
Clime Capital Limited /CBG Capital Limited	\$131 million	\$80 million
Managed Funds and mandates	\$285 million	\$140 million

It should be noted Clime Individually Managed Accounts do have funds invested in Clime Managed Funds. Clime had positive funds inflows from new and existing investors for the 6-month period to 31 December 2017 and positive performances across all portfolios.

On 14 July 2017, Clime acquired 100% equity of CBG Asset Management Ltd (CBG). The acquisition cost was \$3,625,000 comprising \$3,250,000 (in shares) on completion and \$375,000 (in shares) in 12 months based on the fulfilment of certain warranties relating to funds under management retention and delivery of agreed outcomes. CBG acquisition resulted in increase of FUM by \$130 million. Refer to Note 5 for further details on CBG acquisition.

## Half-Year Result

Underlying cash profit for HY 2017 at \$1,140,532 is higher than the \$1,071,774 achieved in the previous corresponding period.

Operating business margin for the 6 months ended 31 December 2017 was \$655,679 (HY 2016: \$250,797), an increase of \$404,882. This improvement was offset by a decrease in balance sheet income of \$345,480 from \$820,487 to \$475,007.

Clime recorded an after-tax profit attributable to members of \$590,186 for the half-year to 31 December 2017 (HY 2016: \$663,775 before abnormal items). Prior year profit after-tax included a one-off tax benefit of \$1,941,185 and other income of \$140,750 arising from the in-specie distribution to shareholders of the Company's 21.75% direct stake in Jasco Holdings Limited in November 2016.

The operating result is reported after amortisation of \$284,891 compared with \$236,611 during HY to 31 December 2016.

As at 31 December 2017 the Company had a balance of \$631,051 in franking credits.

Earnings per share for the six-month period to 31 December 2017 was 1.1 cents per share (31 December 2016: 5.6 cents per share).

**Review of financial results**

Below is a summary of the Group's Statement of Profit or Loss to enable shareholders to distinguish between the operational investment management business and the balance sheet investment components.

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
Funds Management and related activities revenue	4,379,112	3,724,297
Investment Software revenue	301,645	383,858
Administration and occupancy costs – fixed in nature	(3,115,225)	(2,899,265)
Third party custody, Management & Fund administration services	(518,035)	(525,984)
<b>Operating business activities revenue less fixed admin costs</b>	<b>1,047,497</b>	<b>682,906</b>
FUM growth incentives and marketing	(391,818)	(432,109)
Operating business margin	<b>655,679</b>	<b>250,797</b>
Balance sheet income	475,007	820,487
Income from associate and joint venture	9,846	490
<b>Underlying cash profit</b>	<b>1,140,532</b>	<b>1,071,774</b>
Other (expenses)/income	(1,924)	140,750
Amortisation of intangibles	(284,891)	(236,611)
<b>Statutory profit before income tax</b>	<b>853,717</b>	<b>975,913</b>

Funds management fees of \$4,379,112 increased from \$3,724,297 earned in HY2016, on account of higher FUM and CBG Acquisition. Gross FUM as at 31 December 2017 was \$811 million compared to \$607 million at 31 December 2016.

Software revenue from the StocksinValue business was \$301,645 compared to \$383,858 in HY2016 as a result of drop in membership levels.

Fixed administration costs and occupancy costs rose to \$3,115,225 in HY2017 from \$2,899,265 incurred in HY2016, primarily as result of various strategic initiatives undertaken by the board to grow the operating business. \$115,000 of expenses related to these initiatives. Our core funds management business costs have been held at stable levels.

Third Party Custody, Management & Funds Administration service costs have reduced marginally in the half year to \$518,035 from \$525,984 incurred in HY2016.

Balance sheet income comprises dividend, interest income, realised gains as well as mark-to-market of our investment in Clime Capital Limited. For the 6 months to December 2017 we had \$238,158 (2016: \$222,576) of income and \$236,849 (2016: \$597,911) mark-to-market gain in Clime Capital Limited shares.

Amortisation increased slightly this half year from \$236,611 to \$284,891 on account of additional amortisation of intangible assets acquired in CBG.

