

Company Announcements
Australian Stock Exchange, Sydney

29 August 2016

Announcement of Results – Year ended 30 June 2016

Please find attached the Appendix 4E and preliminary financial report for the year ended 30 June 2016.

Yours' sincerely,

Richard Proctor
Company Secretary

Appendix 4E

Preliminary Final Report
Lodged with the ASX under Listing Rule 4.3A
Year Ended 30 June 2016
(Previous corresponding period – 30 June 2015)

Results for Announcement to the Market

Revenue from ordinary activities	down	6%	to	\$9,114,230
Profit from ordinary activities after tax attributable to members	down	68%	to	\$1,065,330

Dividends per share	Amount per security	Franked amount per security
Final dividend – FY16 (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 reduced to \$9.11 million (FY15: \$9.65 million).

FY15 revenue	\$9.65million
Increase in Investment software sales	\$0.95million
Increase in dividend income	\$0.09million
Decrease in management fees	(\$0.39million)
Decrease in performance fees	(\$0.83million)
Decrease in consulting and other income	(\$0.36million)
FY16 revenue	<u>\$9.11million</u>

Explanation of profit from ordinary activities after tax attributable to members

The Group generated an after-tax profit of \$1.1 million for the year (FY15: profit of \$3.3 million).

The primary drivers for the reduced result

1. Revenue as per above.
2. Equity accounted profit of \$0.69million (FY15: \$1.92million).
3. Administration and occupancy overheads increased by 10% to \$7.76million (FY15: \$7.03million) mainly from increased amortization, IT costs and marketing costs.
4. Net realised and unrealised losses on the Group's listed investments and managed funds were \$0.72million (FY15: \$0.31million loss).
5. Income tax expense of \$0.3 million compared to \$0.9 million in FY15.

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)	21.75	21.75	\$694,764	\$1,923,879

1. The Group has accounted for 21.75% investment in Jasco as at 30 June 2016 as an investment in associate, with a carrying value of \$8,752,418 (FY2015 \$8,977,530).

Audit Status

This report is based on accounts which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.

Clime Investment Management Limited

(ABN 37 067 185 899)

and Controlled Entities

PRELIMINARY FINANCIAL REPORT **30 June 2016**

Clime Investment Management Limited

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REPORT FROM THE BOARD

for the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

I am pleased to present the results of Clime Investment Management Limited and its controlled entities ("the Group") for the financial year ended 30 June 2016 (FY16). The Group includes Clime Investment Management (Clime) and the 21.75% stake in Jasco Holdings Ltd (Jasco) that is equity accounted.

The Group recorded an after-tax profit attributable to members of \$1,065,330 for the year to 30 June 2016 (FY16) compared with \$3,288,651 in FY15. Our online equity valuation and research tool Stocks In Value Pty Limited operated as a wholly owned subsidiary in FY16 compared with being a 50% joint venture in FY15. It contributed revenue of \$1.15 million compared with \$0.16 million in FY15.

The Board notes that the weaker performance of the Group was mainly a function of performance fees not being achieved and normal returns from our associate, Jasco. In FY 2015 Jasco had derived exceptional results from disposal of a trading division.

Review of Financial Results

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

	2016 \$	2015 \$
Funds Management and related activities revenue	7,540,117	8,322,857
Investment Software revenue	1,147,913	160,405
Administrative and occupancy expenses – fixed in nature	(5,374,761)	(4,782,154)
Third Party Custody, Management & Funds Administration services	(907,110)	854,185
Operating business revenue less fixed admin costs	2,406,159	2,846,923
FUM growth incentives and marketing	(822,625)	(1,089,578)
Operating business margin	1,583,533	1,757,345
Performance fees	2,401	831,587
Balance Sheet income	(293,518)	24,504
(Loss) / profit on disposal of property, plant and equipment	826	(5,128)
Income from associate	694,764	1,923,879
Underlying cash profit	1,988,007	4,532,188
Termination costs	(179,654)	-
Amortisation of intangibles	(473,222)	(305,348)
Statutory profit before income tax	1,335,130	4,226,840

Group revenue has decreased by 6%, from \$9.7 million in FY15 to \$9.1 million in FY16. Investment Management fees decreased from \$7.8 million to \$7.4 million on nominally lower FUM. The Group's gross FUM was \$610 million at 30 June 2016, compared with \$614 million at 30 June 2015.

The Group received nominal performance fees during the year at \$2,000 (\$831,000 achieved in FY15). The Group did not receive any consulting fees in the year. The \$260,000 received in FY15 had been received from its associate company Stocks In value Pty Limited.

Group revenue from Investment Software at \$1.2 million compared to \$0.16 million in FY15 rose due to the company taking 100% ownership of its subsidiary Stocks In Value Pty Ltd in June 2015.

Interest, dividend and other income increased from \$338,000 to \$423,000 this year. The Group's interest income declined in line with lower average interest rates and a lower average cash balance held. The increase in dividends from investments was primarily due to the increase in dividend rate from the Group's interest in Clime Capital Limited.

Administration expenses rose from \$6.9 million to \$7.5 million. Included in this increase are

- Additional amortisation of software licenses and lists of \$213,000 arising from the 100% ownership of Stocks In Value Pty Ltd
- \$180,000 of redundancy costs arising from restructuring of the business
- \$70,000 of recruitment costs
- \$50,000 increase in property leasing costs due to new Clime offices in Melbourne, Brisbane and Perth.

