



Company Announcements Australian Stock Exchange, Sydney

26 August 2019

#### Announcement of Results – Year ended 30 June 2019

Please find attached the Appendix 4E and the Annual report for the year ended 30 June 2019.

Yours sincerely,

Biju Vikraman Company Secretary



## **Appendix 4E**

#### **Preliminary Final Report**

Lodged with the ASX under Listing Rule 4.3A

#### Year Ended 30 June 2019

(Previous corresponding period - 30 June 2018)

#### **Results for Announcement to the Market**

Revenue from ordinary activities	up	15%	to	\$12,447,639
Profit before tax attributable to members	up	53%	to	\$2,096,147
Profit after tax attributable to members	up	37%	to	\$1,461,444

Dividends per share	Amount per security	Franked amount per security
Interim dividend – FY19 (paid on 12 April 2019)	0.75 cents	0.75 cents
Final dividend – FY19 (proposed)	1.50 cents	1.50 cents

Record date for determining entitlements to the final dividend is

20 September 2019

#### **Explanation of Revenue from ordinary activities**

Gross Funds Under Management (FUM) was \$924 million as at 30 June 2019 compared with \$855 million as at 30 June 2018. As at 31 July 2019 Gross FUM increased to \$929 million.

#### Explanation of profit from ordinary activities after tax attributable to members

The Group generated an after-tax profit of \$1.5 million for the year (FY18: \$1.1 million). The operating result is reported after depreciation and amortisation expense of \$489,586 compared with \$603,418 during FY18.

Administrative expenses increased by 18% to \$10.22 million, compared to \$8.68 million in FY18. Increase in administrative expenses is mainly due to an increase in headcount and redundancy costs incurred in introducing Private Wealth Advisory services to enable Clime to meet a number of wealth management needs of our clients. Clime currently has 5 highly experienced Private Wealth advisers working from our offices in Sydney, Melbourne and Brisbane.

Please refer to the Annual Report for further information regarding Group performance.



#### Associates and Joint Venture entities

Name of the entities	Ownership Interest		Contributi	on to net profit
	Current Previous period corresponding period % %		Current period ذ	Previous corresponding period خ
Clime Super Pty Ltd – Joint	/0	70	Ş	Ŷ
Venture	50%	50%	13,130	2,808

#### Audit Status

This report is based on the Annual Report which is audited.



**Clime Investment Management Limited** 

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# Clime Investment Management Limited 2019 Annual Report



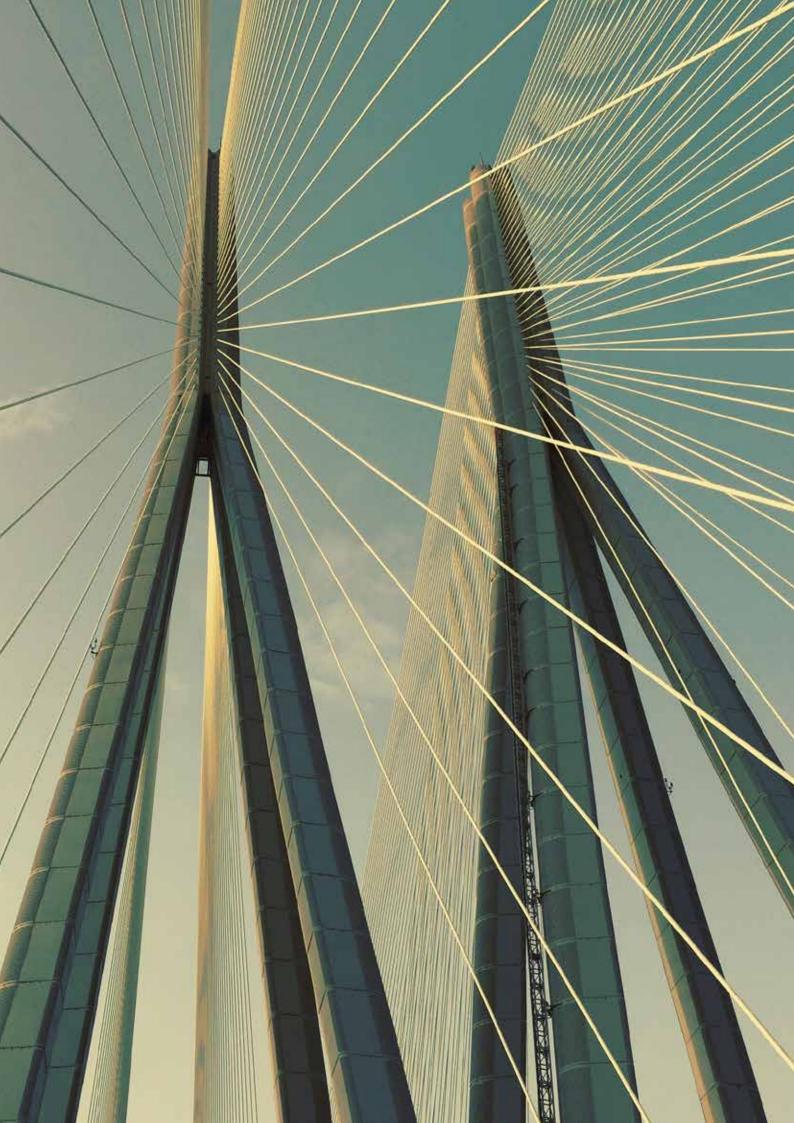


## Clime Investment Management Limited

## 2019 Annual Report

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# Chairman's Report



"Gross Funds Under Management grew during the 2019 financial year by \$69 million to \$924 million" The company has delivered a strong result assisted by positive market conditions. The CEO, Rod Bristow, discusses the operational performance in greater detail in his report.

The favourable investment environment has allowed us to successfully implement our new business initiatives which I outlined in the Chairman's report last year. Some realignment of people and objectives has taken place during the past financial year to ensure we have the staff capability to deliver the required outcomes. The new business initiatives are adjacencies to the traditional core business and diversify our income streams as well as widening the revenue base.

The financial year ending June 30, 2019 saw major disruption within the financial advice industry as a result of the Hayne Royal Commission which focused on poor fiduciary behaviour and legacy issues within mainstream financial advisory businesses, principally operated by large organisations, many of whom are now exiting the industry. We seek to take advantage of this short-term vacuum to grow our new advisory and third-party distribution capability without the burden of past baggage.

The current financial year is the first in our new three-year planning cycles. Our industry has reasonable lead times for both client acquisition and product development. The board believes that 3 years is an appropriate timeframe for strategic planning and performance management. We expect to see considerable growth in revenue, operating earnings and assets under management during this time frame.

Senior management has been strengthened and the CEO has assembled a group of experienced executives as his key reports to achieve the business initiatives. Our founder and Executive Director, John Abernethy, has facilitated this transition. John's principal focus is now providing high-quality investment market insights for internal teams and external clients.

Clime is almost unique as an investment manager who is prepared to invest time and resources seeking redress for investment clients who have lost money as a result of inappropriate corporate behaviour. Two years ago we initiated a shareholder class action against UGL Pty Limited because they failed to inform the Australian market about a deterioration in operating conditions that was disclosed to US investors. I am pleased to report that this action has now been successfully settled with the affected clients about to receive some clawback for the underperformance arising from this inappropriate corporate behaviour.

Directors are proposing a fully franked final dividend of 1.5 cents to be paid on 3 October 2019 which together with the fully franked interim dividend of 0.75 cents, makes a total of 2.25 cents per share which is lower from last year.

I would like to thank Rod and his team for the very strong foundations that they have been laying for our business expansion. All our 31 staff have clarity and direction in their roles and understand the outputs they need to deliver. Thank you.

Finally, thank you to my fellow directors. Change has been evolutionary and is now tangible. This change would not have been possible without the focus, persistence and support of my fellow directors, John Abernethy, Allyn Chant and Neil Schafer.

Donald McLay Chairman



## **Fund Ratings**



Clime Smaller Companies Fund

### $\star$ $\star$ $\star$ $\star$ $\star$

Clime International Fund

### $\star$ $\star$ $\star$ $\star$ $\star$

Clime Australian Income Fund

### $\star$ $\star$ $\star$

Clime CBG Australian Equities Fund











97 WEBINAR PARTICIPANTS

















007



# **CEO Report**



"Profit before tax attributable to members was \$2.10M, up 53% on the prior corresponding period" I am pleased to present Clime's results for the 2019 financial year, my first as Chief Executive.

We have achieved sound results across our underlying operating business, driven in large part by outstanding investment performance for our clients. This performance was achieved through evolution of our group investment process and methodology to focus on investing in quality companies with a strong valuation discipline. In addition, we launched two new strategic initiatives during the year: Private Wealth Advisory and third-party distribution of Clime investment products. These initiatives will build on our operating business to deliver improved results for shareholders over the medium term.

#### **Financial Highlights**

The underlying cash profit for the Group was \$3,218,150, up \$1,009,490 or 46% of the prior corresponding period (PCP). Statutory profit before income tax was \$2,096,147, up \$728,851 or 53% on PCP. Statutory profit after income tax was \$1,461,444, up \$397,185 or 37% on PCP. These are pleasing results in a transformational year for Clime.

This year's performance has been the result of a disciplined approach to execution of strategy. The markets Clime operates in are highly competitive and to succeed requires consistent investment performance; a deep understanding of our clients and how we meet their needs; and disciplined execution. We have introduced and built on these focus areas during the course of the year.

#### **Strategic Highlights**

Clime initiated a review of group strategy and operations in Q3 of the financial year. The review identified the opportunity to focus on generating increased return on equity via growing group assets under management; evolving Clime's investment process and methodology; bringing forward our Private Wealth Advisory initiative; commencing distribution of Clime's investment products through third parties (financial advisers); and ensuring Clime attracts and retains the best possible team members to execute on our strategy. Subsequently, these initiatives were commenced during the 2019 financial year.

We continued to leverage our core strengths while investing in new strategic initiatives that will deliver diversified income streams and a broader revenue base in coming years. These investments have been made without a requirement for additional capital from shareholders. This is facilitating a transition of our business from an asset manager to an integrated wealth management business offering asset management, private wealth advisory, investment management products and services for third parties (financial advisers), SMSF administration and a self-directed investor platform.

We also saw a significant uplift in investment performance in the second half of the year, in turn resulting in record performance fees generated. This was a pleasing result and reflective of the deep knowledge and experience of the Clime Investment Team, with over 150 years' collective experience. With the evolution introduced in FY2019, Clime's investment portfolios are managed reflecting our style of investing in quality stocks using a strong valuation discipline. Our objective is to achieve strong returns for clients in excess of the relevant benchmark for lower levels of risk, allowing Clime to grow and protect client capital in the accumulation phase and generate meaningful income in the retirement phase.

After receipt of ASIC approval of a variation to our Australian Financial Services License to offer private wealth advice, Clime Private Wealth was launched in November 2018. Clime has made a substantial investment in this new initiative and is now providing private wealth advisory services for high net worth and sophisticated investors. This includes offering tailored fee for service advisory support, which exceeded initial expectations in terms of client demand. Clime's multi-asset class investment solutions across Australian and International Equities, Fixed Income and Property offer clients diverse investment solutions that meet their needs for income generation and capital growth.

To support third party distribution, we converted a number of Clime managed funds from wholesale only to having wholesale and retail units available for investors. We also commenced the process of having these funds rated by independent ratings agencies. All of the funds rated received high quality investment ratings, demonstrating the capability of Clime's investment team and the quality of the products themselves. These ratings will be important in financial advisers having confidence to invest their clients' funds into Clime products. "Clime saw a significant uplift in investment performance in the second half of the year, in turn resulting in record performance fees generated." "We also continued our focus on educating investors, conducting more than 50 seminars and events around the country during the year"

#### **Operations**

With the acquisition of CBG Asset Management in July 2017, the final stages of integrating the investment teams and consolidating the group investment process and methodology into a single approach was achieved during the year.

In terms of products and services, we launched the Clime Fixed Interest Fund (CFIF) in April 2019. Recognising the 'lower for longer' interest rate scenario playing out, this Fund offers investors a low risk product with a target return of 1.5 – 2% above the RBA cash rate via investing in a range of fixed income opportunities. The CFIF is a core part of Clime's multi-asset class investment framework for clients. We also commenced the process of combining the two Listed Investment Companies (LIC's) managed by the group via a takeover; and bringing together a number of investment products with similar styles into single investment vehicles. Simplifying the investment products and strategies we manage is key to being able to operate efficiently and in a targeted manner to meet client needs now and into the future.

We also continued our focus on educating investors, conducting more than 50 seminars and events around the country during the year. The goal of Clime's investor education is to inspire event attendees to take positive action to improve their wealth. This is also important strategically as a new client acquisition strategy for our Private Wealth business. The process of conducting seminars and events and growing our database of over 40,000 subscribers has now been fully automated, allowing for Clime to tailor relevant content to specific audience requirements.

From a wealth management industry perspective, the 2019 financial year will be viewed through the lens of history as transformational; driven in large part by the Royal Commission into Banking and Financial Services. The stories from the Commission hearings were confronting and raised many questions about the financial services industry. For Clime, the Commission represented an opportunity given our strategic decision to commence offering Private Wealth Advisory services for wholesale clients. The Commission recommendations have been encapsulated in the Clime Private Wealth offering, providing a fresh start and a contemporary approach to providing services for wholesale clients.

Part of this is reflected in Clime's culture, based on our values of Integrity, Transparency and Conviction. A new Group HR framework, implemented in December 2018, provides clarity for all team members about group strategy and their role in delivery. Importantly, this includes appropriately weighting business outcomes (financial, risk management and compliance) and behavioural outcomes (values and behaviours, client focus) in performance appraisal. Clime considers how we achieve to be just as important as what we achieve. This is critical when developing and shaping the culture necessary for developing and sustaining the trust our clients have in the financial services we provide. Finally, Clime has been selective in recruiting key executives to our business to take our organisation forward. This has included new leaders in our Investment, Private Wealth and Distribution and Operations teams. The Clime Group leadership team now has significant experience and breadth of capability to lead the organisation for successful implementation of group strategy. These changes have set up Clime for future success, noting higher one-off restructuring costs than in the prior corresponding period as a result.

#### **Looking Ahead**

The outlook for 2020 is positive. Much like the companies in which we invest, our focus remains on generating sustainable, self-funded growth and expanding profitability.

To achieve these goals, we will continue to invest in our core business and new products and services where we achieve our target rate of return, including expanding our new strategic initiatives of Private Wealth Advice and third-party distribution. Importantly, we will also ensure we attract and retain high quality team members and exceed the expectations of our clients. While there remains much to do, the foundations are now in place for a successful period into the future.

I would like to thank all of the Clime Staff who have managed well through a period of significant change.

Finally, I'd like to thank the Clime Board, in particular Founder John Abernethy, for the smooth transition into the role and ongoing advice and support.

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Rod Bristow Chief Executive Officer Clime Investment Management Limited

"The outlook for 2020 is positive. Much like the companies in which we invest, our focus remains on generating sustainable, self-funded growth and expanding profitability."

CLIME. COM. AU





## Report from the Board

We are pleased to present the results of Clime Investment Management Limited and its controlled entities ("the Group") for the financial year ended 30 June 2019 (FY19).

#### **Key Highlights**

For FY19 the Group recorded a net profit before tax of \$2,096,147 compared with \$1,367,296 in FY18. Net profit after tax attributable to members was \$1,461,444 for FY19 compared with \$1,064,259 in FY18.