**Summary of Total Equity**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
The Total Equity at balance date comprised the following:		
Cash and cash equivalents	4,242,063	4,370,278
Trade and other receivables less payables	(655,629)	(699,374)
Listed investments – Clime Capital Limited	5,384,628	4,858,417
Unlisted investments	922,795	1,158,800
Other tangible assets less liabilities	(728,684)	(829,195)
<b>Net Tangible Assets</b>	<b>9,165,173</b>	<b>8,858,926</b>
Intangibles – Goodwill and management contracts	9,090,392	6,500,963
Deferred tax assets	474,784	341,134
<b>Total Equity</b>	<b>18,730,349</b>	<b>15,701,023</b>
No. of Ordinary Shares on Issue as at 31 December / 30 June 2017	<b>55,074,243</b>	<b>48,574,243</b>
<b>Equity per Share</b>	<b>34.0 cents</b>	<b>32.3 cents</b>
<b>Net Tangible Assets per Share</b>	<b>16.6 cents</b>	<b>18.2 cents</b>

## **Dividend**

During the six months to December 2017 shareholders received 1.5 cents per share fully franked dividend amounting to \$849,739 which was paid in October 2017.

## **Subsequent Events**

An interim dividend of 1.5 cents per share (100% franked), totalling \$849,738 has been declared by the directors. This provision has not been reflected in these accounts.

On 4 January 2018, the Company announced its intention on refreshing its ability to implement an on-market buy back (within the 10/12 limit) for a further 12-month period which will commence from 19 January 2018 and end on 18 January 2019. During this period, the Company has the ability to buy a maximum of 5,664,924 fully paid ordinary shares.

No other matters or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the future financial periods.

## **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

## **Rounding off of amounts**

In accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



Donald McLay  
Chairman



John Abernethy  
Managing Director

Sydney, 14 February 2018

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF CLIME INVESTMENT MANAGEMENT LIMITED  
ABN 37 067 185 899**

In relation to the independent auditor's review for the half-year ended 31 December 2017, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Clime Investment Management Limited and the entities it controlled during the period.



**M GODLEWSKI**  
Partner

**PITCHER PARTNERS**  
Sydney

**14 February 2018**

# **Clime Investment Management Limited**

## **Interim Financial Statements - 31 December 2017**

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These interim financial statements do not include all the notes of the type normally included in an annual report. Accordingly, these statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Clime Investment Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

	<b>Half-year</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
Revenue	<b>4,869,487</b>	4,320,870
Net realised and unrealised gain on financial assets at fair value through profit or loss	<b>286,277</b>	607,772
Other income	-	140,750
Occupancy expenses	<b>(148,220)</b>	(120,614)
Depreciation and amortisation expenses	<b>(299,293)</b>	(268,127)
Administration expenses	<b>(3,864,380)</b>	(3,705,228)
Share of profit of associate and joint venture	<b>9,846</b>	490
<b>Profit before income tax</b>	<b>853,717</b>	975,913
Income tax expense attributable to operating profit	<b>(263,531)</b>	(171,388)
Income tax benefit arising from de-recognition of deferred tax liability – refer note 8	-	1,941,185
Total income tax (expense)/benefit	<b>(263,531)</b>	1,769,797
<b>Profit for the period</b>	<b>590,186</b>	2,745,710
Other comprehensive income, net of income tax	-	(142,506)
<b>Total comprehensive income attributable to members of Clime Investment Management Limited</b>	<b>590,186</b>	2,603,204
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	<b>1.1 cents</b>	5.6 cents
Diluted earnings per share	<b>1.1 cents</b>	5.5 cents

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2017

Clime Investment Management Limited and Controlled Entities

	<b>31 December 2017 \$</b>	<b>30 June 2017 \$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>4,242,063</b>	4,370,278
Trade and other receivables	<b>774,732</b>	552,974
Other current assets	<b>161,915</b>	121,971
Financial assets at fair value through profit or loss	<b>6,296,977</b>	6,017,217
Current tax assets	<b>316,169</b>	303,732
Total Current Assets	<b>11,791,856</b>	11,366,172
<b>Non-Current Assets</b>		
Investments accounted for using the equity method	<b>10,446</b>	-
Property, plant and equipment	<b>62,437</b>	51,206
Deferred tax assets	<b>474,784</b>	341,134
Intangible assets	<b>3,768,508</b>	3,149,399
Goodwill	<b>5,321,884</b>	3,351,564
Total Non-Current Assets	<b>9,638,059</b>	6,893,303
<b>Total Assets</b>	<b>21,429,915</b>	18,259,475
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	<b>1,746,529</b>	1,556,080
Unearned revenue	<b>595,618</b>	786,523
Provisions	<b>249,433</b>	172,055
Total Current Liabilities	<b>2,591,580</b>	2,514,658
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	<b>107,986</b>	43,794
Total Non-Current Liabilities	<b>107,986</b>	43,794
<b>Total Liabilities</b>	<b>2,699,566</b>	2,558,452
<b>Net Assets</b>	<b>18,730,349</b>	15,701,023
<b>EQUITY</b>		
Issued capital	<b>17,072,370</b>	13,822,370
Reserves	<b>194,677</b>	155,798
Retained earnings	<b>1,463,302</b>	1,722,855
<b>Total Equity</b>	<b>18,730,349</b>	15,701,023