REPORT FROM THE BOARD

for the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

Summary of Total Equity

The Total Equity at balance date comprised the following:

	30 June 2016	30 June 2015
Cash and Cash Equivalents	\$4,114,062	\$7,504,730
Trade and other Receivables less Payables	(\$782,600)	(\$635,455)
Listed Investments – Clime Capital Limited	\$4,584,427	\$5,314,385
Listed Investments – Other	-	\$52,108
Unlisted Investments - Managed Funds	\$2,508,591	-
Equity accounted investment – Jasco Holdings Limited	\$8,752,418	\$8,977,530
Other Tangible Assets and Liabilities	(\$3,353,817)	(\$4,501,812)
Net Tangible Assets	\$15,823,081	\$16,711,486
Intangibles – Goodwill and Management Contracts	\$6,974,185	\$7,447,406
Deferred tax assets	\$722,146	\$798,910
Total Equity	\$23,519,412	\$24,957,802
No. of Ordinary Shares on Issue as at 30 June	49,021,093	48,344,834
Equity per Share	48.0 cents	51.6 cents
Net Tangible Assets per Share	32.3 cents	34.6 cents

Operating Cash Flow

Operating cash flow (pre impact of financial asset transactions) was positive \$2.2 million, compared to \$2.6 million in FY 2015. This was primarily a function of the following:

- An increase in cash receipts from operating activities of \$964,000.
- An increase in cash payments on operating activities of \$1.06 million.
- An increase in dividend income of \$74,000.
- Tax paid increased by \$373,000.

We deployed net cash of \$2.4 million in short term financial assets, which we are holding at year end. In 2016 the company increased its direct investments by investing \$1 million in its own Income Fund and \$1.5 million in Primewest Property Industrial Fund. In FY 2015 the company had reduced investments in its own funds, producing net proceeds of \$1.8 million.

Thus the net cash outflow from operating activities was \$254,000, a decrease of \$4.6 million in comparison with the prior corresponding period.

Cash reserves were applied as follows:

- Payments for acquisition of property plant & equipment of \$10,000;
- Share buy-back program of \$112,000; and
- Payment of dividends to shareholders of \$3.01 million.

Outlook for 2017 Financial Year

The 2016 financial year has seen an acceleration in the evolution from a pure value-focused equity boutique into offering wider asset allocation choices to our clients. To support this, we have strengthened the investment process by selective addition of experienced senior staff and are in the process of implementing a new strategic plan to become a full service manager to meet the wealth creation needs of Australians seeking to be self-sufficient in their retirement.

Directors and management expect 2017 to be a year of transition as the first steps for longer term strategic growth are implemented. 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 good returns across all core portfolios in July and August.



Donald McLay
Chairman

Clime Investment Management Limited

Financial Statements - 30 June 2016

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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

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 2016

Clime Investment Management Limited and Controlled Entities

	Notes	2016 \$	2015 \$
Revenue	5	9,114,230	9,653,739
Net realised and unrealised (losses) on financial assets at fair value through profit or loss		(717,317)	(314,386)
Occupancy expenses		(231,101)	(159,122)
Administrative expenses		(7,526,272)	(6,872,143)
Share of profit of associate and joint venture	13(c)	694,764	1,923,879
Profit/(loss) on disposal of property, plant and equipment		826	(5,127)
Profit before income tax	6	1,335,130	4,226,840
Income tax expense	8(a)	(269,800)	(938,189)
Profit for the year		1,065,330	3,288,651
Other comprehensive income, net of income tax			
Net movement in other reserves	22(a)	58,464	84,042
Other comprehensive income for the year, net of tax		58,464	84,042
Total comprehensive income for the year		1,123,794	3,372,693
Profit attributable to members of Clime Investment Management Limited		1,065,330	3,288,651
Total comprehensive income attributable to members of Clime Investment Management Limited		1,123,794	3,372,693
Earnings per share			
Basic - cents per share	24(a)	2.2	6.9
Diluted - cents per share	24(b)	2.1	6.6

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 2016

Clime Investment Management Limited and Controlled Entities

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7(a)	4,114,062	7,504,730
Trade and other receivables	10	386,578	1,313,959
Other current assets	11	138,163	124,014
Financial assets at fair value through profit or loss	12	7,093,018	5,366,494
Current tax assets		74,994	-
Total Current Assets		11,806,815	14,309,197
Non-Current Assets			
Investments accounted for using the equity method	13	8,752,418	8,977,530
Property, plant and equipment	15	90,360	146,143
Deferred tax assets	16	722,147	798,910
Intangible assets	17	6,974,185	7,447,408
Total Non-Current Assets		16,539,110	17,369,991
Total Assets		28,345,925	31,679,188
LIABILITIES			
Current Liabilities			
Trade and other payables	18	1,244,171	1,949,417
Unearned revenue		1,028,900	1,508,912
Current tax liabilities		-	551,336
Provisions	19	209,556	235,433
Total Current Liabilities		2,482,627	4,245,098
Non-Current Liabilities			
Deferred tax liabilities	20	2,343,886	2,476,288
Total Non-Current Liabilities		2,343,886	2,476,288
Total Liabilities		4,826,513	6,721,386
Net Assets		23,519,412	24,957,802
EQUITY			
Issued Capital	21	21,860,316	21,377,217
Reserves	22(a)	234,318	207,847
Retained earnings	22(b)	1,424,778	3,372,738
Total Equity		23,519,412	24,957,802