Group revenue increased by 15%, from \$10.9 million in FY18 to \$12.4 million in FY19. The Group's Gross FUM was \$924 million as at 30 June 2019, compared with \$855 million as at 30 June 2018.

The Group received performance fees during the year at \$2,727,511 (FY18: \$1,081,205) while revenue from Investment Software was \$0.4 million compared to \$0.5 million in FY18 in Stocks In Value Pty Ltd.

Interest and dividend income remained at \$371,000 this year. The Group's interest income declined in line with lower average interest rates and a lower average cash balance held.

Depreciation and amortisation expense decreased from \$603,000 in FY18 to \$490,000 in FY19. The decrease was mainly due to the full amortisation of one of its existing intangible assets in FY18.

Administration expenses were \$10.2 million (compared to \$8.7 million in FY18). As announced in the Company's Annual Report for the year ended 30 June 2018, this includes introducing Private Wealth Advisory services to enable Clime to meet a number of wealth management needs for our clients. Clime currently has 5 highly experienced Private Wealth advisers in our offices in Sydney, Melbourne and Brisbane.

"Directors are proposing a fully franked final dividend of 1.5 cents, making a total of 2.25 cents per share for the year."

#### **Review of Financial Results**

Below is a summary of the Group's profit and loss on a sector basis to enable shareholders to distinguish between the operational investment management business and the direct investment components.

	2019 (\$)	2018 (\$)
Funds management and related activities revenue	8,900,938	8,865,132
Investment software revenue	448,269	546,830
Administrative and occupancy expenses	(7,208,067)	(5,701,648)
Third party custody, management & funds administration services	(1,154,474)	(1,095,640)
Operating business activities revenue less administrative costs	986,666	2,614,674
FUM growth incentives and marketing	(418,707)	(1,334,682)
Operating business margin	567,959	1,279,992
Performance fees	2,727,511	1,081,205
Short-term incentives	(1,220,643)	(615,653)
Direct investment income	1,130,193	460,308
Income from joint venture	13,130	2,808
Underlying cash profit	3,218,150	2,208,660
Redundancy costs	(283,537)	(237,946)
Other non-recurring expenses	(348,880)	
Depreciation of property, plant and equipment	(42,826)	(33,636)
Amortisation of intangibles	(446,760)	(569,782)
Statutory profit before income tax	2,096,147	1,367,296
Income tax expense attributable to operating profit	(634,703)	(303,037)
Statutory profit after income tax	1,461,444	1,064,259

#### Summary of Total Equity

The Total Equity at balance date comprised the following:

	30 JUNE 2019 (\$)	30 JUNE 2018 (\$)
Cash and cash equivalents	4,199,534	4,735,297
Trade and other receivables less payables	394,756	(96,884)
Listed investments – Clime Capital Limited and CBG Capital Limited	5,856,758	5,021,646
Unlisted investments – Managed funds	10,000	-
Equity accounted investment - Clime Super Pty Ltd	13,730	3,408
Other tangible assets less liabilities	(833,196)	(751,292)
Net tangible assets	9,641,582	8,912,175
Intangible assets	8,371,147	8,805,501
Deferred tax assets	494,306	610,260
Total Equity	18,507,035	18,327,936
No. of ordinary shares on issue	54,737,771	54,933,362
Equity per share	33.8 cents	33.4 cents
Net tangible assets per share	17.6 cents	16.2 cents

#### Cashflow

Operating cash flow (pre impact of financial asset transactions) was positive \$1.1 million (\$0.4 million in FY18). This was primarily a function of the following:

- · An increase in cash receipts from operating activities of \$1.3 million;
- An increase in cash payments on operating activities of \$0.2 million; and
- An increase in tax paid by \$0.4 million.

The Group used net cash of \$0.1 million to purchase short term financial assets in FY19 compared to \$1.1 million net cash inflow generated from trading financial assets in FY18.

Thus, the net cash inflow from operating activities was \$1.0 million, a decrease of \$0.4 million in comparison with the prior corresponding period.

In FY19, net cash used in investing activities was \$45k arising from payments for property, plant and equipment and intangible assets. In FY18, the Group had a net cash inflow from investing activities of \$655k, mainly on account of the net cash inflow on acquisition of subsidiary of \$726k and offset by payments for property, plant and equipment of \$71k.

Net cash outflow from financing activities in FY19 was \$1.5 million, a decrease of \$0.2 million in comparison with prior corresponding year. This was mainly due to lower dividends paid by \$0.4 million and offset by higher payments for shares bought back by \$0.2 million in FY19.

Cash reserves were applied as follows:

- Share buy-back program of \$0.3 million; and
- Payment of half year and full year dividends to shareholders of \$1.3 million.

#### **Outlook for 2020 Financial Year**

Directors and management expect 2020 to be a year of further growth as the business transitions from funds management into a diversified product and financial solutions services business. The Group now has a clear focus on growing assets under management, expanding the Clime Private Wealth Division, maintaining solid investment returns across all portfolios, and developing investment solutions that meet the needs of our clients.

On behalf of the Board

Donald McLay Chairman

Allyn Chant Independent Director



# **Directors' Report**

Your Directors present their report on the consolidated entities ("the Group" or "economic entity"), consisting of Clime Investment Management Limited and its controlled entities for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

#### **Directors**

The following persons were directors of Clime Investment Management Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

D McLay	Non-Executive Chairman
J Abernethy	Non-Independent Director from 1 January 2019 (Managing Director up to 31 December 2018)
N Schafer	Independent Director
A Chant	Independent Director

#### **Information on Directors**

Mr. Donald McLay BCom, CA, FFin, ACIS, AGIA

Non-Executive Chairman

#### **Experience and expertise**

Mr. Donald McLay has more than 35 years' experience within financial markets, investment banking and broad business services. He has previously held executive roles with a number of local and overseas investment managers and investment banking organisations, working in London, Singapore, Auckland and Sydney.

Other current directorships

Currently Mr. McLay is Chairman of Credit Corp Group Limited (ASX: CCP), appointed as a Non-Executive Director in March 2008 and Chairman on 30 June 2008 and Chairman of Registry Direct Limited (ASX:RD1) from 30 May 2016 (the company was listed on 1 November 2017).

Mr. McLay holds a Bachelor of Commerce degree, is a Chartered Accountant, a Chartered Secretary and a Senior Fellow of the Financial Services Institute of Australasia (FINSIA).

Former directorships in last 3 years

None

#### **Special responsibilities**

Member of Remuneration Committee Member of Audit Committee

#### Interests in shares and options

7,470,576 ordinary shares.





Mr. John Abernethy BCom (Econ), LL.B

(Non-Independent Director from 1 January 2019) (Managing Director up to 31 December 2018)

#### **Experience and expertise**

Mr. Abernethy was appointed Executive Director in 1994. Mr. Abernethy has over 35 years' funds management experience in Australia having been General Manager Investments of the NRMA. John holds a Bachelor of Commerce (Economics)/LLB from the University of New South Wales.

Mr. Abernethy has been a Director of the Company for over 20 years.

#### Other current directorships

Mr. Abernethy is a Director of Clime Capital Limited, WAM Research Limited and Australian Leaders Fund Limited.

#### Former directorships in last 3 years

WAM Active Limited, Watermark Market Neutral Fund Limited, Watermark Global Limited and CBG Capital Limited

#### Special responsibilities

None

#### Interests in shares and options

4,032,850 ordinary shares 200,000 options under Employee Incentive Scheme ("EIS") over ordinary shares



#### Mr. Neil Schafer BApp Econ

#### Independent Director

#### **Experience and expertise**

Mr. Schafer was appointed Non-Executive Director in 2011. Mr. Schafer has extensive experience in business strategy and execution, investment management, and banking and holds a First Class Honour's Degree in Applied Economics from the University of New England.

#### Other current directorships

Mr. Schafer is also a director of Imperial Pacific Limited and London City Equities Limited.

#### Former directorships in last 3 years

None

#### **Special responsibilities**

Chairman of Remuneration Committee Member of Audit Committee

#### Interests in shares and options

548,007 ordinary shares



Mr. Allyn Chant BCom, CA, FFin

#### Independent Director

#### **Experience and expertise**

Mr. Chant was appointed as a director in 2014. Mr. Chant holds a Bachelor of Commerce degree and is a qualified Chartered Accountant and a fellow of FINSIA.

Mr. Chant has over 40 years' experience both in Australia and overseas in auditing; financial planning and business management.

#### **Other current directorships**

None

Former directorships in last 3 years

None

#### **Special responsibilities**

Member of Remuneration Committee Chairman of Audit Committee

Interests in shares and options

50,000 ordinary shares



Mr. Biju Vikraman Bcom, ACA, AGIA, ACIS

**Company Secretary** 

#### **Experience and expertise**

Mr. Vikraman was appointed to the position of Company Secretary in 2015.

Mr. Vikraman holds a Bachelor of Commerce from the University of Mumbai, India and is an Australian and Indian Chartered Accountant. Mr. Vikraman has 20 years experience across accounting, audit, finance and governance and has held senior roles with big 4 Accounting Firms and listed entities within Australia, India and Africa.

Mr. Vikraman is also an associate member of the Governance Institute of Australia.

#### Interests in shares and options

57,000 ordinary shares 200,000 options (EIS) over ordinary shares

#### **Meetings of Directors**

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

DIRECTORS		BOARD OF AUDIT DIRECTORS COMMITTEE		REMUNERATION COMMITTEE		
	А	В	А	В	А	В
Mr. Donald McLay	7	7	2	2	1	1
Mr. Neil Schafer	7	7	2	2	1	1
Mr. John Abernethy	7	7	-	-	-	-
Mr. Allyn Chant	7	7	2	2	1	1

A – Number of meetings eligible to attend

B - Number of meetings attended

#### **Rotation and election of Directors**

In accordance with the Company's Constitution:

• Mr. John Abernethy retires by rotation and, being eligible, offers himself for re-election at the next Annual General Meeting.

#### **Principal activities**

The Group's principal activity is investing in listed and unlisted securities for clients and operating under Australian Securities and Investments Commission (ASIC) approved Australian Financial Services Licences (AFSL) in the funds management industry.

There was no significant change in these activities during the current financial year.

During the year the principal continuing activities of the Group consisted of:

- Operating an Individually Managed Accounts Service for wholesale clients and Separately Managed accounts through wholly owned subsidiary Clime Asset Management Pty Limited;
- b. Providing exclusive wealth advice to wholesale and sophisticated clients through wholly owned subsidiary Clime Private Wealth Pty Limited;
- c. Acting as investment managers for Clime Capital Limited (ASX:CAM) and CBG Capital Limited (ASX:CBC) through wholly owned subsidiaries Clime Asset Management Pty Limited and CBG Asset Management Limited;
- d. Acting as investment managers for the managed funds Clime Australian Income Fund, Clime Smaller Companies Fund, Clime International Fund, Clime Australian Value Fund, Clime Fixed Interest Fund, Clime CBG Australian Equities Fund (Wholesale) and CBG Australian Equities Fund through wholly owned subsidiaries Clime Asset Management Pty Limited and CBG Asset Management Limited;
- e. Providing an online equity research and valuation tool for Australian investors to research and value Australian and international listed companies and investment markets through wholly owned subsidiary Stocks in Value Pty Limited (trading as Clime Direct); and
- f. Providing administration services to Self Managed Super Funds through joint venture company Clime Super Pty Limited.

#### **Operating result**

The consolidated net profit after providing for tax amounted to \$1,461,444 (2018: \$1,064,259).

#### Dividends paid or recommended

Dividends paid or recommended during the financial year are as follows:

	2019 (\$)	2018 (\$)
1.5 cents per share (2018: 1.5 cents per share) franked to 100% at 27.5% (2018: franked to 100% at 27.5%) corporate income tax rate, final ordinary dividend paid during the year on 3 October 2018 in respect of the prior financial year	852,726	849,739
0.75 cents per share (2018: 1.5 cents per share) franked to 100% at 27.5% (2018: franked to 100% at 27.5%) corporate income tax rate, interim ordinary dividend paid during the year on 12 April 2019 in respect of the current financial year	421,713	849,374
Total dividends paid	1,274,439	1,699,113

#### **Review of operations**

In accordance with the relief provided by Legislative Instrument 2016/188 issued by the Australian Securities and Investments Commission, the Company is not required to reproduce information required in the Directors' Report if it has been included elsewhere in the Annual Report. As such, for a detailed Review of Operations of the Company, please refer to Report from the Board beginning on page 14.

#### Significant changes in state of affairs

Effective 31 December 2018, Mr. John Abernethy resigned as Managing Director. Mr. Abernethy continued as a Director of the Company. The material terms of Mr. Abernethy's entitlements on resignation and Director's fees are disclosed under the Remuneration Report.

There was no other significant change in the Group's state of affairs during the financial year other than as disclosed in the financial statements.

#### **Subsequent events**

A final fully franked dividend for the year ended 30 June 2019 of 1.5 cents per share, totalling \$841,089 has been declared by the Directors. This provision has not been reflected in the financial statements.

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

#### **Future developments**

The Company will continue to pursue investment management activities – primarily investing in equities listed on the Australian and international securities exchanges.

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by company-specific and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to predict the future performance of the Company's investments nor its mandates and therefore, the Company's performance.

#### Shares under option

Unissued ordinary shares of Clime Investment Management Limited under option at the date of this report are as follows:

NATURE OF OPTIONS	DATE OPTIONS GRANTED	VESTING / EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
Employee Incentive Scheme	25 October 2013	30 September 2019	\$0.829	150,000
Employee Incentive Scheme	19 August 2014	30 September 2019	\$0.850	50,000
Employee Incentive Scheme	25 February 2015	30 September 2019	\$0.750	25,000
Employee Incentive Scheme	11 September 2015	30 September 2019	\$0.700	150,000
Employee Incentive Scheme	20 July 2016	30 September 2019	\$0.630	200,000
Employee Incentive Scheme	23 June 2017	23 June 2020	\$0.500	200,000
Employee Incentive Scheme	21 August 2018	21 August 2021	\$0.485	400,000
Employee Incentive Scheme	2 January 2019	2 January 2022	\$0.470	200,000
			Total	1,375,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

#### Shares issued on the exercise of options

Nil shares (2018: Nil shares) were issued to option holders after the end of the 2019 financial year as a result of the exercise of options. Refer to Note 25 for movement of in-substance options during the year.

#### **Environmental issues**

The Group's operations are not regulated by any significant law of the Commonwealth or of a State or Territory relating to the environment.

#### **Rounding off amounts**

In accordance with Australian Securities and Investments Commission 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 or in certain cases to the nearest one thousand dollars where indicated, unless otherwise stated.

#### **Risk and compliance control statement**

Under Australian Securities Exchange (ASX) Listing Rules and the ASX Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council, the Company is required to disclose in its Annual Report the extent of its compliance with the 'ASX Principles and Recommendations'.

The Directors have implemented internal control processes for identifying, evaluating and managing significant risks to the achievement of the Company's objectives. These internal control processes cover financial, operational and compliance risks. The Company's corporate governance practices are outlined in further detail in the Corporate Governance Statement section on Company's website at www.clime.com.au.

The Directors have received and considered the annual control certification from the Chief Executive Officer and the Chief Financial Officer in accordance with the Principles relating to financial, operational and compliance risks.

Throughout the reporting period, and as at the date of signing of this Annual Report, the Company was in compliance with the Principles to the extent disclosed in the Corporate Governance Statement.