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

Consolidated	Issued capital	Share-based payments reserve	Other reserves	Retained earnings	Total
	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2016</b>	<b>21,860,316</b>	<b>91,812</b>	<b>142,506</b>	<b>1,424,778</b>	<b>23,519,412</b>
Profit for the period	-	-	-	2,745,710	2,745,710
Other comprehensive income for the period net of tax	-	-	(142,506)	-	(142,506)
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>(142,506)</b>	<b>2,745,710</b>	<b>2,603,204</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
- On-market buy-back, including transaction costs	(142,599)	-	-	-	(142,599)
- Recognition of share-based payments	-	32,003	-	-	32,003
- In-specie distribution of equity accounted investment	(7,802,806)	-	-	-	(7,802,806)
- Dividends provided for or paid	-	-	-	(1,511,883)	(1,511,883)
<b>Balance as at 31 December 2016</b>	<b>13,914,911</b>	<b>123,815</b>	<b>-</b>	<b>2,658,605</b>	<b>16,697,331</b>
Profit / (loss) for the period	-	-	-	(184,580)	(184,580)
Other comprehensive income for the period net of tax	-	-	-	-	-
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(184,580)</b>	<b>(184,580)</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
- On-market buy-back, including transaction costs	(92,541)	-	-	-	(92,541)
- Recognition of share-based payments	-	31,983	-	-	31,983
- Dividends provided for or paid	-	-	-	(751,170)	(751,170)
<b>Balance as at 1 July 2017</b>	<b>13,822,370</b>	<b>155,798</b>	<b>-</b>	<b>1,722,855</b>	<b>15,701,023</b>
Profit for the period	-	-	-	590,186	590,186
Other comprehensive income for the period net of tax	-	-	-	-	-
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>590,186</b>	<b>590,186</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
- Recognition of share-based payments	-	38,879	-	-	38,879
- Shares issued as consideration for CBG acquisition	3,250,000	-	-	-	3,250,000
- Dividends provided for or paid	-	-	-	(849,739)	(849,739)
<b>Balance as at 31 December 2017</b>	<b>17,072,370</b>	<b>194,677</b>	<b>-</b>	<b>1,463,302</b>	<b>18,730,349</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT CASH FLOWS**

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

	<b>Half-Year</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Fees received in the course of operations	5,000,414	4,150,180
Expense payments in the course of operations	(5,052,612)	(4,114,214)
Dividends and distributions received	143,164	147,250
Dividends received from associate	-	47,594
Interest received	36,581	39,557
Income tax paid	(122,918)	(341,605)
	<u>4,629</u>	<u>(71,238)</u>
Proceeds on sale of financial assets at fair value through profit or loss	1,682,464	2,305,344
Payments for financial assets at fair value through profit or loss	(1,666,961)	(415,039)
	<u>15,503</u>	<u>1,890,305</u>
<b>Net cash inflow provided by operating activities</b>	<u>20,132</u>	<u>1,819,067</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant & equipment	(23,952)	(5,000)
Proceeds from acquisition of subsidiary net of cash	725,944	-
Payment for investment in joint venture	(600)	-
Proceeds from sale of equity accounted investment	-	900,000
<b>Net cash inflow provided by investing activities</b>	<u>701,392</u>	<u>895,000</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for shares bought back (net of transaction costs) – refer note 3	-	(142,598)
Dividends paid to company's shareholders	(849,739)	(1,511,883)
<b>Net cash used in financing activities</b>	<u>(849,739)</u>	<u>(1,654,481)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(128,215)</u>	<u>1,059,586</u>
Cash and cash equivalents at beginning of the period	<u>4,370,278</u>	<u>4,114,062</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>4,242,063</u></u>	<u><u>5,173,648</u></u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

### NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

#### (a) Basis of accounting

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

These half-year financial statements are prepared in accordance with the historical cost convention with the exception of the valuation of investments.