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 2016

Clime Investment Management Limited and Controlled Entities

Consolidated		Issued capital	Share- based payments reserve	Other Reserves	Retained earnings	Total
	Notes	\$	\$	\$	\$	\$
Balance as at 1 July 2014		20,701,542	175,166	-	3,086,777	23,963,485
Profit for the year		-	-	-	3,228,651	3,288,651
Other comprehensive income for the year net of tax		-	-	84,042	-	84,042
Total comprehensive income) for the year net of tax		-	-	84,042	3,228,651	3,372,693
Transactions with equity holders in their capacity as equity holders:						
- Recognition of share-based Payments	25(b)	-	73,939	-	-	73,939
- Transfer of loan repayment to issued capital on completion of EIS loan term	21(b)	550,375	-	-	-	550,375
- Transfer from share-based payments reserve to issued capital on completion of EIS loan term	21(b)	125,300	(125,300)	-	-	-
- Dividends paid or provided for	9(a)	-	-	-	(3,002,690)	(3,002,690)
Balance as at 30 June 2015		21,377,217	123,805	84,042	3,372,738	24,957,802
Profit for the year		-	-	-	1,065,330	1,065,330
Other comprehensive income for the year net of tax		-	-	58,464	-	58,464
Total comprehensive income for the year net of tax		-	-	58,464	1,065,330	1,123,794
Transactions with equity holders in their capacity as equity holders:						
- On-market buy-back including transaction costs	21(b)	(112,101)	-	-	-	(112,101)
- Recognition of share-based Payments	25(b)	-	64,007	-	-	64,007
- Transfer of loan repayment to issued capital on completion of EIS loan term	21(b)	499,200	-	-	-	499,200
- Transfer from share-based payments reserve to issued capital on completion of EIS loan term	21(b)	96,000	(96,000)	-	-	-
- Dividends provided for or paid	9(a)	-	-	-	(3,013,290)	(3,013,290)
Balance as at 30 June 2016		21,860,316	91,812	142,506	1,424,778	23,519,412

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

	Notes	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees received in the course of operations		10,091,432	9,127,403
Expense payments in the course of operations		(8,352,340)	(7,291,510)
Dividends received from associate		1,003,396	943,241
Other dividends received		304,876	291,031
Interest received		118,923	127,335
Income taxes paid		(976,824)	(603,246)
		<u>2,189,463</u>	<u>2,594,254</u>
Proceeds from disposal of financial assets at fair value through profit or loss		228,811	2,186,411
Payments for financial assets at fair value through profit or loss		(2,672,753)	(427,204)
		<u>(2,443,942)</u>	<u>1,759,207</u>
Net cash (used in) / provided by operating activities	7(b)	<u>(254,479)</u>	<u>4,353,461</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,999	1,004,872
Acquisition of subsidiaries net of cash acquired		-	328,564
Payments for property, plant and equipment		(12,797)	(64,101)
Net cash (used in) / provided by investing activities		<u>(10,798)</u>	<u>1,269,335</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares bought back (including transaction costs)		(112,101)	-
Dividends paid to company's shareholders		(3,013,290)	(3,002,690)
Net cash used in financing activities		<u>(3,125,391)</u>	<u>(3,002,690)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(3,390,668)</u>	<u>2,620,106</u>
Cash and cash equivalents at beginning of the year		<u>7,504,730</u>	<u>4,884,624</u>
Cash and cash equivalents at end of the year	7(a)	<u>4,114,062</u>	<u>7,504,730</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 2016

Clime Investment Management Limited and Controlled Entities

NOTE 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 26.

The financial statements of Clime Investment Management Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 29 August 2016 and covers the consolidated entity consisting of Clime Investment Management Limited and its subsidiaries as required by the *Corporations Act 2001*.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Group comply with International Financial Reporting Standards ('IFRS').

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

The consolidated financial statements have been prepared on the basis of 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 at the end of each reporting period and certain classes of property, plant and equipment.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

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

Critical accounting estimates

The preparation of financial statements in conformity with 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 3.

(b) Principles of consolidation

(i) *Subsidiaries*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

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

(b) Principles of consolidation (continued)

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)).

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

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

(ii) *Associates*

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

The Group's share of its associates' post-acquisition profits or losses is recognised in 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.

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

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

(ii) *Services income*

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

(iii) *Investment education and software*

The Group operates and distributes the online, web-based equity valuation tool, Stocks In Value. Client subscriptions comprise both online access to the valuation tool as well as access to member training and education services over the period of subscription. Revenue received in respect of client subscriptions is recognised on an accrual basis and amortised over the period of the subscription.

(iv) *Interest income*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

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

(f) Business combinations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

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

(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).

(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, if any, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

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

(j) Investments and other financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

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

(l) Property, plant and equipment

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

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

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

- Plant and equipment	3-20 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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

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

(m) Intangible assets

(i) *Goodwill*

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

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

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

(ii) *Intangible assets acquired separately*

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

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

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

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

(iv) *Investment Management contracts and relationships*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

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

(m) Intangible assets (continued)

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

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

(n) Trade and other payables

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

(o) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled wholly within 12 months of the reporting date are recognised in 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 the reporting date.

(ii) *Bonus plans*

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

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

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

(iii) *Superannuation*

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

(iv) *Employee benefit on-costs*

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

(v) *Share-based payments*

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

Employee Incentive Scheme (EIS)

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

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

As such, the underlying instruments, consisting of the outstanding employee loans and the issued fully paid ordinary shares, are not recognised in the financial statements. Instead, the fair value of the 'in-substance options' granted is recognised as an employee benefit expense with a corresponding increase in the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

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

(o) Employee benefits (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

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

(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 for application in future periods

The AASB has issued certain new and amended Accounting Standards and Interpretations that are not mandatory for 30 June 2016 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 and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks.

The consolidated entity will adopt this standard and the amendments from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

(ii) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset.

