

Appendix 4E

Preliminary Final Report

Lodged with the ASX under Listing Rule 4.3A

Year Ended 30 June 2022

(Previous corresponding period - Year Ended 30 June 2021)

| | | | | |
|--|------|-------|----|--------------|
| Revenue from ordinary activities | down | (13%) | to | \$13,682,882 |
| Profit before tax | down | (93%) | to | \$213,973 |
| Profit after tax attributable to owners of the Company | down | (96%) | to | \$96,905 |

| Dividends paid per share - Fully Paid Ordinary Shares | Amount per security | Franked amount per security |
|---|---------------------|-----------------------------|
| Interim dividend - FY22 (paid on 7 April 2022) | 1.00 cent | 1.00 cent |
| Final dividend - FY22 Proposed | 0.40 cent | 0.40 cent |

Record date for determining entitlements to the final dividend is

29 September 2022

Explanation of Revenue from ordinary activities

Revenues for the period decreased to \$13.7 million (FY21: \$15.7 million).

No performance fees were received by CIW in FY22 (FY21: \$2.3 million).

The Group's Funds Under Management and Advice are as follows:

| | 30 June 2022 (millions) | 30 June 2021 (millions) |
|--|----------------------------|----------------------------|
| Gross Funds Under Management | 1,207 | 1,180 |
| Funds and Insurance premiums under Advice | 3,915 | 3,935 |
| Total Funds Under Management and Advice | 5,122 | 5,115 |

Explanation of Net Profit to members

The Group generated an after-tax profit of \$0.1 million for the year (FY21: \$2.3 million).

This result includes net realised and unrealised loss on financial assets held at fair value of \$0.9 million compared to a gain of \$1.1 million during FY21.

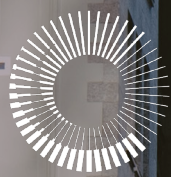
The profit from ordinary activities after tax also takes into account the Government support of \$Nil (FY21: 0.4 million).

Administrative expenses decreased to \$11.7 million, compared to \$12.9 million in FY21 as short-term incentives to staff were not payable as against payment of \$1.3 million in the previous year.

Please refer to the Annual Report for further information regarding Group's performance during the year.

Audit Status

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



clime

2022 Annual Report

Clime Investment Management Limited

INTEGRITY | TRANSPARENCY | CONVICTION | PROGRESS

Clime Investment Management Limited

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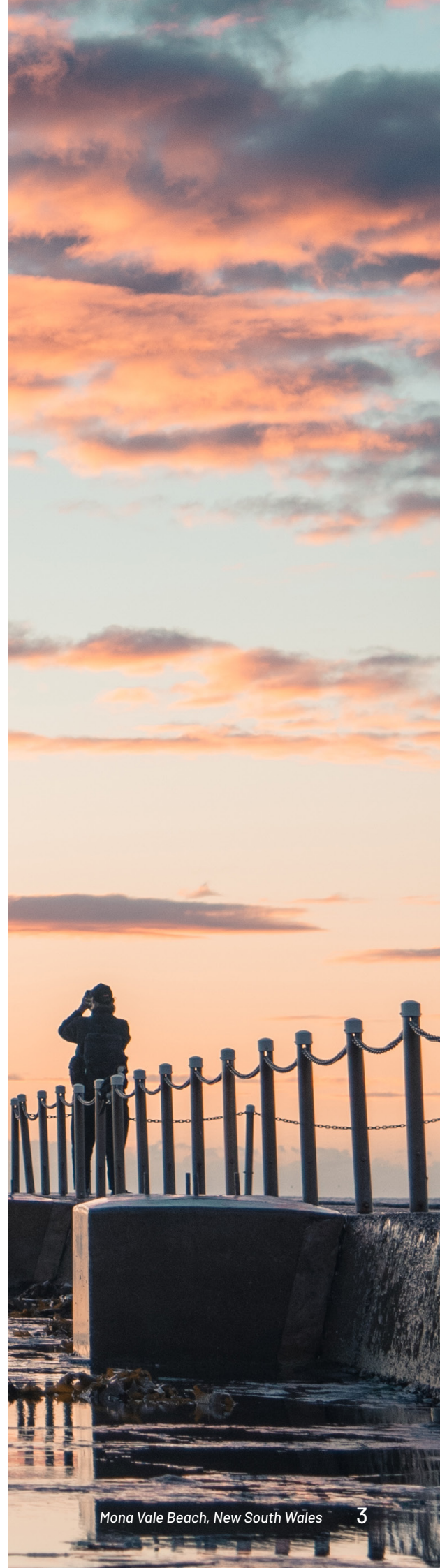
clime.com.au