These condensed half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made by the Group during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### Details of Reporting Period

The current reporting period is the half year ended 31 December 2017. For the Statement of Profit or Loss and Other Comprehensive Income, State of Changes in Equity and the Statement of Cash Flows, the previous corresponding period is the half year ended 31 December 2016. For the Statement of Financial Position, the previous corresponding date is 30 June 2017.

#### (b) Accounting policies

The accounting policies applied in these interim financial statements have been applied consistently throughout the period and are the same as those applied in the Group's financial statements as at and for the year ended 30 June 2017.

There are no new and revised accounting requirements significantly affecting the half yearly financial report. The half year financial report was authorised for issue on 14 February 2018.

#### (c) Rounding off of amounts

In accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise stated.

### NOTE 2: DIVIDENDS

	Half-year	
	2017	2016
	\$	\$
<b>Fully Paid Ordinary Shares</b>		
1.5 cents per share (2016: 3 cents) fully franked dividends were paid during the period in respect of the previous financial year	<b>849,739</b>	<b>1,511,883</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

### NOTE 3: ISSUING AND REPURCHASES OF EQUITY SECURITIES

	Half-year		Half-year	
	2017 No. of Shares	2016 No. of Shares	2017 \$	2016 \$
<b>Issuing and repurchases of ordinary shares during the half-year</b>				
- Ordinary shares issued for acquisition of CBG Asset Management Limited	6,500,000	-	3,250,000	-
- On-market buy-back of ordinary shares during the half-year	-	259,093	-	142,599

#### Employee Incentive Scheme ("EIS")

As at 31 December 2017, there are 1,575,000 (December 2016: 1,375,000) EIS 'in-substance' options on issue. During the period, nil (December 2016: 400,000) in-substance options were granted, nil (December 2016: 75,000) in-substance options were transferred/forfeited during the period, and none of the in-substance options were exercised.

Share options granted under the Company's employee incentive scheme carry no rights to dividends and no voting rights.

#### Shares issued for acquisition of CBG Asset Management Limited

On 14 July 2017, Clime acquired 100% of the share capital of CBG Asset Management Limited. Initial consideration of \$3,250,000 was settled on 14 July 2017 by issuance of 6,500,000 ordinary shares in the Company at 50 cents per share, being the weighted average market price, over the past 30 trading days. The contingent consideration of \$375,000 will be settled by issuance of 750,000 shares on 15 July 2018, subject to meeting agreed outcomes. Refer to Note 5 for details.

### NOTE 4: SEGMENT INFORMATION

Our internal reporting system produces reports in which business activities are presented in a variety of ways. Based on these reports, the Executive Board, which is responsible for assessing the performance of various components of the business and making resource allocation decisions as our Chief Operating Decision Maker (CODM), evaluates the business activities in a number of different ways. The Group's reportable segments under AASB 8 are as follows:

- Funds management
- Investment software subscription
- Direct investments

#### *Funds Management*

The Group's Funds Management businesses, Clime Asset Management Pty Ltd and CBG Asset Management Limited are based in Sydney. These businesses generate operating revenue (investment management and performance fees) as remuneration for managing the investment portfolios of individuals and corporations.

#### *Investment Software Subscriptions*

Revenue generated from external subscriptions to the Group's proprietary web-based investment software, StocksinValue, is included within this segment.

#### *Direct Investments*

Includes revenue generated by the Group's direct investments in listed and unlisted securities and managed investment schemes. A significant proportion of the Group's direct investments are 'self-managed' and include material investments in the ASX listed company Clime Capital Limited and the unlisted, unregistered managed fund, Clime Smaller Companies Fund.

There have been no changes in basis of segmentation or basis of segment profit or loss since the previous financial report.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

### NOTE 4: SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment Profit/ (Loss)	
	Half-year ended		Half-year ended	
	31 Dec 2017 \$	31 Dec 2016 \$	31 Dec 2017 \$	31 Dec 2016 \$
Funds management	4,379,112	3,724,297	917,300	829,543
Investment Software	301,645	383,858	138,452	(54,223)
Direct investments	475,007	820,487	475,007	820,487
	<u>5,155,764</u>	<u>4,928,642</u>	<u>1,530,759</u>	<u>1,595,807</u>
Share of profits of associate and joint venture accounted for using the equity method			9,846	490
Central administration costs			(686,888)	(620,384)
Profit before tax from continuing operations			<u>853,717</u>	<u>975,913</u>
Income tax expense			(263,531)	1,769,797
Consolidated segment revenue and profit for the period	<u>5,155,764</u>	<u>4,928,642</u>	<u>590,186</u>	<u>2,745,710</u>

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associate and joint venture, and income tax. This is the measure reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance.