The adoption of these amendments from 1 January 2016 will not have a material impact on the consolidated entity.

(iii) AASB 15 Revenue from Contracts with Customers

This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

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

(u) New accounting standards and interpretations for application in future periods (continued)

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

(iv) AASB 16 'Leases'

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

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

AASB 16 applies to annual periods beginning on or after 1 January 2019. The directors anticipate that the adoption of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group performs a details review.

(v) AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101'

The amendments to AASB 101 give some guidance on how to apply the concept of materiality in practice. The amendments apply to annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to AASB 101 will have a material impact on the Group's consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Critical accounting estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

4. FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

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

(i) Other price risk

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

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

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

Price Risk Sensitivity Analysis

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

	30 June 2016		30 June 2015	
	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)	\$1,125,097	(\$1,125,097)	\$1,098,208	(\$1,098,208)

The Group's sensitivity to equity prices has not changed significantly from the prior year.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

4. FINANCIAL RISK MANAGEMENT (CONT.)

(a) Market risk (Continued)

Interest Rate Risk Sensitivity Analysis

The table below summarises the pre-tax impact on the Group's profits due to both a decrease and increase in interest rates by 100 basis points (one percentage point) at the end of the reporting period. The analysis is based on the assumption that the change is based on the weighted average rate of interest on cash at bank and cash on deposit for the year (2.20% weighted average interest rate in 2016 and 2.25% weighted average interest rate in 2015).

	30 June 2016		30 June 2015	
	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)	\$54,135	(\$54,135)	\$56,669	(\$56,669)

(b) Credit risk

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

(i) Cash and cash equivalents

The maximum credit risk of the Group in relation to cash and cash equivalents is the carrying amount and any accrued unpaid interest. The average weighted maturity of the cash portfolio at any given time is no greater than 90 days. The credit quality of material deposits of cash and cash equivalents can be assessed by reference to external credit ratings.

	2016 \$	2015 \$
Cash at bank and short-term bank deposits		
A-1+	1,993,194	5,436,541
A-1	2,120,868	2,068,189

(ii) Trade and sundry receivables

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

(c) Liquidity risk

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

(i) Maturities of financial 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. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Maturity analysis – Group 2016	Carrying amount	Contractual cash flows	Less than 6 months	6 – 12 months	1-3 years
	\$	\$	\$	\$	\$
Financial liabilities					
Trade and other payables	1,000,442	1,000,442	1,000,442	-	-
Total financial liabilities	1,000,442	1,000,442	1,000,442	-	-
Financial assets					
Trade and other receivables – current	386,578	386,578	386,578	-	-
Total financial assets	386,578	386,578	386,578	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

4. FINANCIAL RISK MANAGEMENT (CONT.)

(c) Liquidity risk (Continued)

Maturity analysis – Group 2015

	Carrying amount	Contractual cash flows	Less than 6 months	6 – 12 months	1-3 years
	\$	\$	\$	\$	\$
Financial liabilities					
Trade and other payables	1,604,896	1,604,896	1,604,896	-	-
Total financial liabilities	1,604,896	1,604,896	1,604,896	-	-
Financial assets					
Trade and other receivables – current	1,313,959	1,313,959	1,313,959	-	-
Total financial assets	1,313,959	1,313,959	1,313,959	-	-

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 consolidated statement of financial position

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

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

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

At 30 June 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
- Listed equities	4,581,236	-	-	4,581,236
- Listed preference shares	3,191	-	-	3,191
- Unlisted funds	-	2,508,591	-	2,508,591
	4,584,427	2,508,591	-	7,093,018

At 30 June 2015

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
- Listed equities and funds	5,241,090	-	-	5,241,090
- Listed preference shares	117,200	-	-	117,200
- Listed options	8,204	-	-	8,204
	5,366,494	-	-	5,366,494

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

4. FINANCIAL RISK MANAGEMENT (CONT.)

(d) Fair value risk (Continued)

(ii) 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 Net Asset Value (NAV) of these funds may be used as an input into measure their fair value. In measuring this fair value, consideration is also paid to any transactions in the shares of the fund. 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 NAV 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.

	2016 \$	2015 \$
5. REVENUE		
Management fees and commissions	7,440,834	7,829,091
Performance fees	2,401	831,587
Consulting fees	-	206,000
Director fees	75,000	70,000
Dividends received	304,876	211,555
Interest received	118,923	127,335
Investment software and education	1,147,913	160,405
Other income	24,283	217,766
Total revenue	9,114,230	9,653,739

See note 26(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)	4,089,980	3,998,389
Defined contribution superannuation expense	281,706	257,766
Share-based payment expense recognised	64,007	73,939
Rental expense relating to operating leases		
Minimum lease payments	205,799	144,110
Depreciation of plant and equipment	67,408	67,248
Amortisation of investment management contracts	260,348	305,348
Amortisation of software licences, customer relationships and customer lists	212,875	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

7. STATEMENTS OF CASH FLOWS	2016	2015
	\$	\$

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	4,114,062	7,504,730
	4,114,062	7,504,730

Cash at bank is interest bearing. Cash at bank and deposits at call bear floating interest rates between 1.9 and 2.3% (2015: 1.9 and 2.4%).

