

Company Announcements
Australian Stock Exchange, Sydney

26 August 2014

Announcement of Results – Year ended 30 June 2014

Please find attached the Appendix 4E and annual financial report for the year ended 30 June 2014.

Yours' sincerely,

Richard Proctor
Company Secretary

Appendix 4E

Preliminary Final Report
Lodged with the ASX under Listing Rule 4.3A
 Year Ended 30 June 2014
 (Previous corresponding period – 30 June 2013)
Results for Announcement to the Market

Revenue from ordinary activities	up	14%	to	\$8,746,240
Profit from ordinary activities after tax attributable to members	up	125%	to	\$3,203,014

Dividends per share	Amount per security	Franked amount per security
Final dividend – FY14 (proposed)	3.0 cents	3.0 cents

Record date for determining entitlements to the final dividend is

TBA

Explanation of revenue from ordinary activities

Revenues for the period rose to \$8.75 million (FY13: \$7.66 million).
 Recurring management fees have increased by \$2.3m.

FY13 revenue	\$7.66m
Increase in management fees	\$2.28m
Decrease in performance fees	(\$0.54m)
Decrease in SIV revenue	(\$0.43m)
Decrease in dividend income	(\$0.35m)
Increase in consulting and other income	\$0.13m
FY13 revenue	\$8.75m

Explanation of profit from ordinary activities after tax attributable to members

The Group generated an after-tax profit of \$3.2 million for the year (FY13: profit of \$1.42 million).

The primary drivers for the increased result

1. Revenue as per above.
2. Unrealised gains on re-classification of available-for-sale financial asset to Investments in Associates were \$2.70m.
3. Overheads increased to \$6.71m (FY13: \$6.05m), mainly arising from additional marketing and commission costs (to drive FUM growth).
4. Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss declined to \$0.03m (FY13: \$1.04m).

Associates and Joint Venture entities

Name of the entities	Ownership Interest		Contribution to net profit/(loss)	
	Current period %	Previous corresponding period %	Current period \$	Previous corresponding period \$
Jasco Holdings Limited - Associate (see note 1)	20.41	-	-	-
Stocks in value Pty Limited - Joint Venture (see note 2)	50.0	50.0	(285,639)	(164,360)

1. In the prior year, the Group held 19.82% interest in Jasco Holdings Limited (Jasco) and accounted for the investment as an available-for-sale financial asset. Following the sale of Jasco's stationery business and resultant share buybacks, the holdings of the Group in Jasco increased from 19.82% to 20.41% as at 27 June 2014. At 30 June 2014, the Group determined that it held significant influence over Jasco and accordingly the investment was considered to be an associate as at 27 June 2014.

The Group has accounted for 20.41% investment in Jasco as at 27 June 2014 as an investment in associate, at a value as at that date of \$7,876,831.

2. On 4 March 2013, the Group entered into a 50:50 joint venture with Eureka Report Pty Limited, which is a 100% subsidiary of News Limited.

Audit

This report is based on accounts that have been audited. The unqualified audit report is attached on page 60 of the attached audited financial statements.

Clime Investment Management Limited

(ABN 37 067 185 899)

and Controlled Entities

ANNUAL REPORT - 30 June 2014

Clime Investment Management Limited

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ANNUAL REPORT 2014

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REPORT FROM THE BOARD

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Dear Shareholder,

I am pleased to present the results of Clime Investment Management Limited (“the Group”) for FY14.

Profit before income tax for FY14 at \$4.4 million compares to \$2.2 million for FY13. The total comprehensive income result for FY14 was \$3.2 million, compared to FY13 of \$1.4 million.

The Board notes that the improved performance of the Group was driven by the following key factors:

1. Strong Funds Under Management (FUM) inflows across all portfolio streams under management;
2. Good growth in FUM emanating from the Clime’s investment performance; and
3. Solid returns from our balance sheet investments, especially in Jasco Holdings Ltd.

Review of Financial Results

Below is a simple format version of the Group’s Profit and Loss to enable shareholders to distinguish between the operational business and the balance sheet income components.

	2014	2013
	\$	\$
Funds Management and related activities revenue	7,486,943	5,592,308
Administrative and Occupancy expenses – fixed in nature	(4,169,333)	(3,864,813)
Administration costs – 3 rd Party Custody and Funds Administration services	(489,537)	(373,734)
Operating business activities revenue less fixed admin costs	2,828,073	1,353,760
Sales commission, performance incentives and marketing costs	(1,793,478)	(1,536,142)
Operating business margin	1,034,595	(182,382)
Balance sheet income & Associates	3,667,887	2,944,369
Cash profit	4,702,482	2,761,987
Impairment of receivables on disposal of held for sale investment	-	(249,414)
Amortisation of intangibles	(305,348)	(305,348)
Statutory profit before income tax	4,397,134	2,207,225

Operating Revenue

When looking at the statutory Statement of Profit and Loss, Group revenue has improved by 14%, from \$7.7m in FY13 to \$8.7m in FY14. Funds Management fees increased from \$4.7m to \$7.0m on higher FUM. The Group’s FUM was \$582 million at 30 June 2014, compared to \$448 million at 30 June 2013, an increase of 30%.

The Group had positive funds inflows from investors for the 12 months to 30 June 2014. Inflows were augmented by the investment performance achieved by the Group on its managed funds.

The Group received only nominal performance fees during the year (\$0.5m achieved in FY13).

Interest, dividend and other income combined decreased from \$1.4m to \$1.0m this year. The Group’s interest income declined in line with lower average interest rates and a lower average cash balance held. The decrease in dividends from investments was primarily due to the Group’s reduction in its Clime Capital holding.

REPORT FROM THE BOARD

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Full Year Result

The Group recorded an after-tax profit attributable to members of \$3,203,014 for the year to 30 June 2014 (FY13 after-tax profit attributable to members of \$1,421,990). Key aspects of the result are as follows:

- Increased operating revenue of \$8,746,240 (FY13: \$7,659,766) as outlined above.
- Unrealised gains on re-classification of available-for-sale financial asset to Investments in Associates (The Groups interest in Jasco Holdings Limited is now accounted for using the equity method) contributed \$2,697,269. (In FY13 we received \$395,300 as dividend income)
- \$32,547 in net realised and unrealised losses on the Group's listed investments and managed funds compared with a \$1,037,066 gain in FY13.
- Administration and occupancy overheads increased to \$6,757,696 (FY13: \$6,080,038). In 2014 we increased headcount resulting in \$380,049 of extra salary costs; however we reduced our use of consultants by \$297,364. In the year we have generated significant organic FUM growth and performance with resulting higher incentive payments. Sales commissions paid rose to \$702,517 (FY13 \$644,502), and incentive bonus payments rose to \$767,747 (FY13 \$422,862). The other significant increase was for outsourced Administration and Custodian costs at \$489,533 (\$373,734 in FY13).
- Amortisation was the same as FY13 at \$305,348.
- The profit result included an equity accounted loss for the year of \$285,639 (FY13 loss of \$160,155), primarily representing the Group's 50% share of the total after tax losses of its joint venture Stocks in Value Pty Limited. The joint venture was strongly cash flow positive, however accounting standards require the amortisation of license fees resulting in the loss reported by the joint venture.

Summary of Total Equity

The Total Equity at balance date comprised the following:

	<u>30 June 2014</u>
Cash and Cash Equivalents	\$ 4,884,624
Trade and other Receivables less Payables	(\$454,924)
Listed Investments – Clime Capital Limited	\$ 6,231,735
Listed Investments – Others	\$241,151
Unlisted Investments – Clime's Managed Funds	\$ 967,200
Available for sale assets – Jasco Holdings Limited	\$7,876,831
Other Tangible Assets and Liabilities	(2,754,145)
Net Tangible Assets	16,992,472
Intangibles – Goodwill and Management Contracts	\$6,201,433
Deferred tax assets	\$769,580
Total Equity	\$ 23,963,485
No. of Ordinary Shares on Issue as at 30 June 2014	46,944,834
Equity per Share	51.05 cents
Net Tangible Assets per Share	36.20 cents

Operating Cash Flow

Net cash inflow from operating activities was \$5,224,347, an increase of \$2,445,995 in comparison with the prior corresponding period. This is primarily a function of the following:

- A net increase of \$2,005,981 from financial asset activities.
- An increase in cash receipts from operating activities of \$1,593,429.
- A reduction in dividend income of \$151,156.
- Tax paid of \$250,000.

Investing and Financing Activities

Proceeds from reducing our interest in assets held for sale generated \$523,304.

Cash reserves were applied as follows:

- Payments for acquisition of property plant & equipment of \$181,330.
- Share buybacks of \$469,111.
- Dividends to shareholders of \$1,243,621.
- Capital return to shareholders of \$4,031,571.

REPORT FROM THE BOARD

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

FY14 Year to Date Portfolio Performance

Following the performance of FY14, the funds management division continues to increase FUM, which in late August 2014 was \$610 million, up 5% from 30 June 2014.

Our Plans for the Future

The Group's commitment is to deliver real value to all our clients. We know that we will only achieve this if we meet our clients' expectations in terms of investment performance, service delivery and the quality of our investment research. To deliver on that commitment we hold clear our values of:

- Integrity;
- Transparency in everything we do; and
- Having the courage to back our conviction.

We have a strong belief in managing our client's capital to achieve absolute returns rather than market relative returns.

Our mission remains to protect and build the capital of our clients (Funds Management), and educate our clients about prudent value investing so they are empowered to make sound investment decisions (using Stocks in Value).

In striving to achieve this mission, we adopt the following philosophies:

- We believe in transparency – we make our investment methodology publicly available (through Stocks in Value);
- We understand that preservation of capital is paramount;
- We are a conviction based investor - we don't follow the herd;
- We believe in a disciplined value based process;
- We adopt a prudent risk management approach; and
- We invest in the capabilities of our team.

The Group aims to increase return on equity by continuing to outperform our peers in terms of long term investment returns, attracting additional FUM, increasing the number of Stocks in Value clients, and prudent management of capital. The board and senior management have detailed plans in place to reach our goals. Consistent with those plans we were very pleased in FY14 with the successful introduction of our new "Clime International Fund" and the re-launch of our substantially improved Stocks in Value product.

Finally, the board would like to commend the performance of the management team and all our staff in what has been a year of growth and superior performance for the funds management business.



Neil Schafer
Chairman

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Your Directors present their report on the consolidated entity (Group), consisting of Clime Investment Management Limited and its controlled entities for the financial year ended 30 June 2014.

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:

N Schafer	- Chairman
J B Abernethy	- Director
M Osborn	- Independent Director – resigned 26 August 2014
D J Schwartz	- Independent Director
RJA Proctor	- Director – appointed 24 February 2014
A Chant	- Independent Director – appointed 9 July 2014

INFORMATION ON DIRECTORS

Mr. Neil Schafer BCom. (Econ)

Chairman, Independent Director

Experience and expertise

Mr. Neil Schafer was appointed Non-Executive Director in 2011. Mr. Schafer has extensive experience in funds management, banking and financial services sector and holds a First Class Honour's Degree in Applied Economics from the University of New England.

Former directorships in last 3 years

Mr. Schafer was a Non-Executive Director of RBS Infrastructure Fund and the Valad Core Plus Fund.

Special responsibilities

Chairman of the Board
Member of Remuneration Committee
Member of Audit Committee
Chairman of the Investment Sub Committee

Interests in shares and options

548,007 ordinary shares in Clime Investment Management Limited

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

Director

Experience and expertise

Mr. John Abernethy was appointed Executive Director in 1994. Mr. Abernethy has over 30 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 19 years.

Other current directorships

Mr. Abernethy is a Director of Clime Capital Limited, Jasco Holdings Limited, WAM Research Limited, WAM Active Limited, Australian Leaders Fund Limited and Watermark Market Neutral Fund Limited.

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

3,610,000 ordinary shares in Clime Investment Management Limited

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

INFORMATION ON DIRECTORS (CONT.)

Mr. Mark Osborn BA (Hons) Exon

Independent Director

Experience and expertise

Mr. Osborn was appointed Non-Executive Director of the Company in March 2006. Mr. Osborn has accumulated a wealth of experience in the financial services sector, having served in senior positions with large multi-national corporations in both the UK and Australia. A qualified Chartered Accountant and Fellow of the Australian Institute of Company Directors, Mr. Osborn has worked for Coopers & Lybrand, JP Morgan, Citibank, Bankers Trust and Prudential.