Information about the segment assets and liabilities are not regularly reviewed by the CODM. As a result information relating to segment assets and liabilities are not presented.

### NOTE 5: BUSINESS COMBINATION

On 14 July 2017, Clime acquired 100% of the share capital of CBG Asset Management Limited (CBG). CBG is an Australian equities fund manager, founded in 2002.

Bringing CBG to Clime Group immediately increases FUM of the group by \$130 million and also enhances the Clime Private Wealth offering which is being developed by the Group. CBG product range extends the investment solutions, by offering the clients with a choice between CBG's equity performance funds and Clime's risk adjusted lower volatility approach. The combined funds management team is of both significant depth and experience and offering broader research capability.

#### Consideration

Clime acquired 100% share capital of CBG by initial consideration of \$3,250,000 and contingent consideration of \$375,000. On 14 July 2017, initial consideration of \$3,250,000 was settled by issuance of 6,500,000 ordinary shares in the Company at 50 cents per share, being the weighted average market price, over the past 30 trading days. The contingent consideration of \$375,000 will be settled by issuance of 750,000 shares on 15 July 2018, subject to meeting agreed outcomes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

### NOTE 5: BUSINESS COMBINATION (Continued)

Details of the purchase consideration:

	\$
Cash paid	-
Shares issued (i)	3,250,000
Contingent (deferred) consideration – shares issued (ii)	375,000
Total purchase consideration	<u>3,625,000</u>

- (i) Shares were issued as part of the consideration at an issue price of \$0.50, which was based on the weighted average market price, over the past 30 trading days prior to acquisition date on 14 July 2017.
- (ii) Contingent consideration is only payable if various performance conditions are met as at 30 June 2018. Based on Directors' assessment as at 31 December 2017, contingent consideration is likely to be payable as at 15 July 2018.

### Assets and Liabilities acquired

Assets and liabilities acquired as a result of the business combination were:

	<b>Recognised on acquisition at fair value</b>
Assets and liabilities acquired	\$
- Cash and cash equivalent	725,944
- Trade and other receivables	143,133
- Deferred tax assets	182,122
- Fixed assets	1,681
- Current tax benefit	40,387
- Investment Management Agreements	904,000
- Trade and other liabilities	<u>(342,587)</u>
Net identifiable assets acquired	\$1,654,680
Add: Goodwill arising on acquisition	<u>\$1,970,320</u>
Total purchase consideration	<u>\$3,625,000</u>

The goodwill on acquisition comprises:

- Broader product range offer including rated retail products, wholesale fund and listed investment company;
- Synergies from cost-saving on operating and overhead expenses; and
- More experienced Funds Management team.

Goodwill is not deductible for tax purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

### NOTE 5: BUSINESS COMBINATION (Continued)

The following table provides a reconciliation of the opening and closing balances of goodwill by segment for the reporting period.

	Funds management	Investment Software	Total
	\$	\$	\$
Gross amount as at 1 July 2017	3,026,564	325,000	3,351,564
Less: accumulated impairment losses	-	-	-
Opening carrying amount	3,026,564	325,000	3,351,564
Goodwill acquired during the period	1,970,320	-	1,970,320
Impairment losses	-	-	-
Closing carrying amount as at 31 December 2017	4,996,884	325,000	5,321,884
Gross amount	4,996,884	325,000	5,321,884
Less: accumulated impairment losses	-	-	-
Closing carrying amount	4,996,884	325,000	5,321,884

#### Contribution since acquisition

Since the acquisition date, CBG has contributed revenue of \$675,155 and a profit before tax of \$100,401 which is included within the consolidated profit. Had the combination occurred from the beginning of the reporting period, revenue and operating profit before tax for the consolidated entity would have been \$4,920,331 and \$806,879 respectively.

#### Transaction costs

Transaction costs of \$14,379 were incurred in relation to the acquisition. These costs are included with administration expenses in the statement of profit or loss and other comprehensive income.

### NOTE 6: EVENTS OCCURRING AFTER THE REPORTING DATE

An interim dividend of 1.5 cents (fully franked) (2016: 1.5 cents 50% franked) per share, totalling \$849,738 (2016: \$751,170) has been declared by the directors. This provision has not been reflected in the financial statements.