#### Insurance of officers and auditors

During the financial year, the economic entity paid a premium for an insurance policy insuring all Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as Directors or officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any of its controlled entities against a liability incurred by an officer or auditor.

#### **Remuneration Report - Audited**

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Directors of Clime Investment Management Limited ("the Company") and its other key management personnel for the financial year ended 30 June 2019. The remuneration report is set out under the following main headings:

- A Directors and other key management personnel
- B Principles used to determine the nature and amount of remuneration
- C Details of remuneration
- D Service agreements
- E Share-based compensation
- F Related party transactions
- G Additional information

#### A. Directors and other key management personnel

The following persons acted as Directors of the Company during or since the end of the financial year.

Donald McLay	Non-Executive Chairman
John Abernethy	Non-Independent Director from 1 January 2019 (Managing Director up to 31 December 2018)
Neil Schafer	Independent Director
Allyn Chant	Independent Director

#### Other key management personnel

Rod Bristow Chief Executive Officer (commenced 17 September 2018)

There were no additional persons other than the Directors who were considered key management personnel under the Corporations Act 2001.

### **B.** Principles used to determine the nature and amount of remuneration

#### Directors and other key management personnel

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the Group's diverse operations and achieving the Group's strategic objectives. The remuneration packages of executives include a fixed component, a performance based component and an equity-based component.

The fixed portion of the package reflects the core performance of their duties. The executives may be given an incentive via a performance based bonus (as determined by the remuneration committee). Equity-based remuneration can be made via the options issued to the executives under the Employee Incentive Scheme ("EIS").

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Group.

The Board's remuneration policy is to ensure the remuneration package properly reflects the person's duties, responsibilities and the level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

#### Directors

Fees and payments to Directors reflect the demands which are made on, and the responsibilities of, the Directors. Remuneration of Independent Directors are determined by the full Board within the maximum amount approved by shareholders from time to time. The payments to Independent Directors do not include retirement benefits other than statutory superannuation. Consultation with Independent Directors outside their duties as Directors is treated as external consultation and is subject to additional fees by consent of the Board. The Company has a policy that Independent Directors are not entitled to retirement benefits, may not participate in performance based incentives, and may not participate in the EIS.

#### **Directors' Fees**

The current base remuneration was last reviewed with effect from 1 January 2016. The Independent Directors' fees are inclusive of committee fees.

Independent Directors' fees are determined within an Independent Directors' base remuneration pool, which is periodically recommended for approval by shareholders. The Independent Directors' base remuneration pool currently stands at \$260,000 per annum.

#### **Executive Directors' remuneration**

The executive remuneration framework has five components:

- base pay and benefits;
- short-term performance incentives;
- · long-term incentives through participation in the Company's EIS; and
- other remuneration such as superannuation.

The combination of these comprises the Executive Directors' total remuneration.

#### **Base pay**

Structured as a total remuneration package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market.

#### Short-term incentives (STI)

Executive Directors and key management personnel have target short-term incentive opportunities depending on the accountabilities of respective roles and their impact on the organisation's performance.

The intention of the STI plan is to recognise and reward the contributions and achievements of individuals for the achievement of their relevant key performance indicators ("KPI's"). Such KPI's will generally include measures relating to both the Group and the relevant individual, and may include financial, human resources, client service, strategy and risk measures where appropriate. The measures are chosen such that they directly align the individual's reward to the KPI's of the Group and to its strategy and performance. Each year the Remuneration Committee considers the appropriate targets and key performance indicators to link the short term incentive plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of the STI. The Remuneration Committee also retains the capacity to pay discretionary bonuses subject to the executives' respective performances during the year.

### Clime Investment Management Limited Employee Incentive Scheme

Information on the Company's Employee Incentive Scheme is set out in Note 25 on pages 78 to 80.

#### C. Details of remuneration

#### Amounts of remuneration

Details of the remuneration of each Director of Clime Investment Management Limited and each of the other key management personnel of the Group for the years ended 30 June 2019 and 30 June 2018 are set out in the following tables. Short term incentives are dependent on the satisfaction of performance conditions as set out in the section headed Short-term incentives above, and share options do not vest unless the relevant vesting hurdles are achieved. All other elements of remuneration are not directly related to performance.

#### Directors and other key management personnel of Clime Investment Management Limited

2019	SHORT-TERM EN	IPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	
NAME	CASH SALARY AND FEES (\$)	SHORT-TERM INCENTIVES (\$)	SUPERANNUATION (\$)	OPTIONS (\$)	TOTAL (\$)
Donald McLay	70,000	-	-	-	70,000
John Abernethy*	286,199	18,721	12,435	7,380	324,735
Neil Schafer	54,000	-	-	-	54,000
Allyn Chant	47,489	-	4,511	-	52,000
Rod Bristow**	286,918	193,177	16,683	14,498	511,276
Total	744,606	211,898	33,629	21,878	1,012,011

\* Includes \$190,062 paid to Mr. John Abernethy in his capacity as Managing Director from 1 July 2018 to 31 December 2018,
 \$25,000 in his capacity as Director and \$102,293 paid as consultancy fees from 1 January 2019 to 30 June 2019.
 \*\* Remuneration paid from the date of commencement being 17 September 2018.

2018	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	
NAME	CASH SALARY AND FEES (\$)	SHORT-TERM INCENTIVES (\$)	SUPERANNUATION (\$)	OPTIONS (\$)	TOTAL (\$)
Donald McLay	70,000	-	-	-	70,000
John Abernethy	282,120	22,831	20,049	7,380	332,380
Neil Schafer	54,000	-	-	-	54,000
Allyn Chant	47,489	-	4,511	-	52,000
Total	453,609	22,831	24,560	7,380	508,380

The relative performance of those elements of remuneration of Directors and other key management personnel that are linked to performances are as follows:

NAME	FIXED REMUNERATION		REMUNERATION LINKED TO PERFORMANCE	
	2019	2018	2019	2018
Donald McLay	100%	100%	-	-
John Abernethy	94.2%	93.1%	5.8%	6.9%
Neil Schafer	100%	100%	-	_
Allyn Chant	100%	100%	-	-
Rod Bristow	62.2%	-	37.8%	-

#### Short-term incentives

\$211,898 (2018: \$22,831) short-term incentives were paid to Directors and other key management personnel in respect of the year ended 30 June 2019. The short-term incentives were paid at the discretion of the Remuneration Committee based on the company exceeding its targets for the financial year. The short-term incentives therefore vested 100% during the financial year ended 30 June 2019.

#### **D. Service Agreements**

Remuneration and other terms of employment for the Executive Directors and certain other senior executives are formalised in service agreements with annual adjustments (once agreed by the Remuneration Committee) notified in writing. Provisions relating to the term of agreement, periods of notice required for termination and relevant termination payments are set out below.

#### Mr. John Abernethy

#### Non-Independent Director from 1 January 2019 (Managing Director up to 31 December 2018)

#### Up to 31 December 2018:

- Term of employment agreement no fixed term
- Notice period for termination by employee 3 months
- Notice period for termination by Company 9 months
- Payment of a termination benefit on early termination by the Company

#### From 1 January 2019:

- Term of consultancy agreement 3 years commencing 1 January 2019
- Estimated rate of effort 4 days per week
- \$50,000 per annum plus GST as director's fee
- \$204,585 per annuum plus GST as consultancy fee for a three-year mutually agreeable renewable contract for delivering agreed outcomes
- Continued directorship of the Company

#### Mr. Rod Bristow

#### Chief Executive Officer (Commenced 17 September 2018)

- Base Salary \$385,000 per annum (inclusive of superannuation)
- Immediate issue of 400,000 ordinary shares under employee incentive scheme
- Short and long-term incentive to be negotiated subject to satisfactory achievement of key performance indicators set by the Board
- 3-month probation period
- Notice period for termination by employee 3 months
- Notice period for termination by Company 3 months

#### E. Share-Based Compensation

(i) Shares provided on exercise of remuneration options

No ordinary shares in the Company were provided as a result of the exercise of options via the EIS during the year (2018: Nil).

(ii) Shareholdings of Directors and other key management personnel

The numbers of shares in the Company held during the year by each Director of Clime Investment Management Limited and each of the other key management personnel of the consolidated entity, including their related parties, are set out below.

NAME	BALANCE AT 1 JULY 2018	GRANTED AS COMPENSATION / RECEIVED ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AS AT DATE
	No.	No.	No.	No.
Mr. Donald McLay	7,320,680	-	149,896	7,470,576
Mr. John Abernethy	4,083,850	-	149,000	4,232,850*
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Allyn Chant	50,000	-	-	50,000
Mr. Rod Bristow	-	-	610,000	610,000*

\* Includes 200,000 and 600,000 shares issued under Employee Incentive Scheme to Mr. John Abernethy and Mr. Rod Bristow, respectively.

#### F. Related party transactions

#### 1. Clime Capital Limited

- i. Mr. John Abernethy is a director of Clime Capital Limited. The Group received \$84,000 (2018: \$65,924) as management fees for the services rendered by two Directors and Company Secretary to Clime Capital Limited. The Group directly owns 6.28% (2018: 6.31%) of the fully paid ordinary shares of Clime Capital Limited as at 30 June 2019. Clime Investment Management Limited through Clime Asset Management Pty Limited (a wholly owned subsidiary) has the indirect power to dispose 5.26% (2018: 6.14%) of Clime Capital Limited's shares held by the Investment Manager's individually managed accounts as at 30 June 2019.
- ii. Clime Asset Management Pty Limited (a wholly owned subsidiary), during the year earned \$795,006 (2018: \$715,813) as remuneration for managing Clime Capital Limited's investment portfolio.
- iii. All dividends paid and payable by Clime Capital Limited to its directors and their related entities are on the same basis as to other shareholders.

#### 2. Clime Australian Income Fund

 Clime Asset Management Pty Limited, during the year received \$204,619 (2018: \$114,817) as remuneration for managing the investment portfolios and acting as trustee of Clime Australian Income Fund. An external responsible entity was appointed on 3 May 2019.

#### 3. Clime Smaller Companies Fund

 Clime Asset Management Pty Limited during the year received \$772,044 (2018: \$277,548) as remuneration for managing the investment portfolios and acting as trustee of Clime Smaller Companies Fund. An external responsible entity was appointed on 3 May 2019.

#### 4. Clime Fixed Interest Fund

i. Clime Asset Management Pty Limited during the year received \$1,853 (2018: \$nil) as remuneration for managing the investment portfolios and acting as trustee of Clime Fixed Interest Fund.

#### 5. CBG Capital Limited

- i. Mr. John Abernethy was a director of CBG Capital Limited until 24 August 2018. The Group received \$26,383 (2018: \$26,708) as management fees for the services rendered by two Directors and Company Secretary to CBG Capital Limited. The Group directly owns 1.03% (2018: 0.6%) of fully paid ordinary shares in CBG Capital Limited as at 30 June 2019.
- ii. CBG Asset Management Limited (a wholly owned subsidiary) during the year earned \$405,099 (2018: \$311,806) as remuneration for managing CBG Capital Limited's investment portfolio.
- iii. All dividends paid and payable by CBG Capital Limited to its directors and related entities are on the same basis as to other shareholders.

#### 6. Clime CBG Australian Equities Fund (Wholesale)

 CBG Asset Management Limited, during the year received \$1,167,882 (2018: \$934,325) as remuneration for managing the investment portfolios and acting as trustee of Clime CBG Australian Equities Fund (Wholesale).

#### 7. Amigo Consulting Pty Limited

Mr. Allyn Chant, a Director of the Company, is also a director and a minority shareholder of Amigo Consulting Pty Limited ("Amigo"). No consultancy fees were paid by the Group to Amigo during the year (2018: \$50,000).

On 27th October 2016, shareholders approved issuing 1,000,000 options to Amigo to acquire ordinary shares in the Company. Amigo has been engaged to provide strategic and outcome driven corporate advisory services.

These options will expire on 1 October 2019 and may be exercised at any time upon vesting and prior to the expiry date. The amount payable on exercise of each option is 50 cents, subject to adjustment in accordance with certain conditions as follows:

- i. 333,333 options vest on the date, if it occurs prior to 30 September 2017 that the Company's securities trade on the Australian Securities Exchange ("ASX") at or above 75 cents. As this condition was not met the vesting period has been extended to 30 September 2019 and vesting will occur if the Company's securities trade on the ASX at or above \$1.00 by that extended date;
- ii. 333,333 options vest on the date that the Company completes the purchase or build of a retail platform (defined as a flexible service that enables investors to buy and hold their investments online all in one place, tracking transactions for tax purposes and allowing advisor and/or client direction) for client's monies if this occurs before the expiry date;
- iii. 333,334 options vest if the Company's Funds under Management attains or exceeds \$1 billion prior to the expiry date.

Expenses arising from the share based payment transactions recognised during the year was \$36,333 (2018: \$36,333).

The following balances prior to group elimination were outstanding at the end of the reporting period:

	AMOUNT OWED BY RELATED PARTIES		AMOUNT OWED TO RELATED PARTIES	
	30 JUNE 2019 (\$)	30 JUNE 2018 (\$)	30 JUNE 2019 (\$)	30 JUNE 2018 (\$)
Clime Capital Limited	76,233	73,406	-	-
Subsidiaries of Clime Investment Management Limited	2,511,604	902,562	18,697,101	16,102,083
Joint venture of Clime Investment Management Limited	-	22,330	-	
CBG Capital Limited	_	6,600	-	-
Amigo Consulting Pty Limited	-	-	-	11,000

## **G.** Additional Information

#### PERFORMANCE OF CLIME INVESTMENT MANAGEMENT LIMITED

The tables below set out the summary information regarding the economic entity's earnings and movements in shareholder wealth for the five years to 30 June 2019:

	30 JUNE 2019 \$	30 JUNE 2018 \$	30 JUNE 2017 \$	30 JUNE 2016 \$	30 JUNE 2015 \$	TOTAL
Revenue	12,447,639	10,864,250	8,672,692	9,114,230	9,653,739	-
Net profit before tax and amortisation	2,542,907	1,937,078	1,239,961	1,808,353	4,532,188	-
Net profit before tax	2,096,147	1,367,296	766,739	1,335,130	4,226,840	-
Net profit after tax	1,461,444	1,064,259	2,561,130	1,065,330	3,288,651	-
Cash dividends paid	1,274,439	1,699,113	2,263,053	3,013,290	3,002,690	\$11,252,585
Interim dividend - Fully franked <sup>1</sup>	0.75cps	1.5cps	-	3.0cps	3.0cps	8.25cps
Interim dividend - Partially franked <sup>2</sup>	-	-	1.5cps	-	-	1.5cps
Final dividend <sup>1,3</sup>	1.5cps	1.5cps	1.5cps	3.0cps	3.0cps	10.5cps
Capital return <sup>4</sup>	-	-	1 CPL for 1 CIW	-	-	15cps
Share price at start of year	\$0.48	\$0.50	\$0.65	\$0.75	\$0.80	-
Share price at end of year	\$0.50	\$0.48	\$0.50	\$0.65*	\$0.75*	-
Basic EPS	2.6cps	1.9cps	5.2cps	2.2cps	6.9cps	-
Diluted EPS	2.6cps	1.9cps	5.1cps	2.1cps	6.6cps	-

<sup>1</sup> 100% franked dividends (franked to 100% at 27.5% (prior to FY2018: 30%) corporate tax rate)

<sup>2</sup> 50% franked dividends (franked to 50% at 30% corporate tax rate)

<sup>3</sup> Declared after each respective balance date and not reflected in the financial statements

<sup>4</sup> In-specie distribution of 1 ordinary Clime Private Limited (CPL) share for each Clime Investment Management Limited ("CIW")

ordinary share held worth 15cps

\* Price pre-Jasco demerger

Furthermore, during the five years to 30 June 2019, Clime Investment Management Limited bought back 1,322,064 (2018: 1,411,279) fully paid ordinary shares for total consideration of \$673,983 (2018: \$882,343). These shares were repurchased at the prevailing market prices on the dates of the respective transactions in accordance with the economic entity's onmarket buy-back scheme (within the 10/12 limit imposed by s257B of the Corporations Act 2001).