Cash and bank balances above includes deposits of \$256,700 (2015: 256,591) that has been pledged as security for the currently occupied office space in Sydney.

b) Reconciliation of profit for the year to net cash flows from operating activities:

Profit for the year	1,065,330	3,288,651
Depreciation and amortisation	540,631	372,596
(Gain)/loss on disposal of Property, plant and equipment	(826)	5,127
Non-cash employee benefits expense	64,007	73,939
Share of (profit) of associate and joint venture	(694,764)	(1,923,879)
Dividends received from associate	1,003,396	943,241
Change in operating assets and liabilities		
Trade and sundry debtors and other assets	913,231	(873,489)
Financial assets at fair value through profit or loss	(1,726,524)	2,073,593
Trade and sundry creditors	(686,059)	22,236
Current tax liability	(626,330)	315,176
Deferred tax assets and liabilities	(80,694)	19,767
Provisions and other non-current operating liabilities	(25,877)	36,503
Net cash (used in) /provided by operating activities	(254,479)	4,353,461

8. INCOME TAX EXPENSE

(a) Income tax expenses

Current tax expense	359,495	918,421
Deferred tax expense	(89,695)	19,768
	269,800	938,189

Deferred income tax expense included in income tax expense comprises:

Decrease / (increase) in deferred tax assets (note 16)	67,763	(17,748)
(Decrease) / increase in deferred tax liabilities (note 20)	(157,458)	37,516
	(89,695)	19,768

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax expense	1,335,130	4,226,840
Tax at the Australian tax rate of 30% (2015: 30%)	400,539	1,268,052
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Amortisation of intangibles	128,213	91,604
EIS expense	19,202	22,182
Dividends received	(424,893)	(475,152)
Sundry items	3,590	2,965
	126,651	909,651
Under provision of prior year tax	143,149	28,538
Income tax expense	269,800	938,189

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

9. DIVIDENDS	2016	2015
	\$	\$
(a) Dividends provided for or paid during the year		
Final dividend in respect of the previous financial year – 3 cents per share fully franked (2015: 3 cents per share fully franked)	1,507,345	1,501,345
Interim dividend in respect of the current financial year – 3 cents per share fully franked (2015: 3 cents per share fully franked)	1,505,945	1,501,345
	3,013,290	3,002,690
Fully franked portion	3,013,290	3,002,690
(b) Dividends not recognised at year end		
Proposed fully franked dividend – 3 cents per share (2015: 3 cents)	1,511,883	1,501,345
(c) Franking account balance		
Amount of franking credits available for subsequent financial years are:		
Franking account balance brought forward	2,998	20,135
Franking credits arising from income tax paid	996,624	590,944
Franking credits from dividends received from other corporations	606,989	678,786
Franking debits from payment of dividends	(1,291,410)	(1,286,867)
Balance of franking account at year end adjusted	315,201	2,998
Impact on franking account of proposed dividend not recognised at year end	647,950	643,434

10. TRADE AND OTHER RECEIVABLES - CURRENT

Trade receivables (note a)	300,212	1,246,316
Other receivables	86,366	67,643
	386,578	1,313,959

- (a) Trade receivables are non-interest bearing and are generally subject to 30 day terms.
- (b) The Group did not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.
- (c) 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.

- (d) Fair value

The carrying amounts of trade and other receivables are considered to represent a reasonable approximation of their fair values.

11. OTHER CURRENT ASSETS

Prepayments	138,163	124,014
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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	4,584,427	5,366,494
Investment in unlisted, unregistered managed investment scheme	2,508,591	-
	7,093,018	5,366,494

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	2016	2015
	\$	\$
Investment in associate	<u>8,752,418</u>	<u>8,977,530</u>

(a) Carrying amounts

Information relating to associate is set out below.

				Carrying amounts	
Name of Companies	Principal Activity	2016 %	2015 %	2016 \$	2015 \$
<i>Unlisted</i>					
JASCO Holdings Ltd	Importing and distribution				
(Associate) (i)		21.75	21.75	8,752,418	8,977,530
The above associate is incorporated in Australia					

(i) Jasco Holdings Limited

At 30 June 2016

As at 30 June 2016, the Group has accounted for 21.75% (2015: 21.75%) investment in Jasco as an investment in associate, at a carrying value of \$8,752,418 (2015: \$8,977,530).

	2016	2015
	\$	\$
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	8,977,530	7,876,831
Share of profit after income tax	694,764	1,923,879
Share of increase in reserves	83,520	120,061
Dividends received/receivable	(1,129,109)	(1,295,543)
Dividends reinvested	125,713	352,302
Carrying amount at the end of the financial year	<u>8,752,418</u>	<u>8,977,530</u>

Associates

Net profit of Associate before income tax	953,154	1,002,240
Income tax (expenses) / benefit	<u>(258,390)</u>	<u>921,639</u>
Profit after income tax	<u>694,764</u>	<u>1,923,879</u>

(c) Reconciliation to share of net profits of associate accounted using the equity method

Share of net profit of Associate	<u>694,764</u>	<u>1,923,879</u>
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(d) Summarised financial information of associate

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

	Group's share of:			
	Assets \$	Liabilities \$	Revenues \$	Profit after tax \$
2016				
Jasco Holdings Limited	<u>12,844,245</u>	<u>4,091,828</u>	<u>10,358,003</u>	<u>694,764</u>
2015				
Jasco Holdings Limited	<u>12,594,120</u>	<u>3,616,590</u>	<u>8,886,180</u>	<u>1,923,879</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

14. INVESTMENTS IN SUBSIDIARIES

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

Name of entity	Country of incorporation	Class of shares	Equity holding*	
			2016 %	2015 %
Clime Asset Management Pty Ltd	Australia	Fully Paid Ordinary	100	100
Clime Investors Education Pty Ltd	Australia	Fully Paid Ordinary	100	100
Stocks In Value Pty Ltd	Australia	Fully Paid Ordinary	100	100