On 4 January 2018, the Company announced its intention on refreshing its ability to implement an on-market buy back (within the 10/12 limit) for a further 12 month period which will commence from 19 January 2018 and end on 18 January 2019. During this period, the Company has the ability to buy a maximum of 5,664,924 fully paid ordinary shares.

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### NOTE 7: CONTINGENT LIABILITIES AND COMMITMENTS

There has been no material change in contingent liabilities or commitments since the last annual reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

### NOTE 8: FAIR VALUE MEASUREMENT

The Group measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Group has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

#### (i) Recognised fair value measurements

All financial instruments that are measured subsequent to initial recognition at fair value comprise financial assets at fair value through profit or loss, available-for-sale financial assets and contingent consideration.

At 31 December 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
- Listed equities	5,069,064	-	-	5,069,064
- Listed convertible notes	315,564	-	-	315,564
- Unlisted funds	-	912,349	-	912,349
	5,384,628	912,349	-	6,296,977

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
- Listed equities	4,858,417	-	-	4,858,417
- Unlisted funds	-	1,158,800	-	1,158,800
	4,858,417	1,158,800	-	6,017,217

#### (ii) Transfers between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

#### (iii) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values. Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior period.

#### (iv) Valuation technique

##### Listed Investment in equity

When fair values of publicly traded equities are based on quoted market prices in an active market, the instruments are included within Level 1 of the hierarchy. The Group values these investments at closing prices at year end.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

### NOTE 8: FAIR VALUE MEASUREMENT (CONTINUED)

#### (iv) Valuation technique (Continued)

##### Unlisted managed funds

The Group invests in managed funds, which are not quoted in an active market. The Group considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the Net Asset Value (NAV) of these funds may be used as an input into measure their fair value. In measuring this fair value, consideration is also paid to any transactions in the shares of the fund. Given the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classified these funds as Level 2.

### NOTE 9: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### (i) Jasco Holdings Limited

On 27 October 2016 Clime shareholders approved the separation of Clime's shareholdings in Jasco Holdings Limited via a new subsidiary company Clime Private Limited (Clime Private) and in specie distribution of Clime Private shares on a 1 on 1 basis by way of a capital reduction. The demerger was to simplify Clime's structure and to potentially unlock shareholder value. The distribution of Clime Private shares involved a reduction in Clime's paid up share capital (Contributed equity).

This demerger was completed on 11 November 2016.

As a result of this Demerger, the carrying value of Jasco Holdings Limited of \$7,802,806 at the record date (3 November 2016) was debited to the share capital account and Investments in Jasco de-recognised. Consequently, the deferred tax liability amount of \$1,941,185 carried in the books in relation to the unrealised gains was credited to the statement of profit or loss and other comprehensive income.

#### (ii) Clime Super Pty Limited

Effective 1 July 2017, Clime established a jointly owned corporate entity, Clime Super Pty Limited, with HLB Mann Judd (Wollongong) to provide SMSF administration services. HLB Mann Judd (Wollongong) has provided similar services on a direct service-provider basis in the past.

## DIRECTORS' DECLARATION

for the Half-Year ended 31 December 2017

Clime Investment Management Limited and Controlled Entities

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The Directors declare that:

- (a) in the directors' opinion, the financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*; and
  - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*; and
  - (ii) give a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance for the half-year ended on that date.
- (b) In the Directors' opinion, there are reasonable grounds, at the date of this declaration, to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors' and is signed for and on behalf of the Directors' by:



Donald McLay  
Chairman



John Abernethy  
Managing Director

Sydney, 14 February 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF CLIME INVESTMENT MANAGEMENT LIMITED  
ABN 37 067 185 899**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Clime Investment Management Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2017, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Clime Investment Management Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Clime Investment Management Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF CLIME INVESTMENT MANAGEMENT LIMITED  
ABN 37 067 185 899**

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Clime Investment Management Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



M GODLEWSKI  
Partner



PITCHER PARTNERS  
Sydney

15 February 2018

## Clime Investment Management Limited

ABN 37 067 185 899 | ACN 067 185 899



Level 7, 1 Market Street  
Sydney NSW 2000 Australia



PO Box Q1286 Queen Victoria Building  
NSW 1230 Australia



[www.clime.com.au](http://www.clime.com.au)



+61 2 8917 2100



+61 2 8917 2155



[info@clime.com.au](mailto:info@clime.com.au)