Other current directorships

Mr. Osborn is a Director of Protectsure Pty Limited.

Former directorships in last 3 years

Mr. Osborn has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chairman of Audit Committee

Chairman of Remuneration Committee

Interests in shares and options

388,000 ordinary shares in Clime Investment Management Limited

Mr. David Schwartz

Independent Director

Experience and expertise

Mr. Schwartz has many years of experience in successfully managing manufacturing and distribution businesses in Australia and South Africa. Mr. Schwartz has played an active role in utilising his network of contacts in Australian business to identify profitable business and investment opportunities for the Group.

Mr. Schwartz has been a Director of the Company for almost 15 years.

Other current directorships

Mr. Schwartz is Chairman of Pascoes Pty Limited, a chemical manufacturer and distributor, ADG Global Supply Limited, ToLife Technologies Pty Limited, Primewest and Stefani Australasia Pty Limited. Mr. Schwartz is also a Director of Schaffer Corporation Limited and Betts Group Pty Limited.

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

2,615,653 ordinary shares in Clime Investment Management Limited

Mr. Richard Proctor

Director

Experience and expertise

Mr. Proctor, Chief Operating Officer of the company since 2009, was appointed as a director on 24 February 2014. Mr. Proctor holds a Bachelor of Business Studies (Hons) from the University of Brighton, UK and is a Chartered Accountant. Mr. Proctor has over 25 years' experience in operations and finance and has held senior roles with Readers Digest, Time Warner, Heinz Food and Rothmans Tobacco in Australia and Europe

Mr. Proctor is also the Joint Company Secretary of Company.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

1,478,659 ordinary shares in Clime Investment Management Limited

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Mr. Allyn Chant

Independent Director

Experience and expertise

Mr. Allyn Chant was appointed as a director on 9 July 2014. Mr. Chant holds a Bachelor of Commerce degree and is a qualified Chartered Accountant, a fellow of FINSIA and a Certified Financial Planner.

Mr. Chant has over 40 years' experience both in Australian and overseas in auditing; financial planning and business management. Mr. Chant was the founder of Community and Corporate Financial Services Pty Ltd (ComCorp) where he set up a network of financial planners. Prior to establishing ComCorp, Mr. Chant has held roles with Coopers & Lybrand, MIM Holdings Limited and others.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Member of Remuneration Committee

Member of Audit Committee

Interests in shares and options

883,600 ordinary shares in Clime Investment Management Limited

COMPANY SECRETARIES

Mr. Richard Proctor BBS (Hons), ACA

Mr. Richard Proctor was appointed to the position of Company Secretary on 1 January 2011.

Mr. Biju Vikraman Bcom, ACA, GradDipACG

Mr. Biju Vikraman was appointed to the position of Joint Company Secretary on 1 June 2013.

Mr. Vikraman holds a Bachelor of Commerce from the University of Mumbai, India and is an Australian and Indian Chartered Accountant. Mr. Vikraman has over 15 years' experience in audit and finance and has held senior roles with 4 big Accounting Firms and listed entities within Australia, India and Africa.

Mr. Vikraman also holds a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Interests in shares and options

13,895 ordinary shares in Clime Investment Management Limited

200,000 Options (EIS) over ordinary shares in Clime Investment Management Limited

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

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 2014, and the numbers of meetings attended by each Director were:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr. Neil Schafer	7	7	2	2	2	2
Mr. Mark Osborn	7	7	2	2	2	2
Mr. David Schwartz	7	6	-	-	-	-
Mr. John Abernethy	7	7	-	-	-	-
Mr. Richard Proctor	3	3	-	-	-	-

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. Neil Schafer, Mr. Richard Proctor and Mr. Alyn Chant retire by rotation and, being eligible, offer themselves for re-election.

PRINCIPAL ACTIVITIES

The Group's principal activity is investing in listed and unlisted securities for clients and operating under ASIC approved AFS licences in the funds management industry.

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

OPERATING RESULT

The consolidated net profit after providing for tax amounted to \$3,203,014 (2013: \$1,421,990).

DIVIDENDS PAID OR RECOMMENDED

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

	2014	2013
	\$	\$
Nil cents per share final ordinary dividend paid during the year in respect of the prior financial year (2013: 2 cents)	-	984,701
2.5 cents per share interim ordinary dividend paid during the year in respect of the current financial year (2013: 1.5 cents)	1,243,621	744,295

REVIEW OF OPERATIONS

In accordance with the relief provided by Class Order 98/2395, as 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 1 of this Annual Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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 2014 of 3 cents per share, totalling \$1,501,345 has been declared by the directors. This provision has not been reflected in the accounts.

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.

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

FUTURE DEVELOPMENTS

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

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 rate, 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 accurately 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	Expiry Date	Exercise Price	Number under Option
Employee Incentive Scheme	3 January 2012	3 January 2015	\$0.37	100,000
Employee Incentive Scheme	16 April 2012	16 April 2015	\$0.395	300,000
Employee Incentive Scheme	19 April 2012	19 April 2015	\$0.42	325,000
Employee Incentive Scheme	4 December 2012	4 December 2015	\$0.48	200,000
Employee Incentive Scheme	14 December 2012	14 December 2015	\$0.50	200,000
Employee Incentive Scheme	21 February 2013	21 February 2016	\$0.66	200,000
Employee Incentive Scheme	22 August 2013	22 August 2016	\$0.80	100,000
Employee Incentive Scheme	23 October 2013	23 October 2016	\$0.815	200,000
Employee Incentive Scheme	25 October 2013	25 October 2016	\$0.829	375,000
Employee Incentive Scheme	19 August 2014	19 August 2017	\$0.85	300,000

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

There have been no options granted over unissued shares or interests of any controlled entity within the group during or since the end of the reporting period.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no shares issued during the year as a result of the exercise of options. 800,000 (2013: nil) shares were issued to option holders after the end of the financial year as a result of the exercise of options.

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.

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

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 2014. The remuneration report is set out under the following main headings:

- A Director and other key management personnel details
- B Principles used to determine the nature and amount of remuneration
- C Details of remuneration
- D Service agreements
- E Share-based compensation
- F 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.

Neil Schafer	- Chairman
John Abernethy	- Director
Richard Proctor	- Director – appointed 24 February 2014
Mark Osborn	- Independent Director – resigned 26 August 2014
David Schwartz	- Independent Director
Allyn Chant	- Independent Director – appointed 9 July 2014

There were no additional persons not disclosed above who are considered key management personnel under the *Corporations Act 2001*.

B Principles used to determine the nature and amount of remuneration

Directors and 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 are based on a three tiered structure – they comprise 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) and certain executives may be entitled to commission payments commensurate with the level of revenue they generate. 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 the Company's bonus scheme, and may not participate in the EIS.

Directors' Fees

The current base remuneration was last reviewed with effect from 1 May 2014. 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 \$180,000 per annum.

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

REMUNERATION REPORT (CONT.)

B *Principles used to determine the nature and amount of remuneration (continued)*

Executive remuneration

The executive remuneration framework has five components:

- base pay and benefits;
- commissions;
- 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 executives' 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.

Benefits

Certain executives receive benefits which primarily include car parking allowances.

Commissions

Commissions did not form part of executive remuneration packages at any time during the year.

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 organisation 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 on pages 11 to 12.

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 2014 and 30 June 2013 are set out in the following tables. The commission payments are dependent on the level of revenue generated from consulting activities, cash bonuses 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' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

REMUNERATION REPORT (CONT.)

C Details of remuneration (continued)

Directors of Clime Investment Management Limited

2014	Short-term Employee Benefits			Post-Employment Benefits	Share-Based Payments	Termination Benefits	Total
	Cash salary, fees and commissions	Cash bonus	Non-monetary benefits	Super-annuation	Options		
Name	\$	\$	\$	\$	\$	\$	\$
<i>Chairman</i> Neil Schafer	65,541	-	-	-	-	-	65,541
<i>Directors</i> John Abernethy	246,472	193,984	7,200	3,528	-	-	451,184
Richard Proctor	246,472	146,829	-	3,528	-	-	396,829
David Schwartz	49,958	-	-	-	-	-	49,958
Mark Osborn	55,028	-	-	5,090	-	-	60,118
Total	663,471	340,813	7,200	12,146	-	-	1,023,630

2013	Short-term Employee Benefits			Post-Employment Benefits	Share-Based Payments	Termination Benefits	Total
	Cash salary, fees and commissions	Cash bonus	Non-monetary benefits	Super-annuation	Options		
Name	\$	\$	\$	\$	\$	\$	\$
<i>Chairman</i> Mark Osborn	56,881	-	-	5,119	-	-	62,000
<i>Directors</i> John Abernethy	248,280	81,525	7,200	2,368	-	-	339,373
David Schwartz	45,000	-	-	-	-	-	45,000
Neil Schafer	61,000	-	-	-	-	-	61,000
Total	411,161	81,525	7,200	7,487	-	-	507,373

Other key management personnel of the consolidated entity

There were no additional persons other than the directors in 2014 who were considered key management personnel under the Corporations Act 2001.

2013	Short-term Employee Benefits			Post-Employment Benefits	Share-Based Payments	Termination Benefits	Total
	Cash salary, fees and commissions	Cash bonus	Non-monetary benefits	Super-annuation	Options		
Name	\$	\$	\$	\$	\$	\$	\$
<i>Chief Operating Officer / Company Secretary</i> Richard Proctor	248,278	89,287	-	1,720	-	-	339,285
Total	248,278	89,287	-	1,720	-	-	339,285

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

REMUNERATION REPORT (CONT.)

Cash bonuses

\$340,813 (2013: \$170,812) cash bonuses were payable to key management personnel in respect of the year ended 30 June 2014. The cash bonuses were paid at the discretion of the Remuneration Committee. The bonus therefore vested 100% during the financial year ended 30 June 2014.

Share Options

For each grant of options included in the tables above, the percentage of the options that vested in the financial year and the percentage that were forfeited because the person did not meet the service and performance criteria are set out below.

The options affecting remuneration during the current financial year were issued under the following scheme:

- i) The Employee Incentive Scheme (EIS), where options granted vest after the expiration of a lock period (3 years). No options will vest if the vesting hurdles are not met, hence the minimum value of options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Cash Bonus		Options				
	Paid (%)	Forfeited (%)	Year Granted	Vested (%)	Forfeited (%)	Financial years in which options may vest	Maximum total value of options yet to vest
John Abernethy	100%	0%	-	-	-	-	-
Richard Proctor	100%	0%	2011	-	-	2014/2015	\$45,000

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 **Director**

- Term of 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 – in lieu of 9 months' notice and other than for gross misconduct – the company has the right to request he works 3 months notice period at the time of termination.

Mr. Richard Proctor **Director and Joint Company Secretary**

- Term of 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 – in lieu of 9 months' notice and other than for gross misconduct – the Company has the right to request he works 3 months notice period at the time of termination.

E Share-based compensation

Shares provided on exercise of remuneration options

No ordinary shares in the Company were provided as a result of the exercise of remuneration options via the ESOP during the year (2013: nil).

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

REMUNERATION REPORT (CONT.)

F 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 2014:

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
	\$	\$	\$	\$	\$
Revenue	8,746,240	7,659,766	5,475,497	5,469,552	6,041,597
Net profit before tax	4,397,134	2,207,225	835,297	2,258,558	4,199,038
Net profit after tax	3,203,014	1,421,990	1,007,217	2,120,569	3,132,907
Share price at start of year	\$0.70	\$0.44	\$0.43	\$0.41	\$0.33
Share price at end of year	\$0.80	\$0.70	\$0.44	\$0.43	\$0.41
Interim dividend ¹	2.5cps	1.5cps	-	-	1cps
Final dividend ^{1,2}	3.0cps	0.00cps	2.00cps	1.00cps	1.25cps
Special dividend ^{1,2}	-	-	-	-	1cps
Capital return ³	8.0cps	-	2 MLC for 9 CIW	-	-
Basic EPS	6.8cps	3.0cps	2.1cps	4.4cps	6.4cps
Diluted EPS	6.4cps	2.9cps	2.0cps	4.4cps	6.4cps

¹ Fully franked dividends (franked to 100% at 30% corporate tax rate)

² Declared after each respective balance date and not reflected in the financial statements

³ In-specie distribution of 2 ordinary Mothercare Australia Limited shares for every 9 CIW ordinary shares held.

Furthermore, during the five years to 30 June 2014, Clime Investment Management Limited bought back 4,683,664 fully paid ordinary shares for total consideration of \$2,163,082. These shares were repurchased at the prevailing market prices on the dates of the respective transactions in accordance with the economic entity's on-market buy-back scheme (within the 10/12 limit).

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");
- Retention and renewal rates for Funds Management clients;
- Investment returns and performance generated by the Funds Management team in respect of its managed investment products;
- Investment returns generated by the Group's direct investments; and
- Total shareholder return generated for shareholders in the listed ultimate parent entity, Clime Investment Management Limited.

END OF AUDITED REMUNERATION REPORT

DIRECTORS' REPORT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

RISK AND COMPLIANCE CONTROL STATEMENT

Under ASX Listing Rules and the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" ("the Principles") the Company is required to disclose in its annual report the extent of its compliance with the Principles.

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, beginning on page 16 of the Annual Report.

The Directors have received and considered the annual control certification from the Executive Director and the Chief Operating Officer in accordance with the Principles relating to financial, operational and compliance risks. Material associates, which the Company does not control, are not dealt with for the purposes of this statement.

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 Director or officer 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.

PROCEEDINGS ON BEHALF OF 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 Moore Stephens Sydney for audit and non-audit services provided during the year are set out in note 24 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 24 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 15.

Signed in accordance with a resolution of the Directors.



Neil Schafer

Chairman

Sydney, 26 August 2014

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Auditor's Independence Declaration to the Directors of Clime Investment Management Limited

As lead auditor for the audit of Clime Investment Management Limited and controlled entities for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

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



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney this Tuesday, 26 August 2014

CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Clime Investment Management Limited (“Company”) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. In ensuring the highest standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company.

The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the Board and senior management is critical to the Group’s long term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of the shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group’s affairs and the implementation of corporate strategy and policy initiatives are delegated by the Board to the Chief Operating Officer and senior executives as required.

A description of the Company’s main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The Board of Directors

The Board operates in accordance with the broad principles set out in its charter which is available from the corporate governance section of the company website at www.clime.com.au. The charter details the Board’s composition and responsibilities.

Board composition

The composition of the Board is determined in accordance with the following principles:

- the Board shall comprise not less than three members
- the Board shall comprise a mix of Independent and Executive Directors
- a Director need not be a member
- the Board shall comprise Directors with an appropriate range of qualifications and experience
- the Chairman should preferably be Non-Executive, is elected by the full Board and is required to meet regularly with the Chief Operating Officer

During the financial year the names of each Director, their respective role, appointment date and classification were:

Name	Role	Appointed	Classification
N Schafer	Chairman	7 January 2011	Independent
J B Abernethy	Director	17 November 1994	Executive*
M Osborn	Director	30 March 2006	Independent
D J Schwartz	Director	1 October 1999	Independent*
R A Proctor	Director	24 February 2014	Executive
A Chant	Director	9 July 2014	Independent

*Meets the ‘substantial shareholder’ definition under section 9 of the *Corporations Act 2001*, due to a prescribed direct, indirect and representative shareholding interest exceeding 5% of the total issued ordinary capital of the Company.

The Board is of the opinion that the current Directors add value to the Company by virtue of their financial commitment and considerable experience in the Company’s business. The Board also believes that the alignment of the interests of directors with those of shareholders is an efficient way to ensure the protection of shareholders’ interests.

Responsibilities

The responsibilities of the Board include:

- overall strategic direction and leadership of the Company;
- approving and monitoring the implementation by management of the Company’s objectives and strategies;
- reviewing the Company’s performance against its stated objectives, by receiving regular management reports on its business situation, opportunities and risk profile;
- monitoring financial performance on a monthly basis in comparison with the budget;
- approval of the annual and half-year financial statements and liaison with the Company’s auditors through its Audit Committee;
- appointing and assessing the performance of the Executive Directors;
- ensuring compliance with corporate governance principles by the Company and its officers;
- ensuring adequate internal controls exist and are appropriately monitored for compliance with the Company’s regulatory environment, which includes the *Corporations Act 2001*, the Listing Rules of the Australian Securities Exchange, taxation legislation, the Trades Practices Act and its AFS licensing requirements;
- establishing and ensuring compliance with ethical standards and determining the Company’s code of conduct; and
- reviewing investment strategies, investment decisions and establishing executive authority limits (refer below).

CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Board investment authority

The Board has specific authority to review and approve investment decisions which exceed authority limits for management. These meetings are conducted concurrently with Board Meetings on matters relating to investment decisions.

The charter for the Board in respect of investment decisions is as follows:

- review investment strategies recommended by management for the Company;
- review management strategies for existing investments including provision of additional capital, acquisition and exit strategies;
- authorise individual investment proposals where such investments are of an amount requiring Investment Committee approval;
- set delegated investment and trading limits for management;
- ensure delegated investment and trading limits are adhered to by management;
- review risk / return objectives set by management on individual investments to ensure these fit with the overall Company objectives; and
- review performance of individual investments to ensure these are in accordance with established budgets.

Board members

Details of the members of the Board, their experience, expertise, qualifications and term of office are set out in the Directors' Report under the heading "Directors". There are four Non-Executive Directors, all of whom are deemed independent under the principles set out below (including the Chairman), and two Executive Directors at the date of signing the Directors' Report.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' independence

The Board has adopted specific principles in relation to Directors' independence. These state that to be deemed independent, a Director must be a Non-Executive and must:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or any other group member, or been a Director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- have no material contractual relationship with the Company or a controlled entity other than as a Director of the Group;
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual Director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Director's performance.

Nomination of directors

The Chairman is responsible for reviewing the membership of the Board and the nomination of Directors to the Board. Any review or recommendation is considered by the full Board. Appropriate expertise and experience are essential attributes for any nominee.

Having regard to the size of the Board and the Company, a formal Nomination Committee is deemed neither appropriate nor necessary.

Term of office

All Directors must retire from office no later than the third annual general meeting (AGM) following their last election. Any Directors appointed by the Board must be duly re-elected at the next AGM.

Chairman

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives.

CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Commitment

The Board considers corporate governance to be an important element of its responsibilities. As such, it meets at least six times throughout the year and attends an annual corporate strategy workshop.

Non-Executive Directors are expected to spend at least 15 days a year preparing for, and attending, Board and Committee meetings and associated activities.

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2014 and the number of meetings attended by each Director is disclosed in the Directors' Report.

Conflict of interests

In accordance with the Board's corporate governance practices, a Director that has a perceived or actual conflict of interest (as determined by themselves, other Board Members or the Chairman) must declare their interest in those dealings by the Company and take no part in decisions relating to them or the preceding discussions. In addition, the Directors should not receive any papers pertaining to those dealings.

Independent professional advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman and of its Committees. This review is coordinated by the Chairman and is assessed against both measurable and qualitative indicators.

Corporate reporting

The Executive Director and the Chief Operating Officer have made the following certifications to the Board for the year ended 30 June 2014:

- that the Company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management, internal compliance and control and which implements the policies adopted by the Board and that the Company's risk management, internal compliance and control is operating efficiently and effectively in all material respects.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Remuneration and Audit Committees. It is the Company's policy that each Committee is comprised entirely of Non-Executive Directors. The committee structure and membership is reviewed on at least an annual basis. All matters determined by the committees are submitted to the full Board as recommendations for Board decisions.

Remuneration Committee

The Remuneration Committee makes specific recommendations on remuneration packages and other terms of employment for Executive Directors and senior management. Membership of the Committee will be reviewed annually.

The charter of the Remuneration Committee specifies that remuneration for Executive Directors and other terms of their employment are reviewed annually by the Committee having regard to performance, relevant comparative information and, where appropriate, independent expert advice. In addition to base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-Executive Directors are also eligible to participate in the Company's Employee Share Option Plan (ESOP).

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 Company's strategic objectives. The remuneration packages of executives are based on a three tiered structure, comprising of 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 are given an incentive via a performance based bonus (as determined by the Remuneration Committee). Equity based remuneration is made via the options issued to the executive under the ESOP or EIS. The termination payments of Executive Directors and senior management have been determined in advance.

Further information on Directors' and executives' remuneration is set out in the Directors' Report and in the notes to the financial statements.

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. Remuneration of Non-Executive Directors is determined by the full Board within the maximum amount approved by the shareholders from time to time. Currently the shareholders have approved a total Board base remuneration pool of \$180,000 per annum. The payments to Non-Executive Directors do not include retirement benefits other than statutory superannuation. Consultation with Non-Executive Directors outside their duties as Directors is treated as external consultation and is subject to additional fees by consent of the Board.

CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

The Company has a policy that Non-Executive Directors:

- are not entitled to retirement benefits in addition to the statutory minimum;
- may not participate in the Company's bonus scheme or Employee Incentive Scheme; and
- may participate in the ESOP.

The Remuneration Committee currently comprises Mr. M Osborn and Mr. N Schafer. The Remuneration Committee meets for the annual reviews of senior management as well as any other time that an executive salary is negotiated. Details of these Directors' attendance at Remuneration Committee meetings are set out in the Directors' Report.

Audit Committee

The Audit Committee must comprise at least two members, all of whom will be Non-Executive Directors, who are independent of the management of the Company. The Chairman of the Committee will be appointed by the Board from time to time. Due to the size and structure of the Board, and considering the number of Non-Executive Directors, it is not always practicable for the Chairman of the Committee to be both independent and someone other than the Chairman of the Board. Members will be selected on the basis of their appropriate skills and at least one member will be financially literate. A quorum for any meeting will be two members of which two shall be Non-Executive Directors. The Company Secretary will attend Audit Committee meetings and keep minutes.

The Audit Committee should meet at least two times a year. Additional meetings may be convened by the Chairman or the external auditors as they see fit. The external auditors will be asked to make presentations to the Audit Committee at least twice a year. All meetings will be minuted.

The charter for the Audit Committee is summarised as follows:

- review the Company's financial reporting processes, internal control and management of financial, business and investment risks (risk management);
- evaluate the processes in place, including communication to and training of staff, to ensure internal control, compliance with codes of conduct and the management of risk;
- review the annual financial statements and determine whether they are complete, consistent with committee members' understanding of the business and reflect appropriate accounting principles and satisfy themselves that any announcements and interim financial statements contain adequate and appropriate disclosures;
- review the external auditors' proposed audit scope and approach and ensure that no unjustified restrictions or limitations have been placed on that scope. Review the performance of the external auditors. Ensure that significant findings and recommendations made by the external auditors are received, discussed and acted on by the management of the Company on a timely basis;
- review the independence of the external auditors, taking into account the length of service and the provision of non-audit services. Make recommendations to the Board regarding the reappointment of the external auditors;
- review the provision of non-audit services by the external auditors to ensure independence; and
- review the Company's processes for ensuring compliance with laws and regulations. Be satisfied that all regulatory compliance matters have been considered in the preparation of financial statements.

The Audit Committee currently comprises Mr. M Osborn (Chairman) and Mr. N Schafer. The Audit Committee meets at least two times per year. Details of these Directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report. Committee meetings are also attended by the Chief Operating Officer and Audit Partner by invitation as and when required.

External Auditor

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. Moore Stephens Sydney was appointed as the external auditor in November 2012. It is Moore Stephens Sydney's policy to rotate audit engagement partners on listed companies in accordance with the *Corporations Act 2001*.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the notes to the financial statements. It is the policy of the external auditor to provide an annual declaration of their independence to the Audit Committee. A copy of this declaration is included on page 15 of this Annual Report.

The external auditor is requested to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Risk Assessment and Management

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the company website. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Directors recognise that risk management is an essential element of the Company's business planning and investment process. Consolidated risk reviews are a key input in the Company's annual corporate strategy workshops attended by the Board and senior management. The identification of key business and financial risks facing the Company is required to ensure management has put in place appropriate controls.

In addition, and as discussed above, the Board requires each major investment proposal submitted to it for decision to be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

Code of Conduct

The Company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees. The Code is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and spirit of both the law and Company policies.

A copy of the Code is available on the Company's website.

Diversity

The Group's workforce is comprised of people from diverse backgrounds with a range of skills, values and experiences. Diversity includes, but not limited to, gender, age, ethnicity and cultural background. The Group is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available in the workplace.

The key element of the diversity policy of the Group is that the Group will seek the best person available for the position which will not be influenced by gender, age, ethnicity or cultural background. In relation to the appointment of a new director, the board will seek male and female candidates with the appropriate skills and investment/industry experience to complement the current directors.

Trading in Company Shares or Securities

The Board of the Company has established a set of guidelines governing the trading in the Company's shares or securities by Directors and management. These guidelines are designed to supplement (not replace) the legislative and reporting requirements already established for Directors under the *Corporations Act 2001* and the ASX Listing Rules.

The guidelines grant authority to the Board to determine periods during which Directors and management will be prevented from dealing in Company shares or securities as follows:

- at any time the Board believes that the Directors or management are in possession of price sensitive information;
- during specified 'black-out' periods approaching the release of annual and half-year financial results, and any other Board-imposed black-out periods that may apply from time to time;
- Directors are required to notify the Chairman of their intention to trade in the Company's shares prior to doing so; and
- all other employees should notify the Chief Investment officer/Portfolio Manager prior to trading in any shares.

Directors are required to notify the ASX via the Company Secretary within five business days of any dealing in the Company's shares.

The Company's policy for staff, Executive Directors and Non-Executive Directors is that they should not buy and sell the Company's shares if they are aware of any undisclosed price-sensitive information about the Company. If they are aware of such information they may not:

- either on behalf of themselves or anyone else, buy, sell or otherwise deal in any shares or other securities which are affected by the information;
- either on behalf of themselves or anyone else, cause or procure any other person to buy, sell or otherwise deal in those securities; and
- communicate the information to anyone else, if they know or reasonably should know that they will use the information, directly or indirectly, for dealing in the securities.

All Directors and employees are expressly prohibited from trading in Company securities at any time where that trading amounts to 'short-selling'. For this purpose, 'short-selling' amounts to disposing of securities within 3 months of their acquisition.

CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

Trading in Other Listed Shares or Securities

The Board of the Company has established a set of guidelines governing the restrictions on Directors trading in listed shares or securities in which the Company may have an interest, being financial, advisory, consulting or research in order to remove any potential conflict of interest.

These guidelines are designed to supplement (not replace) the legislative and reporting requirements already established for Directors under the *Corporations Act 2001* and the ASX Listing Rules.

These guidelines include:

- the circulation by the Company Secretary of any listed shares or securities deemed by the Chief Investment Officer to be part of the “Restricted Securities List”;
- Directors and officers are required to notify the Chairman of any listed shares or securities which they currently own, that appear on the most current “Restricted Securities List”;
- Directors and officers are required to notify the Chairman of any intention to trade in listed shares or securities that appear on the most current “Restricted Securities List”; and
- for the purposes of the guidelines, Directors’ or officers’ interests in listed shares and securities shall include direct holdings and beneficial interests.

A copy of the trading policy is also available on the Company’s website.

The Directors are satisfied that the Group has complied with its policies on trading in the Company’s securities.

Continuous Disclosure and Shareholder Communication

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company’s securities. The Company also takes measures to promote communication with shareholders and to encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company’s website.

The Company Secretary has been appointed as the person responsible for communications with the Australian Securities Exchange (ASX).

This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All shareholders receive a copy of the Company’s annual and half yearly reports. In addition, the Company seeks to increase access to its relevant information via electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of Company meetings, press releases and financial reports available on the Company’s website.

Clime Investment Management Limited

Financial Statements - 30 June 2014

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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 and domiciled in Australia. Its registered office and principal place of business is:

Clime Investment Management Limited
Level 7, 1 Market Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 4-14, which is not part 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. All press releases, financial statements and other information are available at the Reports section of our website at www.clime.com.au

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

	Notes	2014 \$	2013 \$
Revenue	5	8,746,240	7,659,766
Unrealised gains on re-classification of available-for-sale financial asset to Investments in Associates	13(a)	2,697,269	-
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss		(32,547)	1,037,066
Occupancy expenses		(44,409)	(34,323)
Administrative expenses		(6,713,287)	(6,045,715)
Share of net loss of joint venture and associates	13(d)	(285,639)	(160,155)
Profit on disposal of property, plant and equipment		29,507	-
Impairment of receivables in relation to the disposal of held-for-sale investment		-	(249,414)
Profit before income tax	6	4,397,134	2,207,225
Income tax expenses	8(a)	(1,194,120)	(785,235)
Profit for the year		3,203,014	1,421,990
Other comprehensive income, net of income tax			
Net value (loss)/gain on available for sale financial assets	23(a)	(18,303)	18,303
Other comprehensive income for the year, net of tax		(18,303)	18,303
Total comprehensive income for the year		3,184,711	1,440,293
Profit attributable to members of Clime Investment Management Limited		3,203,014	1,421,990
Total comprehensive income attributable to members of Clime Investment Management Limited		3,184,711	1,440,293
Earnings per share			
Basic - cents per share	25(a)	6.8	3.0
Diluted - cents per share	25(b)	6.4	2.9

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 2014

Clime Investment Management Limited and Controlled Entities

	Notes	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7(a)	4,884,624	5,062,607
Trade and other receivables	10	1,397,642	990,965
Other current assets	11	120,890	113,221
Financial assets at fair value through profit or loss	12	7,440,086	9,756,530
Total Current Assets		13,843,242	15,923,323
Non-Current Assets			
Investments accounted for using the equity method	13	7,876,831	285,639
Available-for-sale financial assets	14	-	5,813,549
Other financial assets	15	-	-
Property, plant and equipment	16	144,350	1,046,588
Deferred tax assets	17	769,581	885,899
Intangible assets	18	6,201,433	6,506,781
Total Non-Current Assets		14,992,195	14,538,456
Total Assets		28,835,437	30,461,779
LIABILITIES			
Current Liabilities			
Trade and other payables	19	1,852,567	1,352,736
Unearned revenue		222,951	668,745
Current tax liabilities		236,312	-
Provisions	20	157,369	160,472
Total Current Liabilities		2,469,199	2,181,953
Non-Current Liabilities			
Deferred tax liabilities	21	2,402,753	1,816,769
Total Non-Current Liabilities		2,402,753	1,816,769
Total Liabilities		4,871,952	3,998,722
Net Assets		23,963,485	26,463,057
EQUITY			
Issued Capital	22	20,701,542	25,202,224
Reserves	23(a)	175,166	133,449
Retained earnings	23(b)	3,086,777	1,127,384
Total Equity		23,963,485	26,463,057

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 2014

Clime Investment Management Limited and Controlled Entities

Consolidated		Issued capital	Share- based payments reserve	Available for sale reserve	Retained earnings	Total
	Notes	\$	\$	\$	\$	\$
Balance as at 1 July 2012		25,391,513	86,433	-	1,434,390	26,912,336
Profit for the year		-	-	-	1,421,990	1,421,990
Other comprehensive income for the year net of tax		-	-	18,303	-	18,303
Total comprehensive income for the year net of tax		-	-	18,303	-	18,303
Transactions with equity holders in their capacity as equity holders:						
- Recognition of share-based Payments	28(b)	-	28,713	-	-	28,713
- On-market share buy- back, including transaction costs	22(b)	(189,289)	-	-	-	(189,289)
- Dividends provided for or paid	9(a)	-	-	-	(1,728,996)	(1,728,996)
Balance as at 30 June 2013		25,202,224	115,146	18,303	1,127,384	26,463,057
Profit for the year		-	-	-	3,203,014	3,203,014
Other comprehensive income for the year net of tax		-	-	(18,303)	-	(18,303)
Total comprehensive income for the year net of tax		-	-	(18,303)	-	(18,303)
Transactions with equity holders in their capacity as equity holders:						
- Return of capital	22(b)	(4,031,571)	-	-	-	(4,031,571)
- Recognition of share-based Payments	28(b)	-	60,020	-	-	60,020
- On-market share buy- back, including transaction costs	22(b)	(469,111)	-	-	-	(469,111)
- Dividends provided for or paid	9(a)	-	-	-	(1,243,621)	(1,243,621)
Balance as at 30 June 2014		20,701,542	175,166	-	3,086,777	23,963,485

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

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 30 June 2014

Clime Investment Management Limited and Controlled Entities

	Notes	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through profit or loss		3,900,980	2,527,719
Payments for financial assets at fair value through profit or loss		(1,505,045)	(2,137,765)
		<u>2,395,935</u>	<u>389,954</u>
Fees received in the course of operations		8,842,377	7,248,948
Expense payments in the course of operations		(6,580,613)	(5,854,726)
Dividends received		648,383	799,899
Interest received		168,265	194,277
Income taxes paid		(250,000)	-
Net cash inflow from operating activities	7(b)	<u>5,224,347</u>	<u>2,778,352</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets held for sale		-	6,000
Proceeds from disposal of available-for-sale financial assets		523,304	-
Payments for acquisition of available-for-sale financial assets		-	(31,279)
Payments for acquisition of business assets		-	(312,716)
Proceeds from disposal of investment accounted for using the equity method		-	59,954
Payments for property, plant and equipment		(181,330)	(15,532)
Net cash inflow from / (used in) investing activities		<u>341,974</u>	<u>(293,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares bought back (including transaction costs)		(469,111)	(189,289)
Capital returns to shareholders		(4,031,571)	-
Dividends paid to company's shareholders		(1,243,621)	(1,728,996)
Net cash used in financing activities		<u>(5,744,303)</u>	<u>(1,918,285)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(177,982)</u>	<u>566,494</u>
Cash and cash equivalents at beginning of the year		<u>5,062,607</u>	<u>4,496,113</u>
Cash and cash equivalents at end of the year	7(a)	<u>4,884,624</u>	<u>5,062,607</u>

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 2014

Clime Investment Management Limited and Controlled Entities

1. CORPORATE INFORMATION

Clime Investment Management Limited (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 29.

The financial statements of Clime Investment Management Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 26 August 2014 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 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 financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, the *Corporations Act 2001* and other authoritative pronouncements of the Australian Accounting Standards Board. These financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements include the consolidated entity consisting of Clime Investment Management Limited and its subsidiaries. Clime Investment Management Limited is a publicly listed company, incorporated and domiciled in Australia.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Clime Investment Management Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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 4.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clime Investment Management Limited ("Company" or "Parent Entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Clime Investment Management Limited and its subsidiaries together are referred to in these financial statements as the "Group" or the "Consolidated Entity".

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 fully consolidated from the date on which control is transferred to the Group. They are de-consolidated 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)).

Intercompany transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) Principles of consolidation (continued)

(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 the 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.

(iii) Joint venture entities

A joint venture is either an entity or operation over whose activities the Group has joint control, established by contractual agreement. Investments in joint venture entities are accounted for using the equity method. Investments in joint venture entities are assessed for impairment when indicators of impairment are present and if required, written down to the recoverable amount.

The Group's share of joint venture entity's net profit and other comprehensive income is recognised in the statement of profit or loss and other comprehensive income respectively from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in reserves.

If the Group's share of losses exceeds its interest in a joint venture entity, their carrying value is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture entity.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in acquisition of asset. Refer to note 2(f).

Transactions with the joint venture are eliminated to the extent of the Group's interest in the joint venture until such time as they are realised by the joint venture on consumption or sale.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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) Investment income (excluding dividend and interest income)

Refer to note 2(j).

(ii) Dividend income (excluding dividends received from associates)

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

(iii) Services income

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

(iv) Investment education and software

The Group operates and distributes the online, web-based equity valuation tool, MyClime. 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 accruals basis and amortised over the period of the subscription.

(v) Interest income

Interest income is recorded in the profit or loss when earned on an accruals 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 to 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.

(f) Acquisitions of assets

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 minority 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 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).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts and have a repayment terms between 30 and 90 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the profit or loss.

(j) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

The Group's listed trading investments and its unlisted investments (excluding equity accounted investments) are classified as financial assets at fair value through profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as gains and losses from investment securities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(j) Investments and other financial assets (continued)

The fair values of quoted investments are determined by reference to their quoted market price, as quoted on its primary stock exchange on the day of valuation, or an alternative basis if deemed more appropriate. Given the size and nature of the Group's listed investments, however, the closing bid price may not always be the most appropriate basis for determining fair value. The Directors will consider the valuations of each of the Group's listed investments in accordance with this accounting policy at each reporting date.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale investments are not reversed through the profit or loss.

(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 trading and available-for-sale securities) 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. 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 assumed 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:

- Buildings	50 years
- 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)).

Properties in the process of construction for administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets commences when the assets are ready for their intended use.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized 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) 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.

(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 recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) 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 within 12 months of the reporting date are recognised in other payables 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(o) Employee benefits (continued)

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 share-based 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.

(p) 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).

(q) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(q) Financial liabilities and equity instruments (continued)

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 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.

(r) 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.

(s) 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.

(t) Goods and service tax

Revenues, expenses and assets 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.

(u) New accounting standards and interpretations adopted by the Group

The Group has adopted the following new and amended Australian Accounting Standards and interpretations that are mandatorily effective for the first time for the financial year beginning 1 July 2013:

i) AASB 10: Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements. The new control model broadens the situations when an entity is considered to be controlled by another entity. Consequential amendments were also made to this and other standard via AASB 2011-7 and AASB 2012-10. The Group has considered the adoption of this standard and has reviewed all subsidiaries including investments in Associates to confirm their inclusion for consolidation purposes. This has resulted in no impact on the amounts recognised in the consolidated financial statements.

ii) AASB 11: Joint Arrangements

AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Stocks in Value Pty Limited is a separately identifiable entity. Under AASB 131, consistent with its legal structure, the Group's interest in Stocks in Value Pty Limited was classified as a joint venture. AS the Group's interest in Stocks in Value Pty Limited provides the Group and the other joint venturer with rights to the net assets of the entity, under AASB 11 the Group's interest in Stocks in Value Pty Limited is classified as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(u) New accounting standards and interpretations adopted by the Group (continued)

iii) AASB 12: Disclosure of Interests in Other Entities

AASB 12 includes all disclosures relating to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by the management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The application of AASB 12 does not have any material impact on the amounts recognised in the consolidated financial statements.

iv) AASB 13: Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 *Change in accounting policy: fair value measurement*

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

The Group has adopted AASB 13 Fair Value Measurement with effect from 1 July 2013. As a result, the Group has adopted a new definition of fair value, as set out below. The change had no material impact on the measurement of the Group's assets and liabilities. However the Group has included new disclosures in the financial statements which are required under AASB 13. Refer to Note 2(k) for further information.

AASB 13 removes the requirement to use bid/ask prices for actively quoted financial instruments. Rather the most representative price within the bid/ask spread is used. Management has elected to use last traded price, consistent with its securities pricing policy. Where last traded price is used by an entity, management has ensured at balance date that the last traded price falls within the bid/ask spread as at that date. Where it falls outside the bid/ask spread, an alternative basis most representative of fair value within the bid/ask spread will be used.

(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 2014 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 9: *Financial Instruments* (2009 or 2010 version), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Company's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Company does not apply hedge accounting. The Company has not yet decided when to adopt AASB 9.

ii) AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (effective for annual reporting periods beginning on or after 1 January 2014)

AASB 2012-3 clarifies the offsetting criteria in AASB 132 Financial Instruments: Presentation and address inconsistencies in their application. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off and that some gross settlement arrangements may be considered equivalent to net settlement. The standard is effective for annual reporting periods beginning on or after 1 January 2014. The directors do not expect this to have a significant impact on the Company's financial statements.

iii) AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to various financial risks, including primarily market risk, credit risk and liquidity risk. Risk management is carried out by senior management under policies and strategies approved by the Board and Audit Committee. There has been no substantive changes to the Group's exposure to financial instrument risk, its objectives, policies and processes for managing those risks and the methods used to measure them from previous periods unless otherwise stated in the note.

(a) Market risk

(i) Price risk

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

- Investments held by the Group and classified on the statement of financial position as either available-for-sale or at fair value through profit or loss; 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 is not directly exposed to commodity price risk.

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%. The analysis is based on the assumption that the movements are spread equally over all assets in the investment and trading portfolios.

	30 June 2014		30 June 2013	
	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)	\$1,093,476	(\$1,093,476)	\$744,289	(\$744,289)
Impact on equity (pre-tax)	-	-	\$290,678	(\$290,678)

(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. 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). 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 (2.99% weighted average interest rate in 2014 and 3.86% weighted average interest rate in 2013).

	30 June 2014		30 June 2013	
	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)	\$56,321	(\$56,321)	\$48,117	(\$48,117)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

3. FINANCIAL RISK MANAGEMENT (CONT.)

(b) Credit risk

(i) Cash and cash equivalents

The 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. The credit quality of material deposits of cash and cash equivalents can be assessed by reference to external credit ratings.

	2014	2013
	\$	\$
Cash at bank and short-term bank deposits		
A-1+	2,638,595	1,484,495
A-1	2,246,029	3,578,112

(ii) Trade and sundry receivables

The 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'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 assets and liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and 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.

Maturity analysis – Group 2014	Carrying amount	Contractual cash flows	Less than 6 months	6 – 12 months	1-3 years
	\$	\$	\$	\$	\$
Financial liabilities					
Trade and other payables	1,642,054	1,642,054	1,642,054	-	-
Total financial liabilities	1,642,054	1,642,054	1,642,054	-	-
Financial assets					
Trade and other receivables – current	1,397,643	1,397,643	1,372,643	25,000	-
Total financial assets	1,397,643	1,397,643	1,372,643	25,000	-
Maturity analysis – Group 2013					
Financial liabilities					
Trade and other payables	1,142,281	1,142,281	1,142,281	-	-
Total financial liabilities	1,142,281	1,142,281	1,142,281	-	-
Financial assets					
Trade and other receivables – current	990,965	990,965	865,965	125,000	-
Total financial assets	990,965	990,965	865,965	125,000	-

Trade and sundry creditors 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 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).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

3. FINANCIAL RISK MANAGEMENT (CONT.)

(d) Fair value risk (continued)

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

At 30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
- Listed equities and funds	5,717,051	-	-	5,717,051
- Listed preference shares	649,646	-	-	649,646
- Listed options	106,189	-	-	106,189
- Unlisted funds	-	967,200	-	967,200
	6,472,886	967,200	-	7,440,086
At 30 June 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
- Listed equities and funds	7,795,119	-	-	7,795,119
- Listed preference shares	1,297,089	-	-	1,297,089
- Unlisted managed funds	-	664,322	-	664,322
Available for sale financial assets				
- Unquoted equities	-	-	5,813,549	5,813,549
	9,092,208	664,322	5,813,549	15,570,079

(ii) Reconciliation of Level 3 fair value measurements of financial assets

Available-for-sale investments	Unquoted equities 2014 \$	Unquoted equities 2013 \$
Opening balance	5,813,549	5,787,402
Partial disposals during the year	(615,684)	-
Fair value gains recognised in profit or loss on gaining significant influence	2,678,966	-
Total gains recognised in other comprehensive income	-	26,147
Reclassification of interests in Jasco Holdings Limited from available-for-sale to investments in associate on gaining significant influence (see note 13)	(7,876,831)	-
Closing balance	-	5,813,549

(iii) Valuation technique

Listed Investment in equity and preference securities and managed funds

When fair values of publicly traded equities and preference securities and managed funds 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 managed funds

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

Unlisted equity investments

The Group invested in a public unlisted company which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group used a combination of net asset value method based on the value of the assets of the business less its liabilities adjusted for fair value and market based valuation technique for valuing these positions. The Group classifies the fair value of these investments as Level 3.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

(a) Estimated impairment of goodwill and investment management contracts and relationships

The Group tests annually whether goodwill and investment management contracts and 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.

(b) Subsidiaries

The Group assessed its interests in other entities and concluded that its accounting for the arrangements under AASB 10: Consolidated Financial Statements would not change from the Group's accounting for its interests in other entities under AASB 127: Consolidated and Separate Financial Statements. Other than its interest in Clime Asset Management Pty Limited and Clime Investors Education Pty Limited, the Group holds no interests in other entities that would provide the Group with control over those entities.

(c) Joint Arrangements

The Group assessed its interests in its joint arrangements and concluded that its accounting for the arrangements under AASB 11: Joint Arrangements would not change from the Group's accounting for the arrangements under AASB 131: Interests in Joint Ventures.

(d) Associates

The Group assessed its interests in other entities and concluded that its accounting for the arrangements under AASB 12: Disclosure of Interests in Other Entities would not change from the Group's accounting for its interests in other entities under AASB 128: Investments in Associates and Joint Ventures. Other than its interest in Jasco Holdings Limited, the Group holds no interests in other entities that would provide the Group with significant influence over those entities.

	2014	2013
	\$	\$
5. REVENUE		
Management fees and commissions	7,015,238	4,736,143
Performance fees	4,438	546,975
Consulting fees	218,000	88,867
Director fees	63,750	60,000
Dividends received	643,789	996,421
Interest received	168,265	194,277
Investment software and education	447,243	876,760
Other income	185,517	160,323
Total revenue	8,746,240	7,659,766

See note 29(a) for an analysis of revenue by major products and services

6. EXPENSES

Profit before income tax includes the following specific expenses:

Employee benefits expense (excluding superannuation)	4,293,111	3,504,452
Defined contribution superannuation expense	201,591	176,758
Share-based payment expense recognised	60,020	28,713
Rental expense relating to operating leases		
Minimum lease payments	3,469	-
Depreciation of plant and equipment	73,076	50,056
Amortisation of investment management contracts	305,348	305,348

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

7. STATEMENTS OF CASH FLOWS	2014	2013
	\$	\$
a) Reconciliation of cash		
For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise:		
Cash and bank balances	4,884,624	5,027,764
Short term bank deposits with maturity of less than three months	-	34,843
	<u>4,884,624</u>	<u>5,062,607</u>
Cash at bank and in hand is interest bearing. Cash at bank and deposits at call bear floating interest rates between 2.2 and 3.4% (2013: 2.1 and 4.1%).		
b) Reconciliation of profit after income tax to net cash inflow from operating activities:		
Profit for the year	3,203,014	1,421,990
Depreciation and amortisation	378,424	355,404
Loss/(gain) on disposal of associate/available-for-sale financial assets	92,380	(12,248)
Impairment of receivable in relation to the disposal of held-for-sale investment	-	249,414
Gain on disposal of Property, plant and equipment	(29,507)	-
Non-cash employee benefits expense	60,020	28,713
Share of loss of joint venture and associates	285,639	160,155
Gain on revaluation of contingent consideration payable	-	(25,117)
Unrealised gains on re-classification of available-for-sale financial asset	(2,697,269)	-
Other non-cash movements recognised in profit or loss	-	97,185
Change in operating assets and liabilities		
Trade and sundry debtors and other assets	625,654	223,389
Financial assets at fair value through profit or loss	2,316,444	(844,937)
Trade and sundry creditors	54,037	293,550
Current tax liability	236,312	-
Deferred tax assets and liabilities	702,302	793,079
Provisions and other non-current operating liabilities	(3,103)	37,775
Net cash inflow from operating activities	<u>5,224,347</u>	<u>2,778,352</u>
8. INCOME TAX EXPENSE		
(a) Income tax (benefit) / expense		
Current tax expense	483,974	-
Deferred tax expense	710,146	785,235
	<u>1,194,120</u>	<u>785,235</u>
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets (note 17)	116,318	605,428
Increase in deferred tax liabilities (note 21)	593,828	179,807
	<u>710,146</u>	<u>785,235</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	<u>4,397,134</u>	2,207,225
Tax at the Australian tax rate of 30% (2013: 30%)	1,319,140	662,168
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Amortisation of intangibles	91,604	91,604
EIS expense	18,006	8,614
Dividends received	(192,858)	(254,601)
Sundry items	4,583	(4,663)
	<u>1,240,475</u>	503,122
(Over)/Under provision of prior year tax	(46,355)	282,113
Previously unrecognised tax losses brought to account	-	-
Income tax expense	<u>1,194,120</u>	<u>785,235</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

9. DIVIDENDS	2014	2013
	\$	\$
(a) Dividends provided for or paid during the year		
Final dividend in respect of the previous financial year – nil per share fully franked (2013: 2 cents per share fully franked)	-	984,701
Interim dividend in respect of the current financial year – 2.5 cents per share fully franked (2013: 1.5 cents per share fully franked)	1,243,621	744,295
	<u>1,243,621</u>	<u>1,728,996</u>
Fully franked portion	<u>1,243,621</u>	1,728,996
(b) Dividends not recognised at year end		
Proposed fully franked dividend –3 cents per share (2013: nil)	<u>1,501,345</u>	-
(c) Return of capital not recognised at year end		
Proposed return of capital – nil cents per share (2013: 8 cents per share)	-	<u>3,977,571</u>
(d) Franking account balance		
Amount of franking credits available for subsequent financial years are:		
Franking account balance brought forward	27,604	392,515
Fully franked final dividend paid	(532,980)	(740,999)
Franking credits arising from tax paid	250,000	-
Franked dividends received from other corporations	<u>275,511</u>	<u>376,088</u>
Balance of franking account at year end adjusted for franking credits that will arise from the payment of the current tax liability	<u>20,135</u>	27,604
Impact on franking account of proposed dividend not recognised at year end	<u>643,434</u>	-

10. TRADE AND OTHER RECEIVABLES - CURRENT

Trade receivables (note a)	332,642	865,965
Sale consideration receivable (note b)	1,040,000	-
Other receivables	25,000	125,000
	<u>1,397,642</u>	<u>990,965</u>

- (a) Trade receivables are non-interest bearing and are generally subject to 30 day terms.
 (b) Sale consideration receivable represents amounts receivable from the disposal of property, plant and equipment.
 (c) Apart from the sale consideration receivable as per note (b) above, the Group did not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(d) Financial assets that are neither past due nor impaired

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 fees receivable which are considered low risk.

(e) Fair value

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

11. OTHER CURRENT ASSETS

Prepayments	<u>120,890</u>	<u>113,221</u>
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12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

CURRENT

Investments comprise:

Shares in other corporations listed on a prescribed stock exchange	6,410,139	9,092,208
Investment in unlisted, unregistered managed investment scheme, the Clime International Fund	967,200	-
Investment in unlisted, registered managed investment scheme, the Clime Australian Value Fund	-	588,249
Investment in listed, registered managed investment scheme, Rural Funds Management Limited	62,747	76,073
	<u>7,440,086</u>	<u>9,756,530</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	2014	2013
	\$	\$
Investments comprise:		
Investments in associate	7,876,831	-
Investments in joint venture	-	285,639
	<u>7,876,831</u>	<u>285,639</u>

(a) Carrying amounts

Information relating to associate and joint venture are set out below.

Name of Companies	Principal Activity	Carrying amounts			
		2014	2013	2014	2013
		%	%	\$	\$
<i>Unlisted</i>					
JASCO Holdings Ltd (Associate) (i)	Importing and distribution	20.41	19.82	7,876,831	-
Stocks in Value Pty Limited (Joint Venture) (ii)	Investment valuation services	50.00	50.00	-	285,639
				<u>7,876,831</u>	<u>285,639</u>

The above associate and joint venture are incorporated in Australia

(i) Jasco Holdings Limited

In the prior year, the Group held 19.82% interest in Jasco Holdings Limited (Jasco) and accounted for the investment as an available-for-sale financial asset. Following the sale of Jasco's stationery business and resultant share buybacks, the holdings of the Group in Jasco increased from 19.82% to 20.41% as at 27 June 2014. At 30 June 2014, the Group determined that it held significant influence over Jasco Holdings Limited and accordingly the investment was considered to be an associate as at 27 June 2014.

The Group has accounted for 20.41% investment in Jasco as at 27 June 2014 as an investment in associate, at a value as at that date of \$7,876,831.

The Group used a combination of net asset value method based on the value of the assets of the business less its liabilities adjusted for fair value and market based valuation technique for valuing its investment in Jasco. The Group determined comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company by an earning measure. The trading multiple was then discounted for considerations such as illiquidity and size difference between comparable companies based on company-specific facts and circumstances. The discounted multiple was applied to the corresponding earning measure of the investee company to measure the fair value. The fair value is then compared to the net asset value of the business at fair value to assess the carrying value.

This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows

	2014
	\$
Fair value of investments retained (20.41%)	7,876,831
Transfer of available for sale reserve to income statement	18,303
Less: Carrying amount on investment on the date of gaining of significant influence	(5,197,865)
	<u>2,697,269</u>

(ii) Stocks in Value Pty Limited

On 4 March 2013, the Group entered into a 50:50 joint venture with Eureka Report Pty Limited, which is a 100% subsidiary of News Limited (note 30).

	2014	2013
	\$	\$
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	285,639	43,500
Contribution to the joint venture entity at fair value	-	450,000
Available-for-sale financial assets reclassified as Investments in Associates (note 13(a))	7,876,831	-
Share of loss after income tax	(285,639)	(160,155)
Disposal of investment in associate	-	(47,706)
Carrying amount at the end of the financial year	<u>7,876,831</u>	<u>285,639</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

	2014	2013
	\$	\$
(c) joint venture and associates' profits/(losses)		
Joint venture		
Share of net loss of joint venture before income tax	(285,639)	(164,360)
Income tax expense	-	-
Loss after income tax	<u>(285,639)</u>	<u>(164,360)</u>
Associates		
Net profit of Associate before income tax	-	12,014
Income tax expense	-	(3,604)
Profit after income tax	<u>-</u>	<u>8,410</u>

(d) Reconciliation to share of net profits of joint venture and associates accounted using the equity method

Share of net loss of joint venture	(285,639)	(164,360)
Share of net profit of Associate	-	4,205
Share of loss of associate and joint venture	<u>(285,639)</u>	<u>(160,155)</u>

(e) Unrecognised share of losses of a joint venture

Unrecognised share of loss of a joint venture for the year	(126,436)	-
Cumulative share of loss of a joint venture	<u>(126,436)</u>	<u>-</u>

(f) Summarised financial information of joint venture and associates

	Group's share of:			
	Assets	Liabilities	Revenues	(Loss)/profit
	\$	\$	\$	after tax
				\$
2014				
Jasco Holdings Limited (associate)	12,474,184	4,597,353	-	-
Stocks in Value Pty Limited (joint venture)	677,705	802,463	412,088	(285,639)
	<u>13,151,889</u>	<u>5,399,816</u>	<u>412,088</u>	<u>(285,639)</u>
2013				
Stocks in Value Pty Limited (joint venture)	889,755	604,116	51,999	(164,360)
Total Fund Services Ltd (associate)	-	-	221,782	4,205
	<u>889,755</u>	<u>604,116</u>	<u>273,781</u>	<u>160,155</u>

14. AVAILABLE FOR SALE FINANCIAL ASSETS

Investments comprise:	2014	2013
	\$	\$
NON-CURRENT		
Shares in Jasco Holdings Limited at fair value	<u>-</u>	<u>5,813,549</u>

The Group hold 20.41% (2013: 19.82%) interest in Jasco Holdings Limited and has accounted the investment using the equity method. Increased ownership interest resulted from buy back activity in Jasco Holdings Limited. Refer note 13 on Investments in associates and Joint venture for further details.

During 2013, the fair value of the non-controlling interest in Jasco Holdings Limited, an unlisted company, was estimated by applying a multiple-to-equity valuation approach. The fair value estimates are based on:

- A required return of 13.5%, comprised of long term bond rates plus an equity market risk premium and a company specific premium
- Assumed sustainable long term normalised return on equity of 13.50%
- An average payout ratio of 65%
- Assumed adjustments relating to lack of marketability, carrying value of assets and historical operating cash flow relative to reported profits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

15. OTHER FINANCIAL ASSETS

2014
\$

2013
\$

NON-CURRENT

(a) 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	Equity holding*	
			2014 %	2013 %
Clime Asset Management Pty Ltd	Australia	Fully Paid Ordinary	100	100
Clime Investors Education Pty Ltd	Australia	Fully Paid Ordinary	100	100
Clime AFM Pty Ltd (de-registered on 2 July 2013)	Australia	Fully Paid Ordinary	-	100

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

2014
\$

2013
\$

16. PROPERTY, PLANT AND EQUIPMENT

Building - at cost	-	1,036,459
Accumulated depreciation and impairment	-	(39,435)
Written down value	-	997,024
Plant and equipment - at cost	353,056	240,610
Accumulated depreciation and impairment	(208,706)	(191,046)
Written down value	144,350	49,564
Total property, plant and equipment	144,350	1,046,588

Reconciliation

a) Building

Carrying value at beginning	997,024	1,012,672
Additions	7,305	5,050
Disposals	(1,043,265)	-
Depreciation charge for the year	(26,817)	(20,698)
Depreciation eliminated on disposals	65,753	-
Carrying amount at end	-	997,024

b) Plant and equipment

Carrying value at beginning	49,564	68,440
Additions	145,423	10,482
Disposals	(37,348)	(4,956)
Depreciation charge for the year	(46,259)	(29,358)
Depreciation eliminated on disposals	32,970	4,956
Carrying amount at end	144,350	49,564

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

17. DEFERRED TAX ASSETS	2014	2013
	\$	\$
The balance comprises temporary differences attributable to:		
Employee benefits	47,211	48,142
Accrued expenses	17,148	22,623
Financial assets at fair value through profit or loss	12,484	-
Available-for-sale financial assets	-	58,777
Available for sale and equity accounted investments	135,000	-
Realised tax losses carried forward – revenue	-	159,450
Realised tax losses carried forward – capital	557,738	596,907
	<u>769,581</u>	<u>885,899</u>
Deferred tax assets	<u>769,581</u>	<u>885,899</u>
Movements:		
Opening balance at 1 July	885,899	1,491,327
Charged to profit or loss (note 8)	(116,318)	(605,428)
Closing balance at 30 June	<u>769,581</u>	<u>885,899</u>

18. INTANGIBLE ASSETS

Investment management contracts and relationships:		
At cost	4,790,000	4,790,000
Accumulated amortisation	(1,615,131)	(1,309,783)
	<u>3,174,869</u>	<u>3,480,217</u>
Goodwill at cost	<u>3,026,564</u>	<u>3,026,564</u>
Closing balance at 30 June	<u>6,201,433</u>	<u>6,506,781</u>

(a) Reconciliations

	Investment management contracts and relationships	Goodwill	Total
	\$	\$	\$
2014 – Consolidated			
Carrying amount at beginning of year	3,480,217	3,026,564	6,506,781
Amortisation expense ¹	(305,348)	-	(305,348)
Carrying amount at end of year	<u>3,174,869</u>	<u>3,026,564</u>	<u>6,201,433</u>
2013 – Consolidated			
Carrying amount at beginning of year	3,785,565	3,476,564	7,262,129
Derecognised on disposal of business assets to joint venture	-	(450,000)	(450,000)
Amortisation expense ¹	(305,348)	-	(305,348)
Carrying amount at end of year	<u>3,480,217</u>	<u>3,026,564</u>	<u>6,506,781</u>

¹Amortisation of \$305,348 (2013: \$305,348) is included in the statement of profit or loss and other comprehensive income

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

18. INTANGIBLE ASSETS (CONT.)

(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 \$
2014 - Consolidated			
Balance at the beginning of the year	3,026,564	-	3,026,564
Movements during the year	-	-	-
Balance at end of year	3,026,564	-	3,026,564
2013 - Consolidated			
Balance at the beginning of the year	2,660,277	816,287	3,476,564
De-recognition on disposal of business of subsidiary (note 30)	-	(450,000)	(450,000)
Re-allocation of goodwill as a result of the set-up of the joint venture attributable to the funds management cash generating unit	366,287	(366,287)	-
Balance at end of year	3,026,564	-	3,026,564

The recoverable amounts of all 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.

	2014 \$	2013 \$
19. TRADE AND OTHER PAYABLES		
Unsecured:		
Trade payables	314,909	308,247
Accruals	1,231,915	558,900
Amount payable to joint venture	40,454	248,878
Other payables	265,289	236,711
	1,852,567	1,352,736

20. PROVISIONS

Employee benefits (i)	157,369	160,472
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(i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued.

	2014 \$	2013 \$
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21. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Interest and dividends receivable	23,843	31,118
Available for sale and equity accounted investments	2,144,792	1,450,646
Sundry items	234,118	335,005
Deferred tax liabilities	2,402,753	1,816,769
Movements:		
Opening balance at 1 July	1,816,769	1,629,118
Charged to the profit or loss (note 8)	593,828	179,807
Charged / (debited) directly to equity (note 23)	(7,844)	7,844
Closing balance at 30 June	2,402,753	1,816,769

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

22. ISSUED CAPITAL

	Notes	Parent Entity		Parent Entity	
		2014 Shares	2013 Shares	2014 \$	2013 \$
(a) Share capital					
Ordinary shares					
Fully paid	(b),(d)	46,944,834	47,594,641	20,701,542	25,202,224

¹ 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(o)(v) for further information.

(b) Movements in ordinary share capital

	Details	Notes	Number of shares	\$
30 June 2012	Balance		47,960,740	25,391,513
July 2012 to June 2013	Shares bought back on-market and cancelled	(d)	(366,099)	(189,065)
Various	Transaction costs arising from on-market buy-back		-	(224)
30 June 2013	Balance		47,594,641	25,202,224
November 2012	Capital Return		-	(4,031,571)
July 2013 to June 2014	Shares bought back on-market and cancelled	(d)	(649,807)	(468,915)
Various	Transaction costs arising from on-market buy-back		-	(196)
30 June 2014	Balance		46,944,834	20,701,542

(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 all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

(d) On-market share buy-back

In accordance with its on-market share buy-back scheme, Clime Investment Management Limited bought back 649,807 (2013: 366,099) shares during the year. The number of shares bought back and cancelled during the 12 month period 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 72.20 cents per share (2013: 48.55 cents per share), with prices ranging from 72 cents to 73 cents. The total cost of \$469,111 (2013: \$189,289), including \$196 (2013: \$224) of transaction costs, was deducted from contributed equity.

The Shares bought back in the current year were cancelled immediately.

(e) Employee Share Option Plan ("ESOP")

As at 30 June 2014, there are nil (2013: nil) ESOP options outstanding over unissued ordinary shares since the options issued were forfeited during the previous financial year. Share options granted under the Company's employee share option plan carried no rights to dividends and no voting rights.

(f) Employee Incentive Scheme ("EIS")

As at 30 June 2014, there are 2,800,000 (2013: 2,125,000) 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 28(a) for a schedule of the movements in EIS options on issue during the year.

(g) 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 2013.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

	2014	2013
	\$	\$
23. RESERVES AND RETAINED PROFITS		
(a) Reserves		
Available-for-sale revaluation reserve	-	18,303
Share-based payments reserve	<u>175,166</u>	<u>115,146</u>
	<u>175,166</u>	<u>133,449</u>

Movements:

Available-for-sale revaluation reserve

Balance 1 July	18,303	-
Revaluation – gross	-	26,147
Reversed on reclassification of Available-for-sale assets to investments in Associates	<u>(26,147)</u>	-
Deferred tax (notes 17, 21)	7,844	(7,844)
Balance 30 June	<u>-</u>	<u>18,303</u>

Share-based payments reserve

Balance 1 July	115,146	86,433
Employee share option written off	<u>60,020</u>	<u>28,713</u>
Balance 30 June	<u>175,166</u>	<u>115,146</u>

(b) Retained earnings

Movements in retained profits were as follows:

Balance 1 July	1,127,384	1,434,390
Net profit for the year	3,203,014	1,421,990
Dividends (note 9)	<u>(1,243,621)</u>	<u>(1,728,996)</u>
Balance 30 June	<u>3,086,777</u>	<u>1,127,384</u>

(c) Nature and purpose of reserves

Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 2(j)(iv). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Share-based payments reserve

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

	2014	2013
	\$	\$
24. REMUNERATION OF AUDITORS		
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
Audit and review of financial statements		
- Moore Stephens Sydney	56,673	47,000
- Grant Thornton Audit Pty Limited	12,488	15,729
Taxation matters – Moore Stephens Sydney Pty Limited	<u>10,700</u>	<u>8,250</u>
	<u>79,861</u>	<u>70,979</u>

It is the Group's policy to employ Moore Stephens Sydney, or its related practices, on assignments additional to their statutory audit duties where Moore Stephens Sydney's expertise and experience within the Group is considered.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

25. EARNINGS PER SHARE

	2014 Cents	2013 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group	<u>6.8</u>	<u>3.0</u>
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Group	<u>6.4</u>	<u>2.9</u>
(c) Reconciliations of earnings used in calculating earnings per share		
<i>Basic and diluted earnings per share</i>		
Profit for the year attributable to owners of the Group	<u>\$3,203,014</u>	<u>\$1,421,990</u>
Profit attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share	<u>\$3,203,014</u>	<u>\$1,421,990</u>
(d) Weighted average number of shares used as the denominator		
	2014 Number	2013 Number
Weighted average number of ordinary shares used in calculation of basic earnings per share	<u>47,246,245</u>	<u>47,715,827</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>50,046,245</u>	<u>49,840,827</u>
(e) Reconciliations of weighted average number of shares:		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u>47,246,245</u>	<u>47,715,827</u>
Shares deemed to be issued for no consideration in respect of - Employee incentive scheme	<u>2,800,000</u>	<u>2,125,000</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>50,046,245</u>	<u>49,840,827</u>
(f) Information concerning the classification of securities		

Options

Options granted to employees under the Employee Share Option Plan and Employee Incentive Scheme are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

26. 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:

2014

	Short-term Employee Benefits \$	Post-Employment Benefits \$	Share-Based Payments \$	Termination Benefits \$	Total \$
Remuneration of Directors and other key management personnel	1,011,484	12,146	-	-	1,023,630

2013

	Short-term Employee Benefits \$	Post-Employment Benefits \$	Share-Based Payments \$	Termination Benefits \$	Total \$
Remuneration of Directors and other key management personnel	837,451	9,207	-	-	846,658

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 9 to 13 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 section C of the remuneration report on pages 10 to 12.

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Clime Investment Management Limited and each of the other key management personnel of the consolidated entity, including their personally-related entities, are set out below. No options are vested and unexercisable at the end of the year.

2014

Name	Balance at the start of the year	Granted/Transferred during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Clime Investment Management Limited						
Mr. Mark Osborn	-	-	-	-	-	-
Mr. John Abernethy	-	-	-	-	-	-
Mr. David Schwartz	-	-	-	-	-	-
Mr. Neil Schafer	-	-	-	-	-	-
Mr. Richard Proctor	450,000	-	-	-	450,000	-

2013

Name	Balance at the start of the year	Granted/Transferred during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Clime Investment Management Limited						
Mr. Mark Osborn	-	-	-	-	-	-
Mr. John Abernethy	-	-	-	-	-	-
Mr. David Schwartz	-	-	-	-	-	-
Mr. Neil Schafer	-	-	-	-	-	-
Other key management personnel of the consolidated entity						
Mr. Richard Proctor	450,000	-	-	-	450,000	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

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

(iii) Share holdings

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 personally-related entities, are set out below.

2014

Name	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
Directors of Clime Investment Management Limited				
Ordinary shares				
Mr. Mark Osborn	303,000	-	85,000	388,000
Mr. John Abernethy	3,610,000	-	-	3,610,000
Mr. David Schwartz	2,615,653	-	-	2,615,653
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Richard Proctor	2,208,382	-	(1,179,723)	1,028,659

2013

Name	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
Directors of Clime Investment Management Limited				
Ordinary shares				
Mr. Mark Osborn	170,000	-	133,000	303,000
Mr. John Abernethy	3,610,000	-	-	3,610,000
Mr. David Schwartz	2,615,653	-	-	2,615,653
Mr. Neil Schafer	548,007	-	-	548,007
Other key management personnel of the consolidated entity				
Ordinary shares				
Mr. Richard Proctor	2,208,382	-	-	2,208,382

(c) Loans to directors and other key management personnel

Loans to key management personnel were in place during the year in accordance with shares issued under the Employee Incentive Scheme (refer note 28(a)). There were no other loans made to directors of Clime Investment Management Limited or the other key management personnel of the consolidated entity, including their personally related entities, at any stage during the financial year. As described in note 28(a), notional non-recourse loans exist in relation to "in substance" options issued under the Employee Incentive Scheme.

(d) Other transactions with directors and other key management personnel

Profit for the year includes placement fees received amounting to \$126,364 (2013: \$88,687) that resulted from transactions, other than compensation or loans with key management personnel or their related entities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

27. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its controlled entities which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

All transactions with related entities were made on normal commercial terms and conditions no more favourable than transactions with other parties unless otherwise stated.

(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 15.

(c) Joint venture and Associates

Interests in joint venture and associates are set out in note 13.

During the year, the Group entities entered into the following trading transactions with joint venture and associate that are not members of the Group.

(i) The Group received \$200,000 (2013: \$66,667) as consultancy fees for providing inputs to the Stocks in Value website and \$164,031 (2013: \$263,324) towards reimbursement of expenses incurred on behalf of Stocks in Value Pty Limited. Clime Investment Management Limited incurred/paid \$179,872 (2013: \$50,301) (Ex-GST) as referral fees/reimbursement of expense incurred on behalf of the Group to Stocks in Value Pty Limited as at 30 June 2014.

(ii) The following balances were outstanding from joint venture and associate at the end of the reporting period:

	2014	2013
	\$	\$
Stocks in Value Pty Limited		
Trade receivables	56,112	156,267
Loan given	25,000	125,000
Trade payables	40,454	248,878

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

(d) Key Management Personnel

Disclosures relating to key management personnel are set out in note 26.

(e) Other related party transactions

Clime Capital Limited

(i) Mr. John Abernethy is a Director in Clime Capital Limited. The Group received \$57,750 (2013: \$54,000) as management fees for the services rendered by Mr. John Abernethy as chairman and Mr. Richard Proctor as Company Secretary to Clime Capital Limited. The Group directly owns 6.98% of the fully paid ordinary shares of Clime Capital Limited as at 30 June 2014. Clime Investment Management Limited through Clime Asset Management Pty Limited (a wholly owned subsidiary) has the indirect power to dispose 9.99% of Clime Capital Limited's shares held by the Investment Mangers discretionary share portfolio clients as at 30 June 2014.

(ii) Clime Asset Management Pty Limited during the year received \$702,831 (2013: \$568,427) as management and performance fees as remuneration for managing Clime Capital Limited's investment portfolio.

(iii) All dividends paid and payable by Clime Capital Limited to its Directors and Director related entities are on the same basis as to other shareholders.

Clime International Fund

(i) Clime Asset Management Pty Limited (a wholly owned subsidiary) and the trustee company of Clime International Fund, during the year received \$166,095 (2013: nil) as management and recoverable fees as remuneration for managing the investment portfolios on behalf of Clime International Fund.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

28. 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:

2014

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Transferred/ Forfeited during the year Number	Balance at the end of the year Number	Vested and exercisable at end of the year Number
18 July 2011	18 July 2014	\$0.38	450,000	-	-	-	450,000	-
9 August 2011	8 August 2014	\$0.38	350,000	-	-	-	350,000	-
3 January 2012	3 January 2015	\$0.37	100,000	-	-	-	100,000	-
16 April 2012	16 April 2015	\$0.395	300,000	-	-	-	300,000	-
19 April 2012	19 April 2015	\$0.42	325,000	-	-	-	325,000	-
4 December 2012	4 December 2015	\$0.48	200,000	-	-	-	200,000	-
15 December 2012	15 December 2015	\$0.50	200,000	-	-	-	200,000	-
21 February 2012	21 February 2016	\$0.66	200,000	-	-	-	200,000	-
22 August 2013	22 August 2016	\$0.80	-	100,000	-	-	100,000	-
23 October 2013	23 October 2016	\$0.815	-	200,000	-	-	200,000	-
25 October 2013	25 October 2016	\$0.829	-	375,000	-	-	375,000	-
Total			2,125,000	675,000	-	-	2,800,000	-
Weighted average exercise price				\$0.527			-	

2013

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Transferred/ Forfeited during the year Number	Balance at the end of the year Number	Vested and exercisable at end of the year Number
18 July 2011	18 July 2014	\$0.38	450,000	-	-	-	450,000	-
9 August 2011	8 August 2014	\$0.38	350,000	-	-	-	350,000	-
3 January 2012	3 January 2015	\$0.37	100,000	-	-	-	100,000	-
16 April 2012	16 April 2015	\$0.395	300,000	-	-	-	300,000	-
19 April 2012	19 April 2015	\$0.42	325,000	-	-	-	325,000	-
4 December 2012	4 December 2015	\$0.48	-	200,000	-	-	200,000	-
15 December 2012	15 December 2015	\$0.50	-	200,000	-	-	200,000	-
21 February 2012	21 February 2016	\$0.66	-	200,000	-	-	200,000	-
Total			1,525,000	600,000	-	-	2,125,000	-
Weighted average exercise price				\$0.434			-	

No in-substance options were exercised during the year.

The weighted average contractual life of in-substance options outstanding at the end of the period was 1.37 years (2013 – 1.82 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

28. SHARE-BASED PAYMENTS (CONT.)

The model inputs for in-substance options granted during the year ended 30 June 2014 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 expiry 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 \$0.53 per share (for in-substance options issued with a three year term);
- expiry date: 3 years from the grant date;
- expected price volatility of the Company's shares: between 30% and 35%;
- risk-free interest rate: between 5% and 5.5%; and
- discount rate: 15%.

The resulting fair values per in-substance option are:

Number of Options	Grant Date	Exercise price	Value per option at grant date	Vesting Date
450,000	18 July 2011	\$0.38	\$0.076	18 July 2014
350,000	9 August 2011	\$0.38	\$0.076	8 August 2014
100,000	3 January 2012	\$0.37	\$0.085	3 January 2015
300,000	16 April 2012	\$0.395	\$0.096	16 April 2015
325,000	19 April 2012	\$0.42	\$0.096	19 April 2015
200,000	4 December 2012	\$0.48	\$0.100	4 December 2015
200,000	14 December 2012	\$0.50	\$0.100	14 December 2015
200,000	21 February 2013	\$0.66	\$0.120	21 February 2016
100,000	22 August 2013	\$0.80	\$0.140	22 August 2016
200,000	23 October 2013	\$0.815	\$0.140	23 October 2016
375,000	25 October 2013	\$0.829	\$0.140	25 October 2016

Refer to Section C of the Remuneration Report on pages 10 to 13, and Note 26, for additional information in relation to the Employee Incentive Scheme.

(b) Expenses arising from share-based payment transactions

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

	2014	2013
	\$	\$
Option expense - Employee Incentive Scheme	<u>60,020</u>	<u>28,713</u>
	60,020	28,713

Refer to Section C of the Remuneration Report on pages 10 to 13, and Note 26, for additional information in relation to the Employee Share Option Plan.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

29. 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 Executive Board, which is responsible for assessing the performance of various components of the business and making resource allocation decisions as our Chief Operating Decision Maker (CODM), evaluates 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 business, Clime Asset Management Pty Ltd is based in Sydney. This business generates operating revenue (investment management and performance fees) as remuneration for managing the investment portfolios of individuals and corporations.

Investment Software

Consulting revenue is generated from the provision of investment research analysis to institutional clients, and wealth structuring and taxation advice to high net worth private clients. Revenue generated from external subscriptions to the Group's proprietary web-based investment software, Stocks in Value, is also included within this division.

Direct Investments

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

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

(b) Reportable Segments

	Funds Management	Investment Software	Direct Investments	Inter Segment / unallocated	Consolidated
2014	\$	\$	\$	\$	\$
Segment revenue					
Sales to external customers	7,399,174	447,263	-	87,750	7,934,187
Unrealised gains on re-classification of available-for-sale financial asset to					
Investments in Associates	-	-	2,697,269	-	2,697,269
Investment income	-	-	779,506	-	779,506
Total segment revenue	7,399,174	447,263	3,476,775	87,750	11,410,962
Net group result					
Net group result before tax	1,733,363	446,247	3,476,775	(1,259,251)	4,397,134
Income tax expense					(1,194,120)
Profit for the year					3,203,014
Share of net loss of joint venture	-	-	-	(285,639)	(285,639)
Depreciation and amortisation expense	363,809	-	-	14,615	378,424
Net value gain on available-for-sale financial assets	-	-	(18,303)	-	(18,303)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

2013	Funds Management \$	Investment Software \$	Direct Investments \$	Inter Segment / unallocated \$	Consolidated \$
Segment revenue					
Sales to external customers	5,477,727	895,093	-	84,000	6,456,820
Investment income	-	-	2,240,012	-	2,240,012
Total segment revenue	5,477,727	895,093	2,240,012	84,000	8,696,832
Net group result					
Net group result before tax	818,692	202,861	2,240,012	(1,054,340)	2,207,225
Income tax expense					(785,235)
Profit for the year					1,421,990
Share of net profits of associates	-	-	-	(160,155)	(160,155)
Depreciation and amortisation expense	330,376	-	-	25,028	355,404
Net value gain on available-for-sale financial assets	-	-	18,303	-	18,303

(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 \$7.40 million (2013: \$5.48 million) (see 32 (b) above) are revenues of approximately \$0.7 million (2013: \$0.6 million) which arose from sales to the Group's largest customer.

30. ACQUISITION OF BUSINESS

2014

There were no acquisitions in 2014.

2013

Investments in joint venture

On 4 March 2013, the economic entity transferred the business assets held in the wholly-owned subsidiary Clime Investors Education Pty Limited to the newly constituted 50:50 Joint Venture Stocks in Value Pty Limited.

a. Fair value of assets transferred to Joint venture

	2013 \$
Customer base	200,000
Software license	250,000
Investments in joint venture at fair value	450,000

b. Analysis of assets and liabilities over which control was lost

Property, plant and equipment	-
Goodwill	450,000
Cost of assets transferred to Joint venture	450,000

c. Goodwill

Cost of assets transferred to joint venture	450,000
Investments in Joint venture	(450,000)
Goodwill on investments in joint venture	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

31. SUBSEQUENT EVENTS

A final fully franked dividend for the year ended 30 June 2014 of 3 cents per share, totalling \$1,501,345 has been declared by the directors. This provision has not been reflected in the accounts.

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.

32. CONTINGENT LIABILITIES, CONTINGENT ASSETS AND COMMITMENTS

The Group has no material contingent liabilities or contingent assets as at 30 June 2014 (2013: Nil).

	2014	2013
	\$	\$
COMMITMENTS FOR EXPENDITURE		
Capital expenditure commitments		
Property, plant and equipment		
Within one year	-	75,000
Later than one year but not later than five years	-	-
	<u>-</u>	<u>75,000</u>
Operating lease commitments		
Towards the end of the 2014 financial year, the Company entered into an operating lease agreement for office premises for a period of 5 years, terminating on 31 August 2019. The expenditure commitment with respect to rent payable under the lease agreement is \$926,195 (2013: nil)		
	2014	2013
	\$	\$
Not later than 1 year	116,130	-
Later than 1 year and not later than 5 years	810,065	-
Later than 5 years	-	-
	<u>926,195</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

33. 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.

	2014	2013
	\$	\$
(a) Financial Position		
Assets		
Current assets	10,181,392	11,814,602
Non-current assets	15,246,976	14,503,354
Total Assets	25,428,368	26,317,956
Liabilities		
Current liabilities	21,708,441	15,575,854
Non-current liabilities	1,800,762	1,081,952
Total Liabilities	23,509,203	16,657,806
Net Assets	1,919,165	9,660,150
Equity		
Issued capital	20,701,542	25,202,224
Accumulated losses	(18,957,543)	(15,675,523)
Reserves		
Available-for-sale revaluation	-	18,303
Share-based payments	175,166	115,146
Total Equity	1,919,165	9,660,150
(b) Financial Performance		
Loss for the year	(2,038,399)	(3,729,908)
Other comprehensive income	(18,303)	18,303
Total comprehensive loss	(2,056,702)	(3,711,605)

(c) Assets classified as held for sale

The parent entity holds no assets classified as held for sale.

(d) Contingent liabilities of the parent entity

The parent entity has no contingent liabilities.

(e) Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity has a commitment of nil (2013: \$75,000) for the acquisition of property, plant and equipment and \$926,195 (2013: nil) for the operating lease commitments.

DIRECTORS' DECLARATION

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

The Directors declare that:

- (a) in the directors' opinion, the attached financial statements and notes thereto 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 Group 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 2001*

on behalf of the Directors by:



Neil Schafer
Chairman

Date: 26 August 2014

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**Independent Auditor's Report
To the Members of Clime Investment Management Limited
A.B.N. 37 067 185 899**

Report on the Financial Report

We have audited the accompanying financial report of Clime Investment Management Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state that, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

- a) the financial report of Clime Investment Management Limited and its controlled entities 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 2014 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Clime Investment Management Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report for the year ended 30 June 2014 included on Clime Investment Management Limited's website. The Company's directors are responsible for the integrity of Clime Investment Management Limited's website. We have not been engaged to report on the integrity of Clime Investment Management Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney Tuesday, 26 August 2014

SHAREHOLDER INFORMATION

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

The shareholder information set out below was applicable as at 22 August 2014.

A. Distribution of Equity Securities

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

Ordinary Shares	No. of Holders
1 - 1,000	27
1,001 - 5,000	181
5,001 - 10,000	110
10,001 - 100,000	264
100,001 and over	46
	628

B. Equity Security Holders

Twenty largest quoted equity security holders

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

Name	Ordinary Shares	
	No. of Shares	Percentage of issued shares
RBC Investor Services Australia Nominees Pty Limited <BK Cust A/C>	10,293,866	20.569
Torres Industries Pty Ltd	5,005,000	10.001
Mr John Bruce Abernethy	3,610,000	7.214
Mr David Schwartz	2,615,653	5.227
Mr Richard Proctor	1,478,659	2.955
Mr Lachlan Taylor Hughes & Mrs Elizabeth Hughes <Robbins Super Fund A/C>	1,402,090	2.802
Capital Property Corporation Pty Limited	1,241,122	2.480
Clodene Pty Ltd	1,214,121	2.426
Mr Philip Leslie Bish	1,145,000	2.288
Mr Darren Katz	1,000,000	1.998
Robansheil Pty Limited	940,446	1.879
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	900,000	1.798
Mr. Allyn Chant	883,600	1.766
Ruminator Pty Ltd	871,419	1.741
Mr Robert Archer Black	826,252	1.651
Mr Neil Edward Schafer & Mrs Molly Clark Schafer <Lodge Road Super Fund A/C>	548,007	1.095
Arcelia Pty Ltd <Round Hill Retire/Fund A/C>	485,334	0.970
J P Morgan Nominees Australia Limited	413,022	0.825
Tampaul Pty Ltd	400,000	0.799
Mr. Mark Osborn	388,000	0.775
	35,661,591	71.259

Unquoted equity securities

Shares issued under the Employee Incentive Scheme to take up ordinary shares

Ordinary Shares	
Number on issue	Number of holders
2,300,000	13

SHAREHOLDER INFORMATION

for the year ended 30 June 2014

Clime Investment Management Limited and Controlled Entities

C. Substantial Holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Wilson Management Group	10,293,866	20.569
Torres Industries Pty Ltd	5,005,000	10.001
Mr. John Abernethy	3,610,000	7.214
Mr David Schwartz	2,615,653	5.227

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 13 November 2014.

Stock Exchange Listing

The shares of the Company are listed on the Australian Securities Exchange Limited. 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 2014 an on-market buy-back scheme existed and continues to be in operation as at the date of this report.

Contact Details

The names of the Company Secretaries are Mr. Richard Proctor and Mr. Biju Vikraman.

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

Level 7

1 Market Street

Sydney NSW 2000

Telephone: (02) 8917 2100