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

	2016 \$	2015 \$
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15. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment - at cost	428,756	418,070
Accumulated depreciation and impairment	(338,396)	(271,927)
Written down value of property, plant and equipment	90,360	146,143

Reconciliation

Plant and equipment

Carrying value at beginning	146,143	144,350
Additions during the year	12,798	64,100
Acquisition through business combination	-	4,941
Disposals during the year	(2,112)	(4,028)
Depreciation charge for the year	(67,408)	(67,248)
Depreciation on disposals	939	4,028
Carrying amount at end	90,360	146,143

16. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

Employee benefits	62,867	70,630
Accrued expenses	22,199	22,294
Financial assets at fair value through profit or loss	136,065	-
Acquisition of subsidiary	-	11,581
Available for sale and equity accounted investments	-	135,000
Realised tax losses carried forward – capital	501,016	559,405

Deferred tax assets	722,147	798,910
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Movements:

Opening balance at 1 July	789,910	769,581
Acquisition of subsidiary	-	11,581
Credited/(charged) to profit or loss (note 8)	(67,763)	17,748
Closing balance at 30 June	722,147	798,910

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

	2016 \$	2015 \$
17. INTANGIBLE ASSETS		
Goodwill at cost	3,351,564	3,351,564
Investment management contracts and relationships:		
At cost	4,790,000	4,790,000
Accumulated amortisation	(2,180,826)	(1,920,478)
	2,609,174	2,869,522
Software licences:		
At cost	576,300	576,300
Accumulated amortisation	(61,845)	-
	514,455	576,300
Customer relationship and customer list:		
At cost	650,022	650,022
Accumulated amortisation	(151,030)	-
	498,992	650,022
Closing balance at 30 June	6,974,185	7,447,408

(a) Reconciliations

	Goodwill \$	Investment management contracts and relationships \$	Software licences \$	Customer relationships and customer lists \$	Total \$
2016 – Consolidated					
Carrying amount at beginning of year	3,351,564	2,869,521	576,300	650,023	7,447,408
Acquisitions through business combination	-	-	-	-	-
Amortisation expense ¹	-	(260,348)	(61,845)	(151,030)	(473,223)
Carrying amount at end of year	3,351,564	2,609,173	514,455	498,993	6,974,185
2015 – Consolidated					
Carrying amount at beginning of year	3,026,564	3,174,869	-	-	6,201,433
Acquisitions through business combination	325,000	-	576,300	650,023	1,551,323
Amortisation expense ¹	-	(305,348)	-	-	(305,348)
Carrying amount at end of year	3,351,564	2,869,521	576,300	650,023	7,447,408

¹Amortisation of \$473,223 (2015: \$305,348) is included in the consolidated statement of profit or loss and other comprehensive income

(b) Impairment testing of goodwill

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

Cash-generating unit

	Funds Management \$	Investment Software and Education \$	Total \$
2016 - Consolidated			
Balance at the beginning of the year	3,026,564	325,000	3,351,564
Movements during the year	-	-	-
Balance at end of year	3,026,564	325,000	3,351,564
2015 - Consolidated			
Balance at the beginning of the year	3,026,564	-	3,026,564
Amounts recognised from business combinations occurring during the year (note 27)	-	325,000	325,000
Balance at end of year	3,026,564	325,000	3,351,564

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

	2016 \$	2015 \$
18. TRADE AND OTHER PAYABLES		
Unsecured:		
Trade payables	435,859	494,433
Accruals	548,557	1,102,716
Other payables	259,755	352,268
	<u>1,244,171</u>	<u>1,949,417</u>

19. PROVISIONS

Employee benefits	<u>209,556</u>	<u>235,433</u>
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The provision for employee benefits represents annual leave and vested long service leave entitlements accrued.

20. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Available for sale and equity accounted investments	2,264,063	2,369,310
Sundry items	<u>79,823</u>	<u>106,978</u>
Deferred tax liabilities	<u>2,343,886</u>	<u>2,476,288</u>

Movements:

Opening balance at 1 July	2,476,288	2,402,753
Charged to the profit or loss (note 8)	(157,458)	37,516
Charged / (debited) directly to equity (note 22)	25,056	36,018
Closing balance at 30 June	<u>2,343,886</u>	<u>2,476,288</u>

21. ISSUED CAPITAL

		Parent Entity 2016 Shares	2015 Shares	Parent Entity 2016 \$	2015 \$
	Notes				
(a) Share capital					
Ordinary shares					
Fully paid	(b),(d)	49,021,093	48,344,834	21,860,316	21,377,217

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

Dates	Details	Notes	Number of shares	\$
30 June 2014	Balance		46,944,834	20,701,542
Various	Transfer of loan repayment to issued capital on completion of EIS loan term		1,400,000	550,375
Various	Transfer from share-based payments reserve to issued capital on completion of EIS loan term		-	125,300
30 June 2015	Balance		48,344,834	21,377,217
Various	Transfer of loan repayment to issued capital on completion of EIS loan term		850,000	499,200
Various	Transfer from share-based payments reserve to issued capital on completion of EIS loan term		-	96,000
July 2015 to June 2016	Shares bought back on-market and cancelled	(d)	(173,741)	(111,961)
July 2015 to June 2016	Transaction costs arising from on-market buy-back			(140)
30 June 2016	Balance		49,021,093	21,860,316

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

21. ISSUED CAPITAL (CONT.)

(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

2016

During the financial year ended 30 June 2016, Clime Investment Management Limited, in accordance with its on-market share buy-back scheme, bought back 173,741 shares. The number of shares bought back and cancelled was within the '10/12 limit' imposed by s257B of the *Corporations Act 2001*, and as such, shareholder approval was not required. The shares were acquired at an average price of 64.52 cents per share. The total cost of \$112,101, including \$140 of transaction costs, was deducted from contributed equity. The shares bought back in the current year were cancelled immediately.

2015

During the financial year ended 30 June 2015, Clime Investment Management Limited did not buy-back any shares in accordance with its on-market buy-back scheme.

(e) Employee Incentive Scheme ("EIS")

As at 30 June 2016, there are 1,050,000 (2015: 1,700,000) EIS 'in-substance' options on issue. Share options granted under the Company's employee incentive scheme carry no rights to dividends and no voting rights. Refer to note 25(a) for a schedule of the movements in EIS options on issue during the year.

(f) Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders, to maintain an optimal capital structure and to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares from time to time or buy back its own shares.

The Group's strategy is unchanged from 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

	2016 \$	2015 \$
22. RESERVES AND RETAINED PROFITS		
(a) Reserves		
Share-based payments reserve	91,812	123,805
Other reserves	142,506	84,042
	234,318	207,847

Movements:

<i>Share-based payments reserve</i>		
Balance 1 July	123,805	175,166
Share-based payment expense recognised	64,007	73,939
Transfer to issued capital on completion of EIS loan term	(96,000)	(125,300)
Balance 30 June	91,812	123,805
<i>Other reserves</i>		
Balance 1 July	84,042	-
Movements during the year	83,520	120,060
Deferred tax liability	(25,056)	(36,018)
Balance 30 June	142,506	84,042

(b) Retained earnings

Movements in retained profits were as follows:

Balance 1 July	3,372,738	3,086,777
Net profit for the year	1,065,330	3,288,651
Dividends (note 9)	(3,013,290)	(3,002,690)
Balance 30 June	1,424,778	3,372,738

(c) Nature and purpose of reserves

Share-based payments reserve

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

Other reserves

Group's share of various reserves from equity accounted associate, including foreign currency translation reserves.

23. 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		
- Pitcher Partners / Moore Stephens Sydney	77,207	67,920
Taxation matters		
- Pitcher Partners / Moore Stephens Sydney	19,610	18,425
	96,817	86,345

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

24. EARNINGS PER SHARE

	2016 Cents	2015 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group	<u>2.2</u>	<u>6.9</u>
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Group	<u>2.1</u>	<u>6.6</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>\$1,065,330</u>	<u>\$3,288,650</u>
Profit attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share	<u>\$1,065,330</u>	<u>\$3,288,650</u>
(d) Weighted average number of shares used as the denominator		
	2016 Number	2015 Number
Weighted average number of ordinary shares used in calculation of basic earnings per share	<u>49,122,496</u>	<u>47,885,176</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>50,172,496</u>	<u>49,585,176</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>49,122,496</u>	<u>47,885,176</u>
Shares deemed to be issued for no consideration in respect of		
- Employee incentive scheme	<u>1,050,000</u>	<u>1,700,000</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>50,172,496</u>	<u>49,585,176</u>

(f) Options issued under Employee Incentive Scheme

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

25. SHARE-BASED PAYMENTS

(a) Employee Incentive Scheme (EIS)

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

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

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

During the current financial year none of the directors or key management personnel participated in the Employee Incentive Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

25. SHARE-BASED PAYMENTS (CONT.)

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

2016

Grant Date	Vesting 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
19 April 2012	19 April 2015	\$0.420	250,000	-	(250,000)	-	-	-
15 December 2012	15 December 2015	\$0.500	200,000	-	(200,000)	-	-	-
21 February 2012	21 February 2016	\$0.660	200,000	-	(200,000)	-	-	-
22 August 2013	22 August 2016	\$0.800	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	-	-	(75,000)	300,000	-
19 August 2014	19 August 2017	\$0.850	300,000	-	-	(100,000)	200,000	-
25 February 2015	25 February 2018	\$0.750	75,000	-	-	-	75,000	-
11 September 2015	11 September 2018	\$0.700	-	200,000	-	175,000	375,000	-
Total			1,700,000	200,000	(850,000)	-	1,050,000	-
Weighted average exercise price			\$0.779					

2015

Grant Date	Vesting 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	\$0.380	450,000	-	(450,000)	-	-	-
9 August 2011	8 August 2014	\$0.380	350,000	-	(350,000)	-	-	-
3 January 2012	3 January 2015	\$0.370	100,000	-	(100,000)	-	-	-
16 April 2012	16 April 2015	\$0.395	300,000	-	(300,000)	-	-	-
19 April 2012	19 April 2015	\$0.420	325,000	-	(75,000)	-	250,000	250,000
4 December 2012	4 December 2015	\$0.480	200,000	-	(125,000)	(75,000)	-	-
15 December 2012	15 December 2015	\$0.500	200,000	-	-	-	200,000	-
21 February 2012	21 February 2016	\$0.660	200,000	-	-	-	200,000	-
22 August 2013	22 August 2016	\$0.800	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	-
19 August 2014	19 August 2017	\$0.850	-	300,000	-	-	300,000	-
25 February 2015	25 February 2018	\$0.750	-	-	-	75,000	75,000	-
Total			2,800,000	300,000	(1,400,000)	-	1,700,000	250,000
Weighted average exercise price			\$0.756					

The weighted average contractual life of in-substance options outstanding at the end of the period was 1.17 years (2015 – 1.41 years).