## RELATIONSHIP OF GROUP PERFORMANCE TO REMUNERATION POLICIES

The profitability of the Group is one of the key measures taken into consideration by the Remuneration Committee when determining the quantum of bonuses payable under the STI plan in any given year. Other performance measures assessed by the Remuneration Committee when determining remuneration packages for key management personnel include:

- Growth in the Group's level of Funds Under Management ("FUM");
- Investment returns and performance generated by the Funds Management team in respect of its managed investment products;
- · Active compliance and risk management based on regulatory requirements;
- Employee satisfaction above a threshold approved by the Remuneration Commitee; and
- Client satisfaction (Net Promoter Score).

#### END OF AUDITED REMUNERATION REPORT

## Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## Non-audit services

The Group may decide to employ the auditor for assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor Pitcher Partners for audit and non-audit services provided during the year are set out in Note 23 of the attached Financial Statements.

The Board of Directors have considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services, as set out in Note 23 of the attached Financial Statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## 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 36.

Signed in accordance with a resolution of the Directors.

Donald McLay Chairman

Sydney, 26 August 2019

Allyn Chant Independent Director



Level 16, Tower 2 Darling Park 201 Sussex Street Sydney NSW 2000

Postal Address GPO Box 1615 Sydney NSW 2001

*p.* +61 2 9221 2099 *e.* sydneypartners@pitcher.com.au

# Auditor's Independence Declaration

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

In relation to the independent audit for the year ended 30 June 2019, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act* 2001; and
- (ii) No contraventions of APES 110 Code of Ethics for Professional Accountants.

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

Mark Godlewski

Mark Godlewski Partner

Pitcher Partners Sydney

26 August 2019

CLIME. COM. AU

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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# Financial Statements

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These Financial Statements cover the consolidated entity consisting of Clime Investment Management Limited and its controlled entities.

Clime Investment Management Limited is a company limited by shares, incorporated, domiciled in Australia and listed on the Australian Securities Exchange. Its registered office and principal place of business is:

Clime Investment Management Limited Level 13, 20 Hunter Street Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in Note 26 on pages 81 and 82 of these financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and accessible at minimum cost to the Company.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2019

	NOTES	2019 \$	2018 \$
Revenue	5	12,447,639	10,864,250
Net realised and unrealised gains on financial assets at fair value through profit or loss		759,272	89,225
Occupancy expenses		(415,457)	(302,839)
Depreciation and amortisation expense	6	(489,586)	(603,418)
Administrative expenses		(10,218,851)	(8,682,730)
Share of profit from joint venture	13(c)	13,130	2,808
Profit before income tax	6	2,096,147	1,367,296
Income tax expense attributable to operating profit	8(a)	(634,703)	(303,037)
Profit for the year		1,461,444	1,064,259
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		1,461,444	1,064,259
Profit attributable to members of Clime Investment Management Limited		1,461,444	1,064,259
Total comprehensive income attributable to members of Clime Investment Management Limited		1,461,444	1,064,259
Earnings per share			
Basic - cents per share	24(a)	2.6	1.9
Diluted - cents per share	24(b)	2.6	1.9

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position As at 30 June 2019

	NOTES	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7(a)	4,199,534	4,735,297
Trade and other receivables	10	3,124,338	2,030,348
Other current assets	11	141,894	175,907
Financial assets at fair value through profit or loss	12	5,866,758	5,021,646
Total Current Assets		13,332,524	11,963,198
Non-Current Assets			
Investments accounted for using equity method	13	13,730	3,408
Property, plant and equipment	15	79,128	89,777
Deferred tax assets	16	494,306	610,260
Intangible assets	17	8,371,147	8,805,501
Total Non-Current Assets		8,958,311	9,508,946
Total Assets		22,290,835	21,472,144
LIABILITIES			
Current Liabilities			
Trade and other payables	18	2,691,380	2,084,165
Current tax liabilities		38,202	43,067
Contract liabilities		472,024	645,961
Provisions	19	349,658	306,314
Total Current Liabilities		3,551,264	3,079,507
Non-Current Liabilities			
Deferred tax liabilities	20	232,536	64,701
Total Non-Current Liabilities		232,536	64,701
Total Liabilities		3,783,800	3,144,208
Net Assets		18,507,035	18,327,936
EQUITY			
Issued Capital	21	16,933,128	17,006,379
Reserves	22(a)	298,901	233,556
Retained earnings	22(b)	1,275,006	1,088,001
Total Equity		18,507,035	18,327,936

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

## Consolidated Statement of Changes in Equity For the year ended 30 June 2019

CONSOLIDATED	NOTES	ISSUED CAPITAL \$	SHARE-BASED PAYMENTS RESERVE \$	RETAINED EARNINGS \$	TOTAL \$
Balance as at 1 July 2017		13,822,370	155,798	1,722,855	15,701,023
Profit for the year		-	-	1,064,259	1,064,259
Other comprehensive income for the year net of tax		-	-	-	-
Total comprehensive income for the year net of tax		-	-	1,064,259	1,064,259
Transactions with equity holders in their capacity as equity holders:					
- Issue of ordinary shares for acquisition of CBG Asset Management Limited	21(b)	3,250,000	-	-	3,250,000
- On-market buy-back including transaction costs	21(d)	(65,991)	-	-	(65,991)
- Recognition of share-based payments	22(a)	-	77,758	-	77,758
- Dividends paid or provided for	9(a)	-	-	(1,699,113)	(1,699,113)
Balance as at 30 June 2018		17,006,379	233,556	1,088,001	18,327,936
Profit for the year		-	-	1,461,444	1,461,444
Other comprehensive income for the year net of tax		-	-	-	-
Total comprehensive income for the year net of tax		-	-	1,461,444	1,461,444
Transactions with equity holders in their capacity as equity holders:					
- Issue of ordinary shares for acquisition of CBG Asset Management Limited	21(b)	187,500	-	-	187,500
- On-market buy-back including transaction costs	21(d)	(260,751)	-	-	(260,751)
- Recognition of share-based payments	22(a)	-	65,345	-	65,345
- Dividends paid or provided for	9(a)	-	-	(1,274,439)	(1,274,439)
Balance as at 30 June 2019		16,933,128	298,901	1,275,006	18,507,035

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

## Consolidated Statement of Cashflows For the year ended 30 June 2019

	NOTES	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees received in the course of operations		11,702,920	10,368,106
Expense payments in the course of operations		(10,590,070)	(10,366,732)
Dividends and distributions received		302,428	285,395
Interest received		71,301	76,704
Income taxes (paid)/refunded		(355,780)	18,052
		1,130,799	381,525
Proceeds from disposal of financial assets at fair value through profit or loss		1,421,152	2,552,622
Payments for financial assets at fair value through profit or loss		(1,507,043)	(1,458,842)
		(85,891)	1,093,780
Net cash provided by operating activities	7(b)	1,044,908	1,475,305
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow on acquisition of subsidiary	32	-	725,944
Payments for property, plant and equipment	15	(33,075)	(70,526)
Payments for intangible assets		(12,406)	-
Payment for investment in joint venture – Clime Super Pty Ltd		-	(600)
Net cash (used in)/provided by investing activities		(45,481)	654,818
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares bought back (including transaction costs)	21(d)	(260,751)	(65,991)
Dividends paid to Company's shareholders	9(a)	(1,274,439)	(1,699,113)
Net cash used in financing activities		(1,535,190)	(1,765,104)
Net (decrease)/increase in cash and cash equivalents		(535,763)	365,019
Cash and cash equivalents at beginning of the year		4,735,297	4,370,278
Cash and cash equivalents at end of the year	7(a)	4,199,534	4,735,297

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

## Notes to the Financial Statements For the year ended 30 June 2019

## 1. Corporate information

Clime Investment Management Limited (the Company) is a publicly listed company incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 13, 20 Hunter Street, Sydney NSW 2000 Australia. The principal activities of the Company and its subsidiaries ("the Group") are described in Note 26(a).

The financial statements of Clime Investment Management Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 26 August 2019 and covers the consolidated entity consisting of Clime Investment Management Limited and its subsidiaries as required by the Corporations Act 2001.

## 2. Summary of significant accounting policies

The financial statements include the consolidated entity consisting of Clime Investment Management Limited and its subsidiaries.

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and other authoritative pronouncements, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards (AASs) and other authoritative pronouncements issued by the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory and relevant to the operations and effective for the current reporting period.

## New and revised accounting standards effective during the reporting period

Certain accounting standards and interpretations were effective for the first time during the current reporting period. The relevant policies are:

## (i) AASB 9: Financial Instruments and its consequential amendments

AASB 9 contains requirements in relation to the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 Financial instruments: Recognition and Measurement. Under the new requirements the four previous categories of financial assets under AASB 139 have been replaced with three measurement categories: fair value through profit or loss, fair value through other comprehensive income, and amortised cost. Financial assets can only be measured at amortised cost where very specific conditions are met.

AASB 9 introduced new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged, and disclosures.

There was no impact on the Group upon adoption of AASB 9 as the Group had already measured financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Group does not apply hedge accounting.

AASB 9 also introduced a new impairment model for trade receivables, the Expected Credit Loss (ECL) model. The Group's receivables include trade and other receivables. As the settlement period is short and credit risk of counter party is low, the change in impairment calculation did not have a material impact on the Group or require any adjustment on adoption.

#### (ii) AASB 15 Revenue from Contracts with Customers

The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group's main sources of income are management and performance fees which arise through the provision of services to clients and mandates. In accordance with the revenue recognition policies of the Group, revenue is typically recognised as these services are delivered. The application of AASB 15 has not had a material impact on the recognition of management and performance fees except for the reclassification of subscription fees received in advance to be a contract liability in the statement of financial position.

Other sources of income are interest, dividends and distributions, and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. The adoption of AASB 15 in relation to these revenue sources did not have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

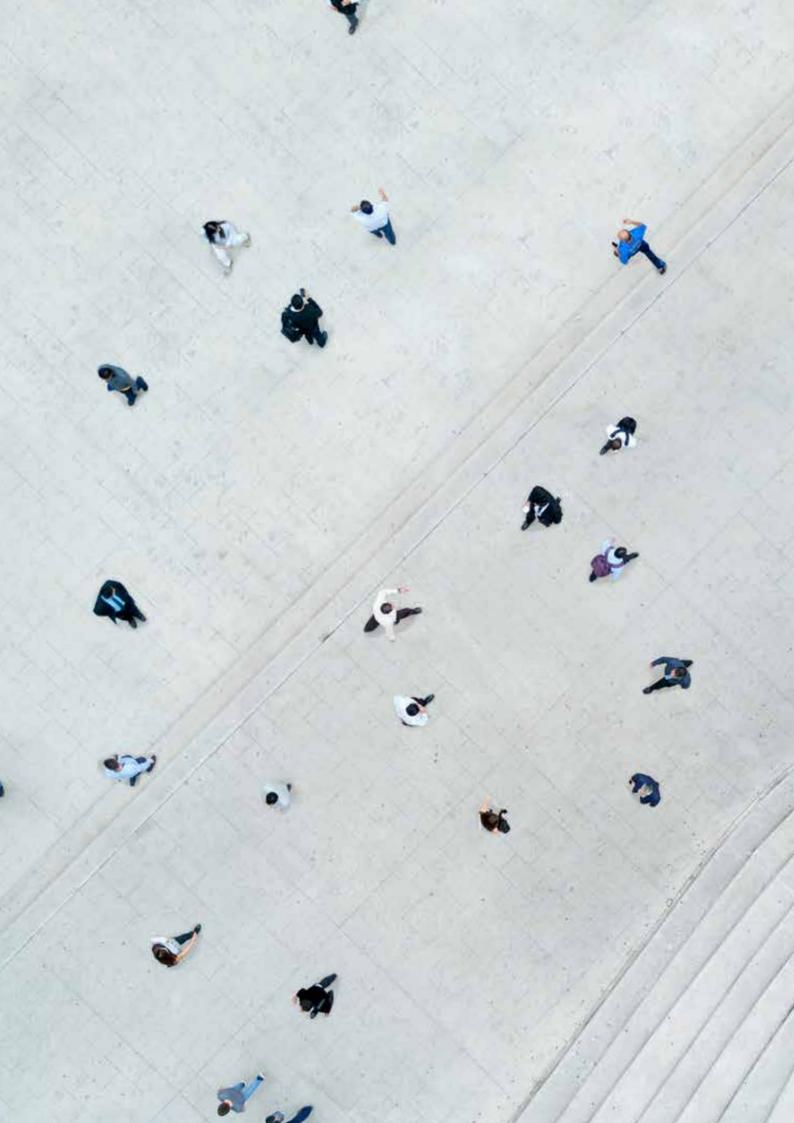
## (a) Basis of preparation

These consolidated financial statements are general purpose financial statements prepared in accordance with applicable Accounting Standards, the Corporations Act 2001 and other authoritative pronouncements issued by the Australian Accounting Standards Board.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these consolidated financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the consolidated financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of financial assets and liabilities at fair value through profit and loss at the end of each reporting period.



Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes in to account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date.

#### Critical accounting estimates

The preparation of financial statements in conformity with Australian Equivalent of International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

## (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the financial statements of Clime Investment Management Limited ("the Company") and entities (including structured entities) controlled by the Company and its subsidiaries. Clime Investment Management Limited and its subsidiaries together are referred to in these financial statements as the "Group" or the "Consolidated Entity". Control is achieved when the Company:

- · has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 2(f)).

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group companies are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

#### (ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights and the power to participate in the financial and operating policy decisions of the entity. Investments in associates are accounted in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to Note 13).

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in the statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from associates in the consolidated financial statements reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (c) Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled to in exchange for transferring goods and services to a customer. Amounts disclosed as revenue are stated net of the amounts of goods and services tax paid. Revenue is recognised for the major business activities as follows:

#### (i) Dividend income (excluding dividends received from associates)

Dividend income is recorded in the profit or loss on an accrual basis when the Group obtains control of the right to receive the dividend.

#### (ii) Services income

Fees and commissions that relate to specific transactions or events are recognised as revenue in the period that the services are provided and performance obligations are satisfied. When they are charged for services provided over a period, they are recognised as revenue on an accrual basis as the services are provided.

#### (iii) Investment education and software

The Group operates and distributes the online, web-based equity valuation tool, Clime Direct (formerly known as Stocks in Value). Client subscriptions comprise both online access to the valuation tool as well as access to member training and education services over the period of subscription. Revenue received in respect of client subscriptions is recognised on an accrual basis and amortised over the period of the subscription as this reflects the period over which performance obligations under the subscription are satisfied.

#### (iv) Interest income

Interest income is recorded in the profit or loss when earned on an accrual basis using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

#### (d) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and for unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.



Clime Investment Management Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Clime Investment Management Limited is the head entity in the tax consolidated group. These entities are taxed as a single entity.

#### (e) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## (f) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 2(m)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their net present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## (g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

## (h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other shortterm, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## (i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses and have a repayment terms between 30 and 90 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on due dates.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## (j) Investments

#### (i) Classification

The Group's managed investments are categorised at fair value through profit or loss. They comprise investments in publicly listed companies and unlisted managed funds.

The Group classifies its assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Group's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is to evaluate the information about these financial assets on a fair value basis together with other related financial information.

#### (ii) Recognition/derecognition

The Group recognises financial assets on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all of the risks and rewards of ownership.

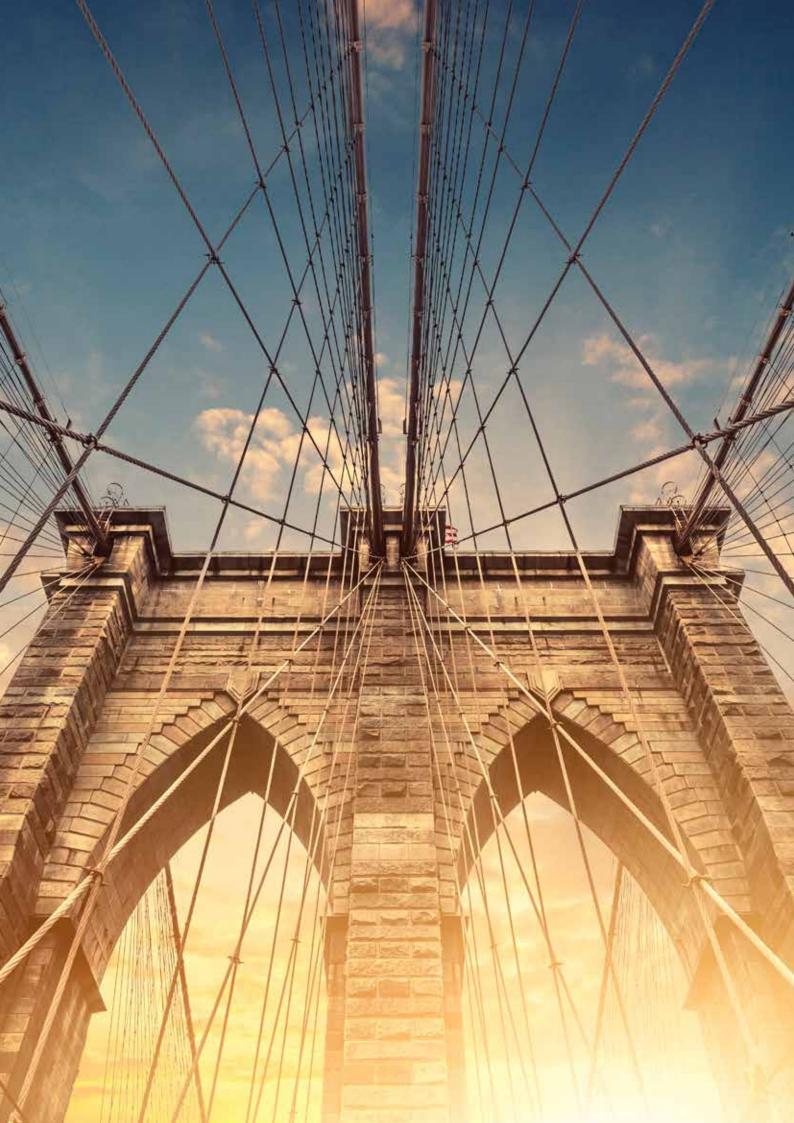
#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'net realised and unrealised gains on financial assets at fair value through profit or loss' in the period in which they arise.

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at the end of the reporting period, there were no financial assets or liabilities offset or with the right to offset in the statement of financial position.



## (k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. Refer to Note 2(j) for further information.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using alternative valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held, if any. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are considered to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## (l) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

• Plant and equipment 3-20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

## (m) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for the goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (ii) Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### (iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### (iv) Investment Management contracts and relationships

Investment Management contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of investment management contracts over their estimated useful lives (which vary from 10 to 15 years). Investment Management contracts are tested for impairment annually.

#### (v) Software licence, customer relationship and customer list

Software licence, customer relationships and customer lists have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the software licence, customer relationship and customer list over their useful life of 3 to 10 years. Software license, customer relationship and customer list are tested for impairment annually.

#### (n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (o) Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when the customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.



## (p) Employee benefits

#### (i) Wages and salaries, annual leave and long service leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled wholly within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities recognised in respect of long service leave are measured as the present value of the estimate future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

#### (ii) Bonus plans

A liability for employment benefits in the form of bonus plans is recognised when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial statements; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### (iii) Superannuation

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

#### (iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### (v) Share-based payments

Share-based compensation benefits are provided to employees via the Clime Investment Management Limited Employee Incentive Scheme.

#### Employee Incentive Scheme (EIS)

The Clime Investment Management Limited Employee Incentive Scheme (EIS) was approved by shareholders at the Company's Annual General Meeting held in October 2007.

The EIS provides an opportunity for eligible employees, as determined by the Board from time to time, to purchase shares in the Company via the provision of an interest-free, non-recourse loan. Shares issued in accordance with the EIS are subject to certain restrictions for the duration of the loan, including continued employment with the Company and share transfer locks. Upon the expiration of the loan term, and the repayment of the outstanding loan balance by relevant employees, the shares become unconditional. Due to certain aspects of the EIS - specifically the share transfer locks and non-recourse nature of the loans - the Company is required to classify shares issued under the EIS as 'in-substance options' in accordance with AASB 2 Share-based Payment.

As such, the underlying instruments, consisting of the outstanding employee loans and the issued fully paid ordinary shares, are not recognised in the financial statements. Instead, the fair value of the 'in-substance options' granted is recognised as an employee benefit expense with a corresponding increase in the sharebased payments reserve. The fair value is measured at grant date and recognised on a straight-line basis over the term of the loans.

The fair value of the 'in-substance options' at grant date is determined using a binomial distribution to statistically estimate the value of the benefits granted. The valuation model takes into account the share issue price, the term of the loan, the current price and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the loan.

In order to recognise the impact of employee departures and the resultant early termination of their respective loan agreements, at each balance date the Company revises its estimate of the number of shares that may ultimately become unconditional. The employee benefit expense recognised each period takes into account the most recent estimate.

Following the expiration of the term of the loan, any repayment received from employees in respect of the amortised loan balance is recognised in contributed equity in the statement of financial position. The balance of the share-based payments reserve relating to those shares is also transferred to contributed equity.

To the extent that an employee chooses not to repay the amortised loan balance at the completion of the loan term (i.e. where the value of the shares is less than the amortised loan balance), then the Company will buy back those shares and the balance of the share-based payments reserve relating to those shares is transferred to a lapsed option reserve.

It should be noted that the application of this accounting policy will result in differences between the number of shares on issue as disclosed in the Group's statutory reports, and the number of shares on issue as advised to the Australian Securities Exchange.

#### (q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## (r) Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised costs using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### (s) Dividends

A liability is recorded for the amount of any dividend declared on or before the end of the period but not distributed at reporting date.



## (t) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to potential dilutive ordinary shares.

#### (u) Goods and service tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

#### (v) New accounting standards and interpretations for application in future periods

The AASB has issued certain new and amended Accounting Standards and Interpretations that are not mandatory for 30 June 2019 reporting period and hence have not been early adopted by the Group. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

#### (i) AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of leases arrangements and their treatment in the financial statements of both lessees and lessors.

The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.

AASB 16 applies to annual periods beginning on or after 1 January 2019. As at 30 June 2019, the Group has noncancellable operating lease commitment of \$1,658,137 (Note 28). A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB16, and hence the Group will recognise a right-ofuse asset and a corresponding liability in respect of all these leases unless they qualify for low value or shortterm leases upon the application of AASB 16. The Group will adopt this standard from 1 July 2019 and its impact on adoption is expected to result in total assets and total liabilities increasing by \$1,191,728.

## 3. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, which are described in Note 2, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The 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 if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## Estimated impairment of goodwill, investment management contracts, software licences and customer relationships

The Group tests annually whether goodwill, investment management contracts, software licenses and customer relationships have suffered any impairment, in accordance with the accounting policy stated in Note 2(m). The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell. The fair values of cash-generating units have been determined in accordance with the Directors' assessments of their values based on arms' length transactions between knowledgeable and willing parties on the basis of the best information available. In determining these amounts, the Directors have considered the outcomes of recent transactions for similar assets and businesses.

The Directors' assessments of the fair values of cash-generating units are subject to an element of subjectivity concerning the selection of appropriate benchmarks and transactions. A material adverse change in one or more of the underlying variables applied in the estimates of fair values, therefore, may impact their recoverable amounts and result in alternative outcomes for the purposes of impairment testing.

## 4. Financial risk management

The Group's activities expose it to various direct and indirect financial risks, including market risk, interest rate risk, credit risk, liquidity risk and fair value risk.

Risk management is carried out by senior management under policies and strategies approved by the Board and Audit Committee. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

## (a) Market risk

The Group's activities expose it primarily to other price risks (see (i) below) and interest rate risks (see (ii) below). Unfavourable economic conditions both domestically and globally can have a significant impact on the investment returns of the investments and investment portfolios.

#### (i) Other price risk

The Group's activities expose it primarily to equity securities price risk. This arises from the following:

- · Investments held by the Group as direct investments; and
- Exposure to adverse movements in equity prices which may have negative flow-on effects to the revenue derived from the management of clients' investment portfolios.

The Group seeks to reduce market risk by adhering to the prudent investment guidelines of its Investment Committee. These guidelines include ensuring that the Group is not overly exposed to any one security and/or sector of the market, and must operate within set parameters.



#### PRICE RISK SENSITIVITY ANALYSIS

The table below summarises the pre-tax impact of both a general fall and general increase in market prices by 5% at the end of the reporting period. The analysis is based on the assumption that the movements are spread equally over all assets in the investment and trading portfolios.

	30 JUNE 2019		30 JUNE 2	018
	5% INCREASE IN MARKET PRICES	5% DECREASE IN MARKET PRICES	5% INCREASE IN MARKET PRICES	5% DECREASE IN MARKET PRICES
Impact on profit (pre-tax)	\$805,730	(\$805,730)	\$682,217	(\$682,217)

#### (ii) Interest rate risk management

The Group is exposed to interest rate risk because at balance date, the Group has a significant proportion of its assets held in interest-bearing bank accounts and deposits at call. As such, the Group's revenues and assets are subject to interest-rate risk to the extent that the cash rate falls over any given period. The majority of the Group's interest-bearing assets are held with reputable banks to ensure the Group obtains competitive rates of return while providing sufficient liquidity to meet cash flow requirements. Given that the Group does not have – nor has it ever had - any material interest-bearing borrowings/liabilities at balance date, the Board and management do not consider it necessary to hedge the Group's exposure to interest rate risk.

#### INTEREST RATE RISK SENSITIVITY ANALYSIS

The table below summarises the pre-tax impact on the Group's profits due to both a decrease and increase in interest rates by 100 basis points (one percentage point) at the end of the reporting period. The analysis is based on the assumption that the change is based on the weighted average rate of interest on cash at bank and cash on deposit for the year (1.66% weighted average interest rate in 2019 and 1.69% weighted average interest rate in 2018).

	30 JUNE 2019		30 JUNE	2018
-	100 BPS INCREASE IN INTEREST RATE	100 BPS DECREASE IN INTEREST RATE	100 BPS INCREASE IN INTEREST RATE	100 BPS DECREASE IN INTEREST RATE
Impact on profit (pre-tax)	\$43,031	(\$43,031)	\$45,518	(\$45,518)

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

#### (i) Cash and cash equivalents

The maximum credit risk of the Group in relation to cash and cash equivalents is the carrying amount and any accrued unpaid interest. The average weighted maturity of the cash portfolio at any given time is no greater than 90 days. All financial assets that are not impaired or past due are of good credit quality.

#### (ii) Trade and other receivables

The maximum credit risk of the Group in relation to trade and sundry receivables is their carrying amounts. This risk is largely mitigated by automated systems in place which support collectability of debts on a timely basis.

## (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close-out market positions. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group's management and its Board actively review the liquidity position on a regular basis to ensure the Group is always in a position to meet its debts and commitments on a timely basis.

#### (i) Maturities of financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is liable to meet its obligations. The table includes both interests (where applicable) and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

MATURITY ANALYSIS – GROUP 2019	CARRYING AMOUNT \$	CONTRACTUAL CASH FLOWS \$	LESS THAN 6 MONTHS \$	6 – 12 MONTHS \$	1-3 YEARS \$
Financial liabilities					
Trade and other payables	2,311,940	2,311,940	2,311,940	-	-
Total financial liabilities	2,311,940	2,311,940	2,311,940	-	-

MATURITY ANALYSIS – GROUP 2018	CARRYING AMOUNT \$	CONTRACTUAL CASH FLOWS \$	LESS THAN 6 MONTHS \$	6 – 12 MONTHS \$	1-3 YEARS \$
Financial liabilities					
Trade and other payables	1,629,211	1,629,211	1,629,211	-	-
Total financial liabilities	1,629,211	1,629,211	1,629,211	-	-

Trade and other payables are non-interest bearing, unsecured and generally payable within 30 days from the date of service / supply.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## (d) Fair value risk

#### (i) Fair value measurements recognised in the consolidated statement of financial position

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).

All financial instruments that are measured subsequent to initial recognition at fair value comprise financial assets at fair value through profit or loss.

AT 30 JUNE 2019	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
Financial assets at fair value through profit or loss				
- Listed equities	5,856,758	-	-	5,856,758
- Unlisted unit trusts	-	-	10,000	10,000
	5,856,758	-	10,000	5,866,758
AT 30 JUNE 2018	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
Financial assets at fair value through profit or loss				
- Listed equities	5,021,646	-	-	5,021,646
	5,021,646	-	-	5,021,646

#### *(ii) Valuation technique*

#### LISTED INVESTMENTS

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.

#### UNLISTED UNIT TRUSTS

The investment is included within Level 3 of the hierarchy. As observable prices are not available for these securities, the Group has relied on valuations provided by managers of the underlying funds, based on the net asset value per unit reported by those trusts, in order to derive the fair value of the units.

## 5. Revenue

Revenue from contracts with customers	2019 \$	2018 \$
Funds management		
Management fees <sup>1,2</sup>	8,751,428	8,580,935
Performance fees <sup>1</sup>	2,727,511	1,081,205
Director and Company Secretary Fees <sup>2</sup>	115,486	74,924
Other <sup>2</sup>	34,024	209,273
	11,628,449	9,946,337
Investment software		
Subscription fees <sup>1</sup>	448,269	546,830
Other revenue		
Direct investments		
Dividends and distributions	299,620	294,379
Interest income	71,301	76,704
	370,921	371,083
Total revenue	12,447,639	10,864,250
<sup>1</sup> Revenue from contracts with customers recognised over time <sup>2</sup> Revenue from contracts with customers recognised at a point in time		
Refer to Note 26(b) for an analysis of revenue by segment.		
6. Expenses	2019 \$	2018 \$
Profit before income tax includes the following specific expenses:		
Employee benefits expense (excluding superannuation)	6,455,738	5,133,646
Defined contribution superannuation expense	354,224	371,008
Share-based payment expense recognised	65,345	77,758
Rental expense relating to operating leases - Minimum lease payments	276,957	263,935
Depreciation of property, plant and equipment	42,826	33,636
Amortisation of investment management contracts	356,908	356,908
Amortisation of software licences, customer relationships and customer lists	89,852	212,874

## 7. Statement of Cashflows

(a) Reconciliation of cash	2019 \$	2018 \$
For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise:		
Cash and bank balances	4,199,534	4,735,297

Cash at bank is interest bearing. Cash at bank and deposits at call bear floating interest rates between 1.0% and 1.5% (2018: 1.0% and 1.8%).

Cash and bank balances above include deposits of \$487,589 (2018: \$256,615) that have been pledged as security for the occupied office space in Sydney.

(b) Reconciliation of profit for the year to net cash flows from operating activities:	2019 \$	2018 \$
Profit for the year	1,461,444	1,064,259
Adjustment for non-cash items:		
Depreciation and amortisation expense and loss on asset write off	490,486	603,418
Non-cash share-based payment expense	65,345	77,758
Share of profit of joint venture	(13,130)	(2,808)
Dividends received from joint venture	2,808	-
Deferred consideration written back	-	(187,500)
Change in operating assets and liabilities		
Trade and other receivables and other assets	(1,059,977)	(1,388,176)
Financial assets at fair value through profit or loss	(845,112)	995,571
Trade and other payables and contract liabilities	620,776	(57,634)
Current tax liability	(4,865)	387,186
Deferred tax assets and liabilities	283,789	(66,097)
Provisions	43,344	49,328
Net cash provided by operating activities	1,044,908	1,475,305
(c) Non-cash financing activities	2019 \$	2018 \$
Issue of ordinary shares for acquisition of CBG Asset Management Limited	187,500	3,250,000

## 8. Income tax expense

(a) Income tax expense	2019	2018
	\$	\$
Current tax expense	350,914	369,134
Deferred tax expense/(benefit)	283,789	(66,097)
	634,703	303,037
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (Note 16)	115,954	(87,004)
Increase in deferred tax liabilities (Note 20)	167,835	20,907
	283,789	(66,097)
(b) Numerical reconciliation of income tax expense to prima facie tax payable	2019 \$	2018 \$
Profit before income tax expense	2,096,147	1,367,296
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	576,440	376,006
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Amortisation of intangibles	110,166	144,083
Share-based payment expense	17,970	21,383
Tax rate changes	-	22,049
Franking credits on dividends	(91,292)	(88,949)
Utilisation of losses not previously recognised	-	(63,722)
Under/(over) provision of prior year tax	20,829	(47,233)
Non-taxable income	-	(51,563)
Sundry items	590	(9,017)
Income tax expense	634,703	303,037

## 9. Dividends

(a) Dividends provided for and paid during the year	2019 \$	2018 \$
Final dividend in respect of the previous financial year – 1.5 cents per share fully franked (2018: 1.5 cents per share fully franked)	852,726	849,739
Interim dividend in respect of the current financial year – 0.75 cents per share fully franked (2018: 1.5 cents per share fully franked)	421,713	849,374
	1,274,439	1,699,113
Fully franked portion	1,274,439	1,699,113
(b) Dividends not recognised at year end		
Proposed fully franked dividend – 1.5 cents per share (2018: 1.5 cents per share)	841,089	852,725
(c) Franking account balance		
Amount of franking credits available for subsequent financial years are:		
Franking account balance brought forward	228,238	2,046
Franking credits arising from income tax paid	355,780	271,139
Franking credits arising from acquisition of CBG Asset Management Limited	-	766,046
Franking credits from dividends received	125,883	122,690
Franking debits from payment of dividends	(483,408)	(644,491)
Franking debits from income tax refund	-	(289,192)
Balance of franking account at year end	226,493	228,238
Impact on franking account of proposed dividend not recognised at year end at 27.5% corporate tax rate (2018: 27.5%)	319,034	323,447

10. Trade and other receivables - Current	2019 \$	2018 \$
Trade receivables	2,808,348	1,808,528
Other receivables	315,990	221,820
	3,124,338	2,030,348

- a. Trade receivables are non-interest bearing and are generally subject to 30 day terms.
- b. The Group did not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.
- c. Trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of the respective clients, it is expected that these amounts will be received when due. The receivables primarily relate to management and performance fees receivable which are considered low risk.
- d. The carrying amounts of trade and other receivables are considered to represent a reasonable approximation of their fair values.

## 11. Other current assets

	2019	2018
	\$	\$
Prepayments and deposits	141,894	175,907

## 12. Financial assets at fair value through profit or loss - Current

	2019 \$	2018 \$
Listed equities	5,856,758	5,021,646
Unlisted unit trust	10,000	-
	5,866,758	5,021,646

## 13. Investments accounted for using the equity method

	2019 \$	2018 \$
Investment in joint venture	13,730	3,408

## (a) Carrying amounts

Information relating to joint venture is set out below.

				CARRYING	AMOUNTS
NAME OF COMPANIES	PRINCIPAL ACTIVITY	2019 %	2018 %	2019 \$	2018 \$
Unlisted					
Clime Super Pty Ltd (i)	Provision of administration services to self-managed super funds	50%	50%	13,730	3,408

The above joint venture is incorporated in Australia.

## (i) Clime Super Pty Ltd

Profit after income tax

On 1 July 2017, the Group entered into a 50:50 joint venture with HLB Mann Judd (Wollongong) an experienced firm of accountants and business advisors to provide self-managed super fund administration services.

(b) Movements of carrying amounts	2019 \$	2018 \$
Carrying amount at the beginning of the financial year	3,408	-
Payment for investment in joint venture	-	600
Share of profit after income tax	13,130	2,808
Dividends received	(2,808)	-
Carrying amount at the end of the financial year	13,730	3,408
Net profit of joint venture before income tax	18,110	3,873
Income tax expense	(4,980)	(1,065)

2,808

13,130

## (c) Reconciliation to share of net profits of investments accounted for using the equity method

	2019 \$	2018 \$
Share in net profit of joint venture	13,130	2,808

## (d) Summarised financial information of investments accounted for using the equity method

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with AASBs adjusted by the Group for equity accounting purposes.

	ASSETS \$	LIABILITIES \$	REVENUES \$	PROFIT AFTER TAX \$
2019				
Clime Super Pty Ltd	28,574	14,844	124,659	13,130
2018				
Clime Super Pty Ltd	25,831	22,423	89,630	2,808

## 14. Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(b).

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	2019 %	2018 %
Clime Asset Management Pty Ltd	Australia	Fully Paid Ordinary	100	100
Stocks In Value Pty Ltd	Australia	Fully Paid Ordinary	100	100
Clime Private Wealth Pty Ltd	Australia	Fully Paid Ordinary	100	100
Clime Investors Education Pty Ltd	Australia	Fully Paid Ordinary	100	100
CBG Asset Management Limited **	Australia	Fully Paid Ordinary	100	100

\* The proportion of ownership interest is equal to the proportion of voting power held.

\*\* Acquired on 14 July 2017.

## 15. Property, plant and equipment

	2019 \$	2018 \$
Plant and equipment - at cost	494,227	516,940
Accumulated depreciation and impairment	(415,099)	(427,163)
Written down value of property, plant and equipment	79,128	89,777

## Reconciliation

Carrying value at beginning of the year	89,777	51,206
Additions during the year	33,075	70,526
Acquisition through business combination (Note 32)	-	1,681
Written off during the year	(898)	-
Depreciation charge for the year	(42,826)	(33,636)
Carrying amount at end of the year	79,128	89,777

## 16. Deferred tax assets

Closing balance at 30 June

	2019 \$	2018 \$
The balance comprises temporary differences attributable to:		
Contract liabilities	129,806	177,639
Employee benefits	96,156	84,236
Accrued expenses	37,114	18,580
Tax losses carried forward on revenue account	35,451	86,106
Tax losses carried forward on capital account	195,779	243,699
Deferred tax assets	494,306	610,260
Movements		
Opening balance at 1 July	610,260	341,134
Acquisition through business combination (Note 32)	-	182,122
Credited/(charged) to profit or loss (Note 8(a))	(115,954)	87,004

610,260

494,306

## 17. Intangible assets

Goodwill:	2019 \$	2018 \$
Goodwill at cost	5,321,884	5,321,884
Investment management contracts and relationships:		
At cost	5,694,000	5,694,000
Accumulated amortisation	(3,154,991)	(2,798,083)
	2,539,009	2,895,917
Software licences:		
At cost	588,706	576,300
Accumulated amortisation	(247,691)	(185,535)
	341,015	390,765
Customer relationship and customer list:		
At cost	650,023	650,023
Accumulated amortisation	(480,784)	(453,088)
	169,239	196,935
Closing balance at 30 June	8,371,147	8,805,501

## (a) Reconciliations

2019 CONSOLIDATED	GOODWILL	INVESTMENT MANAGEMENT CONTRACTS & RELATIONSHIPS	SOFTWARE LICENCES	CUSTOMER RELATIONSHIPS & CUSTOMER LISTS	TOTAL
	\$	\$	\$	\$	\$
Carrying amount at beginning of year	5,321,884	2,895,917	390,765	196,935	8,805,501
Additions	-	-	12,406	-	12,406
Amortisation expense <sup>1</sup>	-	(356,908)	(62,156)	(27,696)	(446,760)
Carrying amount at end of year	5,321,884	2,539,009	341,015	169,239	8,371,147

2018 CONSOLIDATED	GOODWILL	INVESTMENT MANAGEMENT CONTRACTS & RELATIONSHIPS	SOFTWARE LICENCES	CUSTOMER RELATIONSHIPS & CUSTOMER LISTS	TOTAL
	\$	\$	\$	\$	\$
Carrying amount at beginning of year	3,351,564	2,348,825	452,610	347,964	6,500,963
Acquisition (Note 32)	1,970,320	904,000	-	-	2,874,320
Amortisation expense <sup>1</sup>	-	(356,908)	(61,845)	(151,029)	(569,782)
Carrying amount at end of year	5,321,884	2,895,917	390,765	196,935	8,805,501

<sup>1</sup> Amortisation of \$446,760 (2018: \$569,782) is included in the consolidated statement of profit or loss and other comprehensive income.

## (b) Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the applicable cash-generating unit for impairment testing. Each cash-generating unit represents a business operation of the Group.

CASH-GENERATING UNIT	FUNDS MANAGEMENT \$	INVESTMENT SOFTWARE AND EDUCATION \$	TOTAL \$
2019 - Consolidated			
Balance at the beginning of the year	4,996,884	325,000	5,321,884
Movements during the year	-	-	-
Balance at end of year	4,996,884	325,000	5,321,884
2018 - Consolidated			
Balance at the beginning of the year	3,026,564	325,000	3,351,564
Acquisition of CBG Asset Management Limited (Note 32)	1,970,320	-	1,970,320
Balance at end of year	4,996,884	325,000	5,321,884

#### FUNDS MANAGEMENT

The recoverable amount of the cash generating unit has been determined based on fair value less costs to sell, using Directors' assessments of its values on the basis of arms' length transactions between knowledgeable and willing parties with the best information available. In determining these amounts, the Directors have considered the outcomes of recent transactions for similar assets and businesses.

### INVESTMENT SOFTWARE AND EDUCATION

The recoverable amount of the cash generating unit has been determined by a value-in-use calculation.

The key assumptions utilised in Directors' assessments relate primarily to current year results, management forecasts based on next year's budgeted result and the Group's 3-year strategy. These key assumptions have been derived under a consistent approach to the prior year impairment assessment, utilising past experience and internal analysis. The Directors also anticipate growth based on continued evolution of products and services.

## 18. Trade and other payables

	2019 \$	2018 \$
Unsecured:		
Trade payables	370,217	397,653
Dividends on shares issued under the Employee Incentive Scheme	121,687	131,250
Accruals	1,767,740	1,055,423
Deferred consideration payable	-	187,500
Other payables	431,736	312,339
	2,691,380	2,084,165

The carrying amount of trade and other payables are considered to represent a reasonable approximation of their values.

## **19.** Provisions

	2019 \$	2018 \$
Employee benefits	349,658	306,314

The provision for employee benefits represents annual leave and long service leave entitlements.

## 20. Deferred tax liabilities

	2019 \$	2018 \$
The balance comprises temporary differences attributable to:		
Financial assets at fair value through profit or loss	228,925	22,241
Equity accounted investments	3,611	771
Prepayments	-	41,689
Deferred tax liabilities	232,536	64,701
Movements:		
Opening balance at 1 July	64,701	43,794
Charged/(credited) to the profit or loss (Note 8)		
- Other	167,835	20,907
Closing balance at 30 June	232,536	64,701

## 21. Issued capital

## (a) Share Capital

	PARENT EQU	PARENT EQUITY		ITY
	2019 Shares	2018 Shares	2019 \$	2018 \$
Ordinary shares				
Fully paid	54,737,771	54,933,362	16,933,128	17,006,379

<sup>1</sup> Note that the number of shares on issue above will differ from the number of shares on issue as notified to the Australian Securities and Investments Commission and the Australian Securities Exchange. This is due to the application of AASB 2 Share-based Payment which treats the shares issued under the Employee Incentive Scheme as 'in-substance options' for statutory reporting purposes. Refer to Note 2(p)(v) for further information.

## (b) Movements in ordinary share capital

DATES	DETAILS	NOTES	NUMBER OF SHARES	\$
1 July 2017	Balance		48,574,243	13,822,370
14 July 2017	Shares issued for acquisition of CBG Asset Management Limited (Note 32)		6,500,000	3,250,000
July 2017 to June 2018	Shares bought back on-market and cancelled	(d)	(140,881)	(65,841)
July 2017 to June 2018	Transaction costs arising from on-market buy- back		-	(150)
30 June 2018	Balance		54,933,362	17,006,379
16 July 2018	Shares issued for acquisition of CBG Asset Management Limited (Note 32)		375,001	187,500
July 2018 to June 2019	Shares bought back on-market and cancelled	(d)	(570,592)	(260,241)
July 2018 to June 2019	Transaction costs arising from on-market buy- back		-	(510)
30 June 2019	Balance		54,737,771	16,933,128

## (c) Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

## (d) On-market share buy-back

During the financial year ended 30 June 2019, Clime Investment Management Limited, in accordance with its on-market share buy-back scheme, bought back 570,592 (2018: 140,881) shares. The number of shares bought back and cancelled was within the '10/12 limit' imposed by s257B of the Corporations Act 2001, and as such, shareholder approval was not required. The shares were acquired at an average price of 45.70 cents per share (2018: 46.84 cents per share). The total cost of \$260,751 (2018: \$65,991), including \$510 (2018: \$150) of transaction costs, was deducted from contributed equity. The shares bought back in the current year were cancelled immediately.

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

As at 30 June 2019, there are 1,375,000 (2018: 1,575,000) EIS 'in-substance' options on issue. Share options granted under the Company's employee incentive scheme carry no rights to dividends and no voting rights. Refer to Note 25(a) for a schedule of the movements in EIS options on issue during the year.

### (f) Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders, to maintain an optimal capital structure and to minimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares from time to time or buy back its own shares.

The Group's strategy is unchanged from 2018.

## 22. Reserves and retained earnings

(a) Reserves	2019 \$	2018 \$
Share-based payments reserve	298,901	233,556
Movements		
Share-based payments reserve		
Balance 1 July	233,556	155,798
Share-based payment expense recognised	65,345	77,758
Balance 30 June	298,901	233,556
(b) Retained earnings	2019 \$	2018 \$
Movements in retained earnings were as follows:		
Balance 1 July	1,088,001	1,722,855
Net profit for the year	1,461,444	1,064,259
Dividends (Note 9)	(1,274,439)	(1,699,113)
Balance 30 June	1,275,006	1,088,001

## (c) Nature and purpose of reserves

## Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees but not exercised.

## 23. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity (Pitcher Partners) and its related practices:

	2019 \$	2018 \$
Audit and review of financial statements - Pitcher Partners	86,784	76,947
Taxation matters - Pitcher Partners	10,255	18,105
Other matters - Pitcher Partners	1,570	19,300
Audit of a subsidiary – unrelated firm	-	14,244
	98,609	128,596

## 24. Earnings per share

	2019 CENTS	2018 CENTS
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group	2.6	1.9
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Group	2.6	1.9
	2019 \$	2018 \$
(c) Reconciliations of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit for the year attributable to owners of the Group	1,461,444	1,064,259
Profit attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share	1,461,444	1,064,259
	2019 NUMBER	2018 NUMBER
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculation of basic earnings per share	55,222,139	54,942,217
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	56,597,139	56,517,217
	2019 NUMBER	2018 NUMBER
(e) Reconciliations of weighted average number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	55,222,139	54,942,217
Shares deemed to be issued for no consideration in respect of - Employee Incentive Scheme	1,375,000	1,575,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	56,597,139	56,517,217

## (f) Options issued under Employee Incentive Scheme

Options granted under the Employee Incentive Scheme are considered to be dilutive and have been included in the determination of diluted earnings per share. These options have not been included in the determination of basic earnings per share.

## 25. Share-based payments

## (a) Employee Incentive Scheme (EIS)

The Clime Investment Management Limited Employee Incentive Scheme ("EIS") was approved by shareholders at the Company's Annual General Meeting held on 25 October 2007.

The EIS provides an opportunity for eligible employees, as determined by the Board from time to time, to purchase shares in the Company via the provision of an interest-free, non-recourse loan. Shares issued in accordance with the EIS are subject to certain restrictions for the duration of the loan, including continued employment with the Company and share transfer locks. Upon the expiration of the loan term, and the repayment of the outstanding loan balance by relevant employees, the shares become unconditional. Shares issued under the EIS rank equally with other fully paid ordinary shares.

Due to certain aspects of the EIS - specifically the share transfer locks and non-recourse nature of the loans - the Company is required to classify shares issued under the EIS as 'in-substance options' in accordance with AASB 2 Share-based Payment. It should be noted that the application of this accounting policy will therefore result in differences between the number of shares on issue as disclosed in the Company's statutory reports, and the number of shares on issue as advised to the Australian Securities Exchange.

Set out below is a summary of in-substance options granted under the plan:

Weighted av	erage exercise	price		\$0.585				
Total			1,575,000	600,000	-	(800,000)	1,375,000	375,000
02/01/2019	02/01/2022	\$0.470	-	200,000	-		200,000**	-
21/08/2018	21/08/2021	\$0.485	-	400,000	-		400,000**	-
23/06/2017	23/06/2020	\$0.500	350,000*	-	-	(150,000)	200,000*	-
20/07/2016	30/09/2019	\$0.630	350,000	-	-	(150,000)	200,000	-
11/09/2015	30/09/2019	\$0.700	275,000	-	-	(125,000)	150,000	150,000
25/02/2015	30/09/2019	\$0.750	50,000	-	-	(25,000)	25,000	25,000
19/08/2014	30/09/2019	\$0.850	200,000	-	-	(150,000)	50,000	50,000
25/10/2013	30/09/2019	\$0.829	250,000	-	-	(100,000)	150,000	150,000
22/08/2013	04/11/2018	\$0.800	100,000	-	-	(100,000)	-	-
2019			NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
GRANT DATE	VESTING / EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED/ FORFEITED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR

\* Includes 200,000 in-substance options granted to one of the Directors approved by shareholders on 27th October 2016. \*\* In-substance options granted to the Chief Executive Officer during the year.

Weighted av	verage exercis	e price		\$0.649				
Total			1,575,000	-	-	-	1,575,000	600,000
23/06/2017	23/06/2020	\$0.500	350,000	-	-	-	350,000*	-
20/07/2016	20/07/2019	\$0.630	350,000	-	-	-	350,000	-
11/09/2015	11/09/2018	\$0.700	275,000	-	-	-	275,000	-
25/02/2015	25/02/2019	\$0.750	50,000	-	-	-	50,000	50,000
19/08/2014	19/08/2019	\$0.850	200,000	-	-	-	200,000	200,000
25/10/2013	04/11/2018	\$0.829	250,000	-	-	-	250,000	250,000
22/08/2013	04/11/2018	\$0.800	100,000	-	-	-	100,000	100,000
2018			NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
GRANT DATE	VESTING / EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED/ FORFEITED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR

\* Includes 200,000 in-substance options granted to the Managing Director approved by shareholders on 27th October 2016.

The weighted average contractual life of in-substance options outstanding at the end of the period was 1.06 years (2018 – 1.05 years).

The assessed fair value at grant date of in-substance options granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are determined by using a binomial distribution model to statistically estimate the future probability of the in-substance options vesting and the amounts that these in-substance options would be worth. The valuation was performed as at the grant date of each in-substance option issued.

The model inputs for in-substance options granted during the year ended 30 June 2019 included:

- in-substance options are granted via an interest-free, non-recourse loan and vest based on the terms discussed above;
- In-substance options become unconditional on the date of their vesting following the repayment of the outstanding loan balance;
- exercise price: The forecast outstanding loan principal at the expiration of the loan term is equivalent to the exercise price variable in a standard option valuation. The forecast outstanding loan principal is \$0.59 per share (for in-substance options issued with a three year term);
- vesting date: 3 years from the grant date;
- expected price volatility of the Company's shares: between 30% and 35%;
- risk-free interest rate: 1.80%; and
- discount rate: 14%.

The fair values per in-substance option at the grant date were:

NUMBER OF OPTIONS	GRANT DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	VESTING / EXPIRY DATE
150,000	25/10/2013	\$0.829	\$0.140	30/09/2019
50,000	19/08/2014	\$0.850	\$0.140	30/09/2019
25,000	25/02/2015	\$0.750	\$0.134	30/09/2019
150,000	11/09/2015	\$0.700	\$0.121	30/09/2019
200,000	20/07/2016	\$0.630	\$0.107	30/09/2019
200,000	23/06/2017	\$0.500	\$0.111	23/06/2020
400,000	21/08/2018	\$0.485	\$0.099	21/08/2021
200,000	02/01/2019	\$0.470	\$0.091	02/01/2022

Refer to the Remuneration Report on pages 26 to 34, for additional information in relation to the EIS.

## (b) Options issued to Amigo Consulting Pty Limited

On 27th October 2016 shareholders approved issuing 1,000,000 options to acquire ordinary shares to Amigo Consulting Pty Limited. Amigo Consulting Pty Limited has been engaged to provide strategic and outcome driven corporate advisory services. Mr. Allyn Chant, a director of Clime, is also a director and a minority shareholder of Amigo.

These options will expire on 1 October 2019 and may be exercised at any time upon vesting and prior to the expiry date. The amount payable on exercise of each option is 50 cents, subject to adjustment in accordance with certain conditions.

Vesting conditions:

- i. 333,333 options vest on the date, if it occurs prior to 30 September 2017, that the Company's securities trade on the Australian Securities Exchange ("ASX") at or above 75 cents. As this condition was not met the vesting period has been extended to 30 September 2019 and vesting will occur if the Company's securities trade on the ASX at or above \$1.00 by that extended date;
- ii. 333,333 options vest on the date that the Company completes the purchase or build of a retail platform (defined as a flexible service that enables investors to buy and hold their investments online all in one place, tracking transactions for tax purposes and allowing advisor and/or client direction) for client's monies if this occurs before the expiry date;
- iii. 333,334 options vest if the Company's funds under management attains or exceeds \$1 billion prior to the expiry date.

## (c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of the employee benefit expense were as follows:

	2019 \$	2018 \$
Option expense		
Employee Incentive Scheme	29,012	41,425
Amigo Consulting Pty Limited	36,333	36,333
	65,345	77,758

Refer to the Remuneration Report on pages 26 to 34, for additional information in relation to the Employee Incentive Scheme.

## 26. Segment information

## (a) Description of segments

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

- Funds management
- Investment software
- 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, corporations and mandates.

#### **Investment Software**

Revenue generated from external subscriptions to the Group's proprietary web-based investment software, Stocks In Value Pty Limited (trading as Clime Direct), is included within this segment.

## **Direct Investments**

Includes revenue generated by the Group's direct investments in listed, 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.

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

## (b) Reportable Segments

2019	FUNDS MANAGEMENT \$	INVESTMENT SOFTWARE \$	DIRECT INVESTMENTS \$	INTER SEGMENT/ UNALLOCATED \$	CONSOLIDATED \$
Segment revenue					
Sales to external customers	11,512,940	448,269	-	115,509	12,076,718
Investment income	-	-	1,130,193	-	1,130,193
Total segment revenue	11,512,940	448,269	1,130,193	115,509	13,206,911
Share of profits from investments in joint venture	-	-	13,130	-	13,130
Net group result					
Net group result before tax	3,213,287	229,080	1,143,323	(2,489,543)	2,096,147
Income tax expense					(634,703)
Profit for the year					1,461,444
Depreciation and amortisation expense	390,801	62,615	-	36,168	489,584

2018	FUNDS MANAGEMENT \$	INVESTMENT SOFTWARE \$	DIRECT INVESTMENTS \$	INTER SEGMENT/ UNALLOCATED \$	CONSOLIDATED \$
Segment revenue					
Sales to external customers	9,683,474	546,830	-	82,569	10,312,873
Investment income	-	-	640,602	-	640,602
Total segment revenue	9,683,474	546,830	640,602	82,569	10,953,475
Share of profits from investments in associate	-	-	2,808	-	2,808
Net group result					
Net group result before tax	2,451,607	204,381	643,410	(1,932,102)	1,367,296
Income tax expense					(303,037)
Profit for the year					1,064,259
Depreciation and amortisation expense	382,928	104,622	-	115,868	603,418

## (c) Segment assets and liabilities

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.

## (d) Information about major customers

Included in revenues arising from the funds management business of \$11.5 million (2018: \$9.7 million) (see Note 26 (b) above) are revenues of approximately \$1.7 million (2018: \$1.5 million) which arose from services provided to the Group's largest customer.

## **27.** Subsequent Events

A final fully franked dividend for the year ended 30 June 2019 of 1.5 cents per share, totalling \$841,089 has been declared by the Directors. This provision has not been reflected in the financial statements.

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

## 28. Contingent liabilities, contingent assets and commitments

The Group has no material contingent liabilities or contingent assets as at 30 June 2019 (2018: Nil).

## **Capital expenditure commitments**

The Group has no material capital expenditure commitments to acquire property, plant and equipment as at 30 June 2019 (2018: Nil).

## **Operating lease commitments**

On 8 April 2019, the Company entered into an operating lease agreement for the new office premises for a period of 5 years, terminating on 30 July 2024.

The expenditure commitments with respect to rent payable under various lease agreements are as follows.

	2019 \$	2018 \$
Not later than 1 year	377,621	296,082
Later than 1 year and not later than 5 years	1,252,348	34,225
Later than 5 years	28,168	-
	1,658,137	330,307

## 29. Key management personnel disclosures

### (a) Remuneration of Directors and Other Key Management Personnel

A summary of the remuneration of Directors and other key management personnel for the current and previous financial year is set out below:

	SHORT-TERM EMPLOYEE BENEFITS \$	POST- EMPLOYMENT BENEFITS \$	SHARE- BASED PAYMENTS \$	TERMINATION BENEFITS \$	TOTAL \$
2019					
Remuneration of Directors and other key management personnel	956,504	33,629	21,878	-	1,012,011
2018					
Remuneration of Directors and other key management personnel	476,440	24,560	7,380	-	508,380

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report on pages 26 to 34 of this Annual Report.

## (b) Equity instrument disclosures relating to directors and other key management personnel

#### (i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 26 to 34.

#### (ii) Share holdings

The numbers of shares in the Company held during the year by each Director of Clime Investment Management Limited and other key management personnel of the consolidated entity, including their personally-related entities, are set out below.

	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
2019	No.	No.	No.	No.
Mr. Donald McLay	7,320,680	-	149,896	7,470,576
Mr. John Abernethy	4,083,850	-	149,000	4,232,850*
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Allyn Chant	50,000	-	-	50,000
Mr. Rod Bristow	-	-	610,000	610,000*

\* Includes 200,000 and 600,000 shares issued under Employee Incentive Scheme to Mr. John Abernethy and Mr. Rod Bristow, respectively.

	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
2018	No.	No.	No.	No.
Mr. Donald McLay	7,320,680	-	-	7,320,680
Mr. John Abernethy (Note a)	3,961,350*	-	122,500	4,083,850*
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Allyn Chant	-	-	50,000	50,000

\* Includes 200,000 shares issued under EIS to Mr. John Abernethy.

## (c) Loans to Directors and other key management personnel

\$367,000 (2018: \$94,000) loan to a Director and other key management personnel in relation to the EIS share issued under the Employee Incentive Scheme (refer Note 25(a)).

There were no other loans made to Directors of Clime Investment Management Limited or other key management personnel of the consolidated entity, including their personally related entities, at any stage during the financial year.

As described in Note 25(a), notional non-recourse loans exist in relation to "in substance" options issued under the Employee Incentive Scheme.

## 30. Related party transactions

All transactions with related entities were made on normal commercial terms and conditions no more favourable than transactions with other parties unless otherwise stated. Details of transactions between the Group and other related parties are disclosed below.

## (a) Parent Entity

The parent entity (and ultimate parent entity) within the Group is Clime Investment Management Limited.

## (b) Subsidiaries

Interests in subsidiaries are set out in Note 14.

## (c) Joint Ventures

Interest in joint ventures is set out in Note 13.

## (d) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 29.

## (e) Other related party transactions

## 1. Clime Capital Limited

- Mr. John Abernethy is a director of Clime Capital Limited. The Group received \$84,000 (2018: \$65,924) as management fees for the services rendered by two Directors and Company Secretary to Clime Capital Limited. The Group directly owns 6.28% (2018: 6.31%) of the fully paid ordinary shares of Clime Capital Limited as at 30 June 2019. Clime Investment Management Limited through Clime Asset Management Pty Limited (a wholly owned subsidiary) has the indirect power to dispose 5.26% (2018: 6.14%) of Clime Capital Limited's shares held by the Investment Manager's individually managed accounts as at 30 June 2019.
- ii. Clime Asset Management Pty Limited during the year received \$795,006 (2018: \$715,813) as remuneration for managing Clime Capital Limited's investment portfolio.
- iii. All dividends paid and payable by Clime Capital Limited to its directors and their related entities are on the same basis as to other shareholders.

### 2. Clime Australian Income Fund

i. Clime Asset Management Pty Limited, during the year received \$204,619 (2018: \$114,817) as remuneration for managing the investment portfolios and acting as trustee of Clime Australian Income Fund. An external responsible entity was appointed on 3 May 2019.

### 3. Clime Smaller Companies Fund

i. Clime Asset Management Pty Limited during the year received \$772,044 (2018: \$277,548) as remuneration for managing the investment portfolios and acting as trustee of Clime Smaller Companies Fund. An external responsible entity was appointed on 3 May 2019.

## 4. Clime Fixed Interest Fund

i. Clime Asset Management Pty Limited during the year received \$1,853 (2018: \$nil) as remuneration for managing the investment portfolios and acting as trustee of Clime Fixed Interest Fund.

## 5. CBG Capital Limited

- i. Mr. John Abernethy was a Director of CBG Capital Limited until 24 August 2018. The Group received \$26,383 (2018: \$26,708) as management fees for the services rendered by two Directors and Company Secretary to CBG Capital Limited. The Group directly owns 1.03% (2018: 0.6%) of the fully paid ordinary shares in CBG Capital Limited as at 30 June 2019.
- CBG Asset Management Limited (a wholly owned subsidiary) during the year earned \$405,099 (2018:
   \$311,806) as remuneration for managing CBG Capital Limited's investment portfolio.
- iii. All dividends paid and payable by CBG Capital Limited to its Directors and Directors' related entities are on the same basis as to other shareholders.

## 6. Clime CBG Australian Equities Fund (Wholesale)

i. CBG Asset Management Limited, during the year received \$1,167,882 (2018: \$934,325) as remuneration for managing the investment portfolios and acting as trustee of Clime CBG Australian Equities Fund (Wholesale).

## 7. Amigo Consulting Pty Limited

Mr. Allyn Chant, a director of Clime, is also a director and a minority shareholder of Amigo Consulting Pty Limited ("Amigo"). No consultancy fees were paid by the Group to Amigo during the year (2018: \$50,000).

On 27th October 2016, shareholders approved issuing 1,000,000 options to Amigo to acquire ordinary shares in the Company. Amigo has been engaged to provide strategic and outcome driven corporate advisory services

These options will expire on 1 October 2019 and may be exercised at any time upon vesting and prior to the expiry date. The amount payable on exercise of each option is 50 cents, subject to adjustment in accordance with certain conditions as follows:

- i. 333,333 options vest on the date, if it occurs prior to 30 September 2017 that the Company's securities trade on the ASX at or above 75 cents. As this condition was not met the vesting period has been extended to 30 September 2019 and vesting will occur if the Company's securities trade on the ASX at or above \$1.00 by that extended date;
- ii. 333,333 options vest on the date that the Company completes the purchase or build of a retail platform (defined as a flexible service that enables investors to buy and hold their investments online all in one place, tracking transactions for tax purposes and allowing advisor and/or client direction) for client's monies if this occurs before the expiry date;
- iii. 333,334 options vest if the Company's Funds Under Management attains or exceeds \$1 billion prior to the expiry date.

Expenses arising from the share based payment transactions recognised during the period was \$36,333 (2018: \$36,333).

## (f) Outstanding balances as at year end

The following balances, prior to group elimination, were outstanding at the end of the reporting period:

	AMOUNT OWED BY RELATED PARTIES		AMOUNT OWED TO RELATED PARTIES	
	30 JUNE 2019 (\$)	30 JUNE 2018 (\$)	30 JUNE 2019 (\$)	30 JUNE 2018 (\$)
Clime Capital Limited	76,233	73,406	-	-
Subsidiaries of Clime Investment Management Limited	2,511,604	902,562	18,697,101	16,102,083
Joint venture of Clime Investment Management Limited	-	22,330	-	-
CBG Capital Limited	-	6,600	-	-
Amigo Consulting Pty Limited	-	-	-	11,000

## 31. Parent entity disclosures

The following information relates to the parent entity Clime Investment Management Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 2.

(a) Financial Position	2019 \$	2018 \$
Assets		
Current assets	8,674,519	6,443,162
Non-current assets	16,505,961	16,604,124
Total Assets	25,180,480	23,047,286
Liabilities		
Current liabilities	14,162,780	13,503,067
Total Liabilities	14,162,780	13,503,067
Net Assets	11,017,700	9,544,219
Equity		
Issued capital	16,933,128	17,006,379
Profit reserve	17,790,107	16,308,719
Accumulated losses	(24,004,435)	(24,004,435)
Share-based payments reserve	298,900	233,556
Total Equity	11,017,700	9,544,219
(b) Financial Performance		
Profit for the year	2,755,826	61,232
Other comprehensive income / (loss)	-	-
Total comprehensive income	2,755,826	61,232

## (c) Guarantees entered into by the Parent Company

The parent company provides cash backed guarantees for the operating lease agreement of office premises. During the year these guarantees amounted to \$485,709 (2018: \$255,486).

### (d) Commitments

The parent entity has no commitment for the acquisition of property, plant and equipment as at 30 June 2019 and 30 June 2018 and \$1,658,137 (2018: \$330,307) for the operating lease commitments.

## 32. Business Combination

On 14 July 2017, Clime Investment Management Limited acquired 100% of the share capital of CBG Asset Management Limited (CBG). CBG is an Australian equities fund manager, founded in 2001.

Bringing CBG to Clime Group immediately increased FUM of the Group by \$130 million and also enhanced the Clime Private Wealth offering which was 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. Contingent consideration of \$375,000 was agreed to be settled in 12 months by issuance of 750,000 shares for fulfilment of certain warranties relating to FUM retention and delivery of agreed outcomes.

Details of the purchase consideration agreed:

IOTAL
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	(\$)
Cash paid	-
Shares issued (i)	3,250,000
Contingent (deferred) consideration (ii)	375,000
Total purchase consideration	3,625,000

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 was payable only if certain performance conditions were met as at 16 July 2018. Based on Directors' assessment as at 16 July 2018, the contingent consideration was settled by issue of 375,001 CIW shares at a deemed issue price of 50 cents per share as final settlement and has now been completed.

## Assets and liabilities acquired

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

RECOGNISED ON ACQUISITION AT FAIR VALUE

ASSETS AND LIABILITIES ACQUIRED	(\$)
Cash and cash equivalents	725,944
Trade and other receivables	143,133
Deferred tax assets	182,122
Property plant and equipment	1,681
Current tax benefit	40,387
Investment management agreement	904,000
Trade and other payables	(342,587)
Net identifiable assets acquired	1,654,680
Add: Goodwill arising on acquisition	1,970,320
Total purchase consideration	3,625,000

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.

## **Transition costs**

Transaction costs of \$14,379 were incurred in relation to the acquisition. These costs were included with administration expenses in the 2018 statement of profit or loss and other comprehensive income.

# Directors' Declaration

The Directors declare that:

- a. in the Directors' opinion, the attached financial statements and notes thereto, as set out on pages 39 to 89, are in accordance with the Corporations Act 2001, including compliance with Accounting Standards, and giving a true and fair view of the financial position and performance of the Group;
- b. in the Director's opinion, 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. in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;
- d. the Directors have been given the declarations required by section 295A of the Corporations Act 2001; and
- e. the remuneration disclosures contained in the Remuneration Report comply with S300A of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors made pursuant to S295(5) of the Corporations Act 2001on behalf of the Directors by:

Donald McLay Chairman

Date: 26 August 2019

Allyn Chant Independent Director

## Independent Auditor's Report to the Members



Level 16, Tower 2 Darling Park 201 Sussex Street Sydney NSW 2000

Postal Address GPO Box 1615 Sydney NSW 2001

*p.* +61 2 9221 2099 *e.* sydneypartners@pitcher.com.au

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

## **REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

We have audited the accompanying financial report of Clime Investment Management Limited ("the Company") and it Controlled Entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

#### Opinion

In our opinion:

- a) the accompanying financial report of Clime Investment Management Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations* 2001.

### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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### **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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter		
Accuracy of Management and Performance Fe	es		
Refer to Note 5: Revenue and Note 30: Related party transactions			
Management and performance fees account for \$11,478,939 of the Group's \$12,447,639 reported revenues in 2019. We focused our audit effort on the accuracy of management and performance fees given their significance to the revenues of the Group and because their calculation may require adjustments for significant events such as payment of company dividends and income tax, capital raisings and reductions in accordance with each individual Investment Management Agreement. The calculation of management and performance fees includes key inputs such as portfolio movements, relevant index benchmarking and set percentages in accordance with the Investment Management Agreements. In addition to their quantum, as some of these transactions are made with related parties, there are additional inherent risks associated with these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party (e.g. fees charged in excess of those mandated under the management agreement). We therefore identified the accuracy of management and performance fees as a key audit matter.	<ul> <li>Our procedures included amongst others:</li> <li>Obtaining an understanding of and evaluating the processes and controls for calculating the management and performance fees;</li> <li>Making enquiries with Management and the Directors with respect to any significant events during the year and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes;</li> <li>Reviewing the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the current financial year for the Investment Administrator;</li> <li>Testing of a sample of significant events such as company dividends, income tax payments, capital raisings, capital reductions as well as any other relevant expenses used in the calculation of management and performance fees;</li> <li>Testing of key inputs such as portfolio movements, application of the relevant index benchmarking, set percentage used in the calculation of management and performance fees, as well as performing a recalculation in accordance with our understanding of the Investment Management Agreements; and</li> <li>Assessing the appropriateness of the current accounting policy in relation to management and performance fees and the adequacy of disclosures in the financial statements.</li> </ul>		

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Impairment Assessment of Intangible Assets	
Refer to Note 17: Intangible Assets	
At 30 June 2019 the Group's statement of financial position had intangible assets, including goodwill, totalling \$8,371,147. The assessment of impairment of the Group's intangible assets incorporates significant management judgement surrounding the assumptions and estimates used in calculating the fair value less cost to sell these assets when evaluating their recoverable amount. Key assumptions and estimates include financial and cash flow forecasts based on budgeted results and the Group's 3 year strategy. We therefore identified the valuation of intangible assets as a key audit matter.	<ul> <li>Our procedures included amongst others:</li> <li>Evaluating management's process regarding the valuation of intangible assets to determine any asset impairments;</li> <li>Challenging key assumptions and estimates (e.g. future cash flows) used to determine the fair value of intangible assets;</li> <li>Checking the mathematical accuracy and performing sensitivity analysis on fair value calculations performed by management; and</li> <li>Assessing the appropriateness of the current accounting policy in relation to impairment and the adequacy of disclosures in the financial statements.</li> </ul>

#### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Directors Responsibility for the Financial Report**

The Directors of Clime Investment Management Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



#### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of
  accounting and, based on the audit evidence obtained, whether a material uncertainty
  exists related to events or conditions that may cast significant doubt on the Group's ability
  to continue as a going concern. If we conclude that a material uncertainty exists, we are
  required to draw attention in our auditor's report to the related disclosures in the financial
  report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are
  based on the audit evidence obtained up to the date of our auditor's report. However, future
  events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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#### **REPORT ON THE REMUNERATION REPORT**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 21 to 29 of the Directors' Report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Clime Investment Management Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Mark Godlewski

Pitcher Partners

Pitcher Partners Sydney

M Godlewski Partner

26 August 2019

# **Shareholder Information**

The shareholder information set out below was applicable as at 6 August 2019.

## A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

ORDINARY SH	ARES		NUMBER OF HOLDERS
1	-	1,000	34
1,001	-	5,000	152
5,001	-	10,000	85
10,001	-	100,000	208
100,001		and over	52
			531

#### **Equity Security Holders** B.

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

The names of the twenty largest holders of quoted equity securities are listed below:	ORDINAF	ORDINARY SHARES	
	NO OF SHARES	PERCENTAGE OF ISSUED SHARES	
HSBC Custody Nominees (Australia) Limited	11,183,161	20.439	
Torres Industries Pty Limited & Nagarit Pty Limited <nagarit a="" c="" fund="" super=""></nagarit>	7,470,576	13.654	
Locope Pty Ltd & Savoir Superannuation Pty Ltd	6,975,001	12.748	
Double Pty Limited & Abernethy SMSF Pty Ltd <abernethy a="" c="" fund="" super=""></abernethy>	4,032,850	7.371	
Mr David Schwartz <david a="" c="" fam="" hlds="" schwartz=""> &amp; related entities</david>	2,821,430	5.157	
Capital Property Corporation Pty Limited	1,241,122	2.268	
Clodene Pty Ltd	1,159,121	2.118	
Robansheil Pty Limited	1,130,446	2.066	
Ruminator Pty Ltd	871,419	1.593	
Di Iulio Homes Pty Limited <di a="" c="" fund="" iulio="" super=""></di>	850,000	1.553	
Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman	719,744	1.315	
Mr. Thomas Harrington Mann	700,000	1.279	
Barrob Bondi Pty Ltd <the a="" c="" superfund="" townson=""></the>	561,066	1.025	
Lodge Road Pty Limited <lodge a="" c="" fund="" road="" super=""></lodge>	548,007	1.002	
Arcelia Pty Ltd <round a="" c="" fund="" hill="" retire=""></round>	485,334	0.887	
Mr Robert Archer Black	400,000	0.731	
Sanlam Private Wealth Pty Ltd	388,000	0.709	
J P Morgan Nominees Australia Limited	342,022	0.625	
John E Gill Trading Pty Ltd	300,298	0.549	
Delta Asset Management Pty Ltd <super a="" c="" fund=""></super>	300,000	0.548	
	42,479,597	77.637	

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	ORDINART SHARES	
QUOTED EQUITY SECURITIES ISSUED UNDER EMPLOYEE INCENTIVE SCHEME NOT YET VESTED	NO OF SHARES	NO OF HOLDERS
Shares issued under the Employee Incentive Scheme to take up ordinary shares	1,375,000	8

## C. Substantial Holders

Substantial holders in the company are set out below:

ORDINARY SHARES	NO OF SHARES	PERCENTAGE OF ISSUED SHARES
Wilson Management Group	11,008,993	20.120
Torres Industries Pty Limited & Nagarit Pty Limited <nagarit a="" c="" fund="" super=""></nagarit>	7,470,576	13.654
Locope Pty Ltd & Savoir Superannuation Pty Ltd	6,975,001	12.748
Mr. John Abernethy and related parties	4,032,850	7.371

## **D.** Voting Rights

Subject to any restrictions from time to time affecting any class of shares, on a show of hands every member present in person shall have one vote and upon a poll every member present or by proxy or attorney shall have one vote for each share held.

## **Terms and conditions**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

## E. Other Information

## **Annual General Meeting**

The Annual General Meeting of Clime Investment Management Limited is expected to be held on 14 November 2019.

## **Stock Exchange Listing**

The shares of the Company are listed on the Australian Securities Exchange Limited under the exchange code CIW. Quotation has been granted for all the ordinary shares of the Company on all member exchanges of the Australian Securities Exchange Limited. The home exchange is Sydney.

## **On-Market Buyback Scheme**

As at 26 August 2019 an on-market buy-back scheme existed and continues to be in operation as at the date of this report.

## **Contact Details**

The name of the Company Secretary is Mr. Biju Vikraman.

The address of the registered office and principal place of business in Australia is:

Level 13 20 Hunter Street Sydney NSW 2000 Telephone: (02) 8917 2100 CLIME INVESTMENT MANAGEMENT LIMITED

## **Clime Investment Management Limited**

ABN 37 067 185 899 | ACN 067 185 899

Level 13, 20 Hunter Street Sydney NSW 2000 Australia PO Box H90, Australia Square NSW 1215 Australia

+61 2 8917 2100 +61 2 8917 2155

www.clime.com.au info@clime.com.au