**Photography by Harry Cordaiy
Associate Analyst**

Harry's images have been used
throughout the Annual Report.

Clime Investment Management Limited

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John Abernethy

Chairman's Report

Dear Fellow Shareholders,

The financial year ended 30 June 2022 (FY22) for Clime Investment Management Limited (CIW) became difficult as the year transpired.

The results reflect this, with reported Net Profit before Tax declining from a reported \$3.1 million (in FY21) to \$0.2 million in FY22.

However, the bare results do not reflect the significant positioning work undertaken by management to set CIW for strong growth in the coming years. I have outlined these initiatives later in this report, but to begin with I believe it is important to review the financial results in more detail and factor into the analysis the fact that the financial reporting of CIW is affected by several accounting movements. In particular, the sharp decline in equity prices in the June quarter dragged down reported profits that were otherwise tracking reasonably well prior to the markets decline.

To further illustrate this, a high level summary of the major movements and resulting reported numbers appears below:

1. In FY21 profit of approximately \$1.1 million was recorded as net realised and unrealised gains on financial assets at fair value through profit or loss. Marked to market movements from these investments in FY22 amounted to a loss of approximately \$0.875 million. This significant turnaround of \$1.9 million was to the detriment of reported earnings. The market movements reflected the share price change of our significant investment in Clime Capital Limited (CAM). As at 30 June 2022, the market value of investments in CAM was \$5.1 million;
2. Performance fees reported in FY21 were a very healthy \$2.3 million. In contrast, for FY22 no performance fees were received by CIW;
3. Dividend and income received (cash receipts) from investments rose from \$299,000 (FY21) to \$321,037 (FY22);
4. Non cash depreciation and amortisation charges declined slightly from \$1.1 million in FY21 to

\$1.0 million in FY22. These amounts represent non-cash expenses that adjust CIW's profits downwards each year;

5. Government COVID support payments of \$435,682 were recognised in FY21, whereas no payments were received in FY22.

With this in mind, it is appropriate to dive deeper into the reported numbers and to that end I offer the following analysis for shareholders' consideration:

- a. Net Profit Before Tax (NPBT) reported in FY22 was \$0.214 million (FY21 \$3.1 million);
- b. NPBT pre "non cash" depreciation and amortisation (NPBTA) in FY22 was \$1.3 million (FY21 \$4.2 million);
- c. NPBTA pre "mark to market" movements in FY22 was \$2.2 million (FY21 \$3.1 million); and
- d. Finally, by deducting Government assistance received, the results in FY22 were \$2.2 million, which can more accurately be compared to FY21 of approximately \$2.7 million (pre-Government assistance).

If shareholders track the above analysis, they can glean that the "quality" or the "recurrent" nature of reported FY22 earnings was in fact superior to that of FY21. The reported cash earnings in FY21 were substantially boosted by performance fees which occur in certain years in CIW results.

Reflecting on FY22 and looking forward

The positioning of CIW for growth was undertaken throughout FY22 in a period of asset market turmoil and the ongoing effects of COVID.

Market turmoil drove asset prices lower and affected CIW's revenue lines that are directly linked to asset prices. The market movements were particularly negative in the June quarter, with equity prices declining about 15% and with a substantial fall in the month of June. Government bond yields rose sharply, causing major bond indices across the world to fall by an extraordinary 10% in FY22.

COVID outbreaks continued during FY22, with major lockdowns only fully unwinding in the March quarter. The effect on CIW's private wealth business, and that of our licensed Madison advisers, was pronounced. The inability to meet in-person with clients can be a significant business inhibitor, but CIW (as a group) has weathered these storms.

Looking forward there are several significant initiatives that I am pleased to advise and review for shareholders:

- First, is the acquisition of MTIS Wealth Management Pty Ltd (MTIS), a highly regarded Melbourne based private wealth business. Before synergies, we expect that MTIS will add at least \$1 million to CIW's reported pre tax earnings in FY23. The synergies of this acquisition will develop over the next few years as we integrate MTIS into Clime's Melbourne operations. I am very pleased to welcome the highly regarded principals of MTIS – Pauline Hammer and Anna Garuccio – to the Clime Group. The combined private wealth businesses of Clime and MTIS, take our assets in this division towards \$900 million.
- Second, the creation of a well-managed and positioned Separately Managed Account (SMA) service was developed with the acquisition of 75% of Ralton Asset Management. Following a recent mandate win, our SMA business has pushed towards \$350 million in assets under management. CIW will move to own 100% of Ralton in the next financial year and we welcomed Will Riggall to the Clime Group as Chief Investment Officer.
- Thirdly, the Madison Financial Group grew its licensed adviser network during FY22 by approximately 10%. There are now 88 advisers in the network and we expect this to grow further throughout FY23 notwithstanding the financial adviser market itself that has declined markedly of late.
- Finally, I am pleased to report that the commercial arrangements have now been finalised with the fixed income manager Torica Capital Pty Ltd.

CIW is providing licensing, marketing and office support to Torica and we are looking forward to growing this arrangement over FY23.

In conclusion

I am confident that following a challenging year, and a particularly sharp downturn in the June quarter of FY22, CIW is well placed to produce a solid result in FY23 and beyond.

Whilst our financial reports are confronted by accounting standards of mark to market issues and large non-cash amortisation charges, I remain buoyed by the reality that the work undertaken of late has well positioned CIW for the future.

As we continue to follow our strategic product roadmap successfully, I am confident that the opportunities available to us are:

- Forging into SMA & MDA markets
- Building our Madison adviser network
- Driving deeper into Private Wealth
- Bolting on strategic acquisitions
- Relaunching our education marketing services through Clime Direct

I want to expressly thank the CIW Executive Team headed by our CEO Annick Donat, who achieved so much in FY22, despite pushing through a tough year for our business. I also acknowledge the hard work and diligence of our entire staff and their resilience in continuing to face the challenges affecting both global and local markets.

To our new Board members, I thank you for both your enthusiasm and diligence in meeting our challenges in FY22 and for your counsel with respect to the Group's growth plans for the years ahead.

Finally, to our shareholders, I remain grateful for your support in providing capital that has now funded the acquisition of MTIS and positioned our Group for growth in coming years.

Kind regards



John Abernethy



Annick Donat

CEO Report

Dear Fellow Shareholders,

It has been a year of rebuild and transformation for Clime Investment Management Limited (CIW). As our Chairman stated in his report, it became a difficult one as the year transpired. Therefore, our declared FY22 financial results do not accurately reflect the activity undertaken by the team, preparing our company for future growth in a continuing disruptive macro-economic landscape.

Our Chairman has provided you with a summary of our FY22 results compared to that of the prior financial year, both in actual and comparative terms. The marked to market movements in our investment in Clime Capital Limited had a significant impact to the reported financial results, as did the lack of performance fees generated from our investment funds. As a value investor, there are times where our style will be in favour, and times where it is not. The short term direction of the share market and our listed investment portfolio is not something that we can control.

Whatever the markets may be doing it will always be our mission to reassess our strategy, pivot where practical and make the necessary decisions to focus on core strengths which drive revenue and shareholder return. Rebuilding and transformation (change) is never easy, but it is necessary in disruptive times. History shows that in times of disruption, resilience depends on adaptability and decisiveness. We are well placed to take on the opportunities ahead.

In December 2021, we announced a joint venture with Ralton Asset Management led by Will Riggall. This provided access to a combined managed account portfolio of approximately \$350 million. Shortly thereafter, Will joined our investment team as CIO bringing in wholesale and retail investment expertise, and access to distribution channels which were complementary to our existing capability. The expansion of the managed account service resulted from increased adviser and client demand for professionally managed investment solutions which can be implemented efficiently and cost effectively. CIW's acquisition of Madison has provided a deeper

understanding of the needs of the advice community, enabling the company to maximise revenue accretive opportunities.

The growth of managed accounts has exponentially accelerated in a market faced with continual turmoil, regulatory burden, and rising costs. The growth rate is currently tracking at approximately 25% with FUM having almost doubled over the 3 years from June 2019 to December 2021 (\$71.4 billion to \$132 billion)¹. In the second half of FY22, we turned our attention towards consolidating our managed account opportunities within our existing channels and collaborating with industry partners and platforms to expand our distribution capability. Our history of supporting managed account solutions for retail and wholesale clients provides a solid base from which to scale, and I am pleased to report that we are well placed to capture a proportion of this growing market sector. In his CIO report, Will shares his reflections on the year past and insights for the year ahead.

Across our industry, adviser numbers are rapidly diminishing. In 2018, there were more than 28,000 advisers. Since this time, more than 10,000 have left the profession. Current attrition rate suggests that by 2026, adviser numbers will be circa 12,000. In contrast the demand for advice has increased, particularly since COVID, with 61% of Australians now saying they have unmet advice needs².

To capture this opportunity, we have heavily invested in Madison and Private Wealth, increasing the breadth of expertise through our employee appointments, and building technology infrastructure for future efficiency gains, dynamic risk management and scale. This type of rebuild takes time, and the benefits are not always instantaneous, but they are necessary in the ongoing economic trend of 'the great resignation', heightened cyber threats and an unwavering list of regulatory change within the financial services industry.

¹ Institute of Managed Account Professionals December 2021

² Adviser Ratings | Landscape Report 2021/22

In July we reported a 10% growth of adviser numbers within the Madison community. Through referral, we continue to attract high quality practices with experienced and emerging financial advisers. We remain committed to the advice profession and will continue to provide solutions and services to advisers which will enhance the financial wellbeing of their clients. You can read more about our advice businesses in the report from Jaime Johns, GM Madison and Private Wealth.

At the close of FY22, we were delighted to announce the acquisition of MTIS, a Private Wealth business based in Melbourne. Pauline Hammer and Anna Garuccio, Principals of MTIS have a long and respected history of serving their clients with high quality financial education and advice. Along with Pauline and Anna, we welcome five advisers who are early in their career and excited about their future with Clime. We have also gained two new investment professionals who will join our Investment team.

The outlook for FY23

I am very proud of the diversity across our Board, Executive and Employees. Our people span generations, cultures, gender, religious beliefs, experience, and expertise. These diverse cultural perspectives have inspired creativity, driving innovative changes across our teams. The breadth of knowledge and insight is informing our strategy and assisting with attracting the quality talent for our future.

The impact of COVID, the changing dynamic of workplaces and hybrid environments has presented challenges for companies and employees.

Significant financial investment and training has been made into mental wellbeing and building resilient mindsets. Our people have supported each other, respecting differences whilst adapting to a new way of working. My thanks to Kara Boden, our COO for keeping us committed to the program.

The FY22 focus on our people, process, and core expertise, sets the springboard for FY23 growth. We have a solid pipeline of new and existing business opportunities across our managed account and advice businesses, extracting synergies and leveraging our existing assets. We have also identified new complementary markets. Yet, we remain keenly vigilant to a rising interest rate and inflationary market, ready to adapt when needed.

To the members of my leadership team, Biju Vikraman, Jaime Johns, Kara Boden and Will Riggall, thank you for the support, dedication, and commitment to our vision for the future.

My thanks to John Abernethy, our Chairman whose wisdom, counsel and mentorship has been invaluable throughout the year. I would also like to acknowledge the support and guidance received from our directors, Ronni Chalmers, Claire Bibby, Dr. Michael Kollo and Susan Wynne. It is a pleasure to work alongside our Board members.

My final thanks go to our shareholders. You have been instrumental in our ability to make new acquisitions, set plans for growth and build a better business for our clients. I look forward to sharing our results at the Annual General Meeting to be held in the second quarter of FY23.

Sincerely,



Annick Donat

Below is a summary of the Group's performance from its operating businesses and investment incomes:

| | 2022 (\$) | 2021 (\$) |
|---|--------------------|--------------------|
| Funds management and related activities revenue | 10,327,961 | 9,253,263 |
| Performance fees revenue | - | 2,285,283 |
| Revenues from the Madison Entities | 2,793,090 | 3,591,472 |
| Investment software revenue | 221,914 | 301,957 |
| Gross income | 13,342,965 | 15,431,975 |
| Staff costs | (7,512,666) | (7,432,379) |
| Short-term incentives to staff | - | (1,290,045) |
| Total staff costs before redundancies | (7,512,666) | (8,722,424) |
| Depreciation of right-of-use assets | (429,444) | (429,444) |
| Finance costs on leases | (86,850) | (117,759) |
| Short term leases | (197,355) | (157,565) |
| Total occupancy costs | (713,649) | (704,768) |
| Other administrative expenses | (2,722,580) | (2,064,947) |
| Third party custody, management & funds administration costs | (798,377) | (852,370) |
| Selling and marketing expenses | (395,794) | (346,668) |
| Total other operating expenses | (3,916,751) | (3,263,985) |
| Operating profit | 1,199,899 | 2,740,798 |
| Direct investment income – dividends and interest | 339,917 | 317,558 |
| Realised and unrealised gains/(losses) | (875,228) | 1,100,971 |
| Income/(loss) generated by financial assets held at fair value | (535,311) | 1,418,529 |
| Redundancy costs | (50,656) | (249,915) |
| One-off – legal expenses defending employment matter | - | (283,028) |
| One-off – fund closure expenses | - | (206,209) |
| Share of loss from associate | (30,268) | - |
| Other non-recurring expenses | (30,838) | (45,726) |
| Government subsidy | - | 435,682 |
| Non-recurring income | 309,943 | - |
| Total non-recurring income and expenses | 198,181 | (349,196) |
| Profit before depreciation and amortisation | 862,769 | 3,810,131 |
| Depreciation of plant and equipment | (74,534) | (53,120) |
| Amortisation of intangibles | (574,262) | (647,757) |
| Total depreciation and amortisation | (648,796) | (700,877) |
| Statutory profit before income tax | 213,973 | 3,109,254 |
| Income tax expense | (115,483) | (831,679) |
| Statutory profit after income tax | 98,490 | 2,277,575 |

Statutory profit before taxes were \$0.2 million compared to \$3.1 million during the previous corresponding period (pcp).

Strong contributions from the operating businesses were largely offset by negative contributions from Group's direct investments. Funds and mandates not outperforming their respective benchmarks resulted in non-generation of performance fees during the current financial year.

Operating business

Operating profit for the year was \$1.2 million compared to \$2.7 million in pcp. Gross income excluding performance fees remained flat at \$13.1 million compared to \$13.3 million during the pcp. Madison entities contributed \$2.8 million to the Group revenue during the current year.

Tighter control over staff cost resulted in an operating profit of \$1.2 million compared to \$0.5 million (excluding performance fees) during the pcp.

Investment income

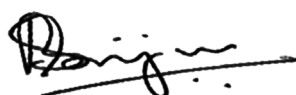
Investment income contributed to a net loss of \$0.5 million compared to a profit of \$1.4 million in pcp. Adverse market movements during the second half of the financial year resulted in net marked to market losses of \$0.8 million compared to profit of \$1.1 million during the pcp, which adversely impacted the reported profits.

Non-recurring income and expenses

Non-recurring income includes \$0.3 million related to post completion revenue adjustments of Madison entities that were finalised and claimed out of the escrow amount.

Depreciation and amortisation

Total depreciation and amortisation excluding depreciation on right of use assets remained flat at \$0.7 million as compared to pcp.



Biju Vikraman
Chief Financial Officer





Will Riggall

Investment Report

Investment markets made a material shift in 2022 with a long-held period of low inflation and interest rates finally coming to an end. A myriad of forces converged to drive the change, but none more so than the cyclical and structural effects of the COVID-19 period. 2021 saw all asset classes march higher and while this was the case for Australian equities in three of the four quarters of 2022, it was the bond market that foretold the changes to come.

The return of inflation brought on by supply chain tightness resulting from both the COVID-19 period and the Russia and Ukraine war met a fast-paced economic recovery driven by the rare combination of monetary and fiscal stimulus. In the last quarter of the 2021 calendar year investors and central bankers grappled with the conundrum of whether inflation was structural or cyclical.

Those that shifted their portfolios out of growth equities and bonds and into commodities and hard assets were rewarded. While in the last quarter of 2022, central bankers came to the realisation that inflation needed to be slowed, and with it interest rates began their rapid increase, raising the prospect of recession. The Australian equity market performed very strongly on the back of commodity strength and financials declined -5% over the financial year, a materially better performance than global benchmarks.

While we witnessed change outside of the business in the markets we invest in, there was also material change within Clime and more specifically in our investment team. With the 2021 year almost done I was honoured to be appointed as Clime's Chief Investment Officer, taking over a well-resourced investment team managing a broad range of strategies. My immediate focus was two pronged. Firstly, to ensure the assets we were investing on our

Investment markets made a material shift in 2022 with a long-held period of low inflation and interest rates finally coming to an end. ”

client's behalf were fit for the evolving environment and secondly, with transparency as one of our core beliefs, to engage with all stakeholders. The change underway in equity and debt markets was faster and more aggressive than expected and with liquidity withdrawing from the financial system we moved quickly to transition your portfolios to be better protected from inflation whilst also positioning them to benefit from the shifts underway. During the last six months we have made significant changes to portfolio positioning by focusing on underlying company's competitive position, organic growth opportunities and sustainability of returns. With this process complete we are well positioned to deliver strong absolute and relative returns.

This change brought great opportunity namely with the formation of a joint venture between Clime's managed account offerings and those of Ralton. Our (Clime) heritage in investing sets

us apart from peers, this along with the 2020 acquisition of Madison Financial Group, places us in a strong position for future growth. Our expertise, experience and approach mean we understand the needs of investors as we build investment solutions to support both the adviser and the clients' goals.

The recent Institute of Managed Account Professionals (IMAP) survey showed the managed account industry is growing close to 40%, accelerating from 30% growth in 2021. With the investment strength and the right products, we look to accelerate growth in funds under management in 2023. With continued strong outcomes achieved by the Ralton Australian equity managed account portfolios, Clime's Australian Income Fund in 2022 coupled with strategic alignments with groups including Torica Capital and Monash Investors, we look forward to delivering strong outcomes for clients and a stronger, more diverse funds management business.

Finally, I would like to thank the investment team for their conviction and commitment this year.

I am blessed to be leading such a talented and collaborative group. Furthermore, I wanted to show my appreciation to stakeholders including investment consultants, platforms, service providers but above all our investors in supporting our shared vision of growth.

I look forward to updating you in the 2023 Annual Report on our achievements and our ongoing commitment to strong returns with the core commitment to Clime's long held values of integrity, conviction, transparency and progress.



Will Riggall
Chief Investment Officer



Jaime Johns

Madison

Clime Advice Channels

Clime is passionate about adviser, investor, and client education. We believe in the value of advice and offer an integrated wealth management offering for self-directed, retail and wholesale clients. We have seen retail adviser numbers diminished through the FASEA adviser exam deadline. We support the need to work towards growing the adviser footprint long term.

We are focused on building advice practices that have a profitable and sustainable business model which provides more opportunities for clients to receive advice that is valuable to their circumstances.

Advice Channels

Clime Private Wealth – wholly owned private advisory practice which is authorised by Madison Financial Group. The Private Wealth team are employed by Clime and provide advice and portfolio solutions focused on protecting and growing wealth of sophisticated, high net worth individuals and entities.

Madison Financial Group – wholly owned Financial Planning Licensee who provides services to self-employed Financial Planning firms which consists of a strong governance framework, business and advice coaching, ongoing education development, and advice technology solutions, assisting advisers to deliver great advice and excellent client outcomes.

Year in Review 2022

Over the 2022 financial year, we saw adviser numbers across the industry begin to shift dramatically due to new education standards requiring advisers to pass the FASEA exam in December to continue to provide advice to their clients. This led many advisers to sell their practice and retire early. Additionally, many Licensees are also being sold to larger groups, driving advisers to seek new Licensees who fit their business needs and culture.

We supported the authorised representatives across our advice channels to pass the Financial Adviser exam and the succession planning transition for advice practices as they look to retire.

Madison currently has over \$3.9 billion funds under advice and \$52.7 million of in force Insurance premiums. We saw six advisers retire at year end FY22 with a total of eighty-three authorised representatives, compared to seventy-six authorised representatives in FY21. This was a 10% increase in authorised representatives. We have seen strong growth within advice firms growing both organically and via acquisition.

With increased education standards and the decrease in advisers across the industry, we are enthusiastic about supporting the next generation of advisers. Madison has supported five individuals through their Professional Year to become advisers in the future. The Professional Year is a training program all future Financial Advisers must undertake over a minimum of 12 months.

Madison has invested significant effort to embed a strong technology platform that allows compliance oversight of advice provided across the community whilst delivering efficiency and enhanced reporting for the advice practice and Madison.

We have seen two extraordinary years where there has been challenges around accessibility to advice through the pandemic lockdowns and floods across NSW and QLD. The investment into advice technology has been invaluable to advisers as they could continue to provide ongoing advice to clients when their goals changed, investment markets shifted or when portfolio changes were required. We see technology as a significant enabler to advice firms.

Our advice technology has seen the implementation of digital record keeping, key risk indicator dashboards, business and client diagnostics and an enhanced hybrid education portal. Madison also participated in the Financial Planning Association pilot and launch of advice being delivered through a digital Statement of Advice.

Clime's acquisition of Madison Financial Group provided Clime with an additional Australian Financial Services Licence. Madison's AFSL provides a wholesale and retail offer to their advisers, which allowed Clime to naturally transition the Clime

Private Wealth team into the Madison advice framework so they could leverage the services and support on offer for Clime advisers and their clients. Clime Private Wealth remains a wholly owned advice firm of Clime Investment Management Pty Ltd. Clime Private Wealth's offer has continued to evolve with more clients looking for strategic advice around their own financial circumstances. We have partnered with key professionals during this time to bring our clients more quality advice around specialist circumstance like taxation and aged care.

Clime continued to have a strong balance sheet throughout FY22, which enabled the business to identify and capitalise on two quality growth opportunities within Advice.

James Street Wealth – Already a growing advice practice within Madison based on the Gold Coast. The team specialise in wealth structuring, tax, investment solutions and retirement planning. Clime now holds 30% equity within this firm. This capital injection has been used to deliver on the businesses strategic growth strategy and increase client revenue.

MTIS Wealth Management – A boutique advisory firm based in Melbourne that offