

CHAIRMANS ADDRESS

I am pleased to present the results of Clime Investment Management Limited and its controlled entities for the financial year ended 30 June 2015 and share our outlook for the future. The Group includes Clime Investment Management, Stocks in Value and the 21.75% stake in Jasco Holdings Ltd that is equity accounted.

Clime Investment Management is a boutique investment manager with a value style and conviction approach. This means that if the underlying asset and business is sound, the short term fluctuations in price become noise over the journey to delivering increased value. It's time not timing that wins in the long term. This means good research is essential to this process.

Stocks in Value, or SIV, is our public facing research arm that leverages off the investment management process and supports do-it-yourself investors with market news and company research through a subscription service. This is a valuable tool for those who wish to manage their own portfolios and keep up to date with investment markets. Our joint-venture with Eureka Report was terminated at the close of the 2015 financial year due to changes in direction within the News Corporation subsidiary and we happily re-acquired the outstanding shares to make SIV a wholly owned subsidiary of Clime. Subscribers have increased to 2020 as at September 2015 compared with 1900 at 30 June 2014.

Following the sale of its wholesale stationery business, Jasco has essentially become a property owning company with one operating subsidiary, the eclectic Eckersley's retail art and craft supplies business. Most of us have seen its purple shop-fronts dotted around Australia's main consumer thoroughfares. It also boasts a growing online business. The company plans to expand its network domestically and possibly into New Zealand.

The Group recorded an after-tax profit attributable to members of \$3,288,651 for the year to 30 June 2015 compared with \$3,203,014 in FY14. While this appears to be moving sideways, it masks some important trends due to the operating and non-operating items that make up the result.

On the operating side, revenue from investment management increased by 22% from \$7.49

million to \$9.15 million. Gross funds under management of \$614 million at 30 June 2015, compares with \$582 million at 30 June 2014, an increase of 6%. Performance fees of \$0.8 million were received during the period. With good cost control, this resulted in more than doubling the contribution to profit to \$2.43 million compared with \$1.03 million in 2014. This increase is principally the direct result of the increase in new funds under management in the prior financial year. Due to commissions and other front end costs, the benefit of such growth takes a year to flow through to the bottom line.

The contribution from Balance Sheet investments and Associates fell from \$3.67 million to \$2.10 million. The reasons for this fall are primarily from reduced income from our investment in Jasco which in the 2014 financial year, disposed of a substantial division with significant realised capital gains. Mark to market changes on our investment in Clime Capital Limited also reduced this year's result by around \$0.5 million.

Group profit before income tax for the financial year ended 30 June 2015 (FY15) was \$4.23 million compares to \$4.40 million in FY14. The total comprehensive income result for FY15 after net of tax unrealized gains or losses on financial assets for sale was \$3.29 million, compared with \$3.20 million in FY14.

Total Equity at balance date amounted to \$24.96 million or 51.6 cents per share. This includes approximately 17 cents of intangible assets, being principally the capitalization of the long term management contract with Clime Capital Limited and acquired FUM. This gives NTA of 34.6 cents per share.

Proceeds from the sale of property, plant and equipment generated \$1.0 million. This was primarily from the sale of our freehold strata offices that we previously occupied in Kent Street. A further \$0.3 million was received on the reacquisition of our Associate, Stocks in Value. Including retained profits, our cash and cash equivalents at balance date increased \$2.6 million to \$7.50 million.

Cash reserves have remained strong despite more than \$3.0 million paid in dividends to shareholders during the financial year.

Outlook for 2016 Financial Year

Directors and management expect 2016 to be a year of consolidation due to considerable volatility returning to financial markets. Focus will be on investment returns generated across all portfolios and growing and supporting our service offering to a wider group of investors seeking intelligent long term wealth management outcomes.

Initial signs are encouraging with reasonable returns across all core portfolios to 31 October and many beating their respective benchmarks. Since 30 June total gross FUM is showing a 4% gain in funds under management to \$640 million. Currently, two of our mandates are eligible for performance fees.

Strategically, the board is focusing on avenues for growth. The company is resourced for managing significantly larger quantities of funds in the future. This is expected to come from two sources:

- (i) Organic growth in client acquisition and business development through our normal marketing and sales process in the short term, and
- (ii) Redeploying cash and balance sheet investments to the acquisition of new client pools and distribution networks over the medium term as opportunities arise.

I thank my fellow directors, particularly our Executive Directors John and Richard and their management team for their stewardship of the company as we assist self-funding Australians manage and grow their retirement incomes. On behalf of the Board and shareholders I also wish to thank all our employees for their continued contribution to the ongoing progress of the company

Donald McLay

Chairman