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

The model inputs for in-substance options granted during the year ended 30 June 2016 included:

- in-substance options are granted via an interest-free, non-recourse loan and vest based on the terms discussed above. In-substance options become unconditional on the date of their vesting following the repayment of the outstanding loan balance;
- exercise price: The forecast outstanding loan principal at the expiration of the loan term is equivalent to the exercise price variable in a standard option valuation. The forecast outstanding loan principal is \$0.78 per share (for in-substance options issued with a three year term);
- vesting date: 3 years from the grant date;
- expected price volatility of the Company's shares: between 30% and 35%;
- risk-free interest rate: 2.75%; and
- discount rate: 14%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

25. SHARE-BASED PAYMENTS (CONT.)

The resulting fair values per in-substance option are:

Number of Options	Grant Date	Exercise price	Value per option at grant date	Vesting Date
100,000	22 August 2013	\$0.800	\$0.140	22 August 2016
300,000	25 October 2013	\$0.829	\$0.140	25 October 2016
200,000	19 August 2014	\$0.850	\$0.140	19 August 2017
75,000	25 February 2015	\$0.750	\$0.134	25 February 2018
375,000	11 September 2015	\$0.700	\$0.121	11 September 2018

(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:

	2016 \$	2015 \$
Option expense - Employee Incentive Scheme	64,007	73,939
	<u>64,007</u>	<u>73,939</u>

26. SEGMENT INFORMATION

(a) Description of segments

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

- Funds management
- Investment software
- Direct investments

Funds Management

The Group's Funds Management 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 Pty Limited, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

26. SEGMENT INFORMATION (CONT.)

(b) Reportable Segments

	Funds Management \$	Investment Software \$	Direct Investments \$	Inter Segment / unallocated \$	Consolidated \$
2016					
Segment revenue					
Sales to external customers	7,443,517	1,147,913	-	99,000	8,690,430
Share of profits from investments in associate	-	-	694,764	-	694,764
Investment income	-	-	(293,517)	-	(293,517)
Total segment revenue	7,443,517	1,147,913	401,247	99,000	9,091,677
Net group result					
Net group result before tax	1,946,832	81,598	401,247	(1,094,547)	1,335,130
Income tax expense					(269,800)
Profit for the year					1,065,330
Depreciation and amortisation expense	311,756	106,660	-	122,215	540,631
2015					
Segment revenue					
Sales to external customers	9,050,444	160,405	-	104,000	9,314,849
Share of profits from investments in associate	-	-	1,923,879	-	1,923,879
Investment income	-	-	24,504	-	24,504
Total segment revenue	9,050,444	160,405	1,948,383	104,000	11,263,232
Net group result					
Net group result before tax	3,189,935	160,405	1,948,383	(1,071,883)	4,226,840
Income tax expense					(938,189)
Profit for the year					3,288,651
Depreciation and amortisation expense	359,146	-	-	13,450	372,596

(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 \$7.44 million (2015: \$9.05 million) (see 26 (b) above) are revenues of approximately \$1.7 million (2015: \$0.8 million) which arose from sales to the Group's largest customer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

27. ACQUISITION OF SUBSIDIARY

Stocks In Value is an online equity valuation and research tool. The tool provides self-directed investors with the same insights and conclusions on stocks that institutional investors benefit from, at a low cost as a subscription service.

During the previous financial year (as at 30 June 2015), the Group entered into an agreement to acquire the remaining 50% of Stocks In Value Pty Limited (Stocks In Value) from Eureka Report Pty Limited (Eureka). The 50:50 joint venture has been dissolved and is replaced by an agreement to provide each other with continuing support and service on a commercial basis. From 30 June 2015, the Group has consolidated 100% of Stocks In Value as a subsidiary, as it gained control on this date in accordance with AASB 10 *Consolidated Financial Statements*.

a. Consideration transferred

Under the terms of the agreement, the Group transferred \$1 to Eureka to acquire the remaining 50% interest.

Acquisition-related costs amounting to \$2,883 has been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the previous financial year.

b. Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Stocks In Value as at the date of acquisition were:

	2015 \$
Current assets	
Cash and cash equivalents	328,565
Trade and other receivables	87,042
Non-current assets	
Plant and equipment	4,941
Intangible assets	1,226,322
Deferred tax assets	11,581
Current liabilities	
Trade and other payables	(212,084)
Unearned revenue	(1,446,366)
Total identifiable net assets at fair value	<u>1</u>

c. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	2015 \$
Purchase consideration transferred	1
Pre-existing liabilities	325,000
Fair value of identifiable net assets assumed (as above)	(1)
Goodwill arising on acquisition	<u>325,000</u>

Goodwill of \$325,000 comprises the value of expected synergies, revenue growth, future market/product offering and the assembled workforce arising from the acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill recognised is expected to be deductible for income tax purposes.

d. Net cash inflow on acquisition

	2015 \$
Consideration paid in cash	(1)
Cash and cash equivalent balances acquired with the subsidiary	328,565
	<u>328,564</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Clime Investment Management Limited and Controlled Entities

28. SUBSEQUENT EVENTS

A final fully franked dividend for the year ended 30 June 2016 of 3 cents per share, totalling \$1,511,883 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.

29. CONTINGENT LIABILITIES, CONTINGENT ASSETS AND COMMITMENTS

The Group has no material contingent liabilities or contingent assets as at 30 June 2016 (2015: Nil).

COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments

The Group has no material capital expenditure commitments to acquire property, plant and equipment as at 30 June 2016 (2015: Nil)

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 commitments with respect to rent payable under the lease agreement are as follows.

	2016 \$	2015 \$
Not later than 1 year	230,595	175,190
Later than 1 year and not later than 5 years	400,252	585,105
Later than 5 years	-	-
	<u>630,847</u>	<u>760,295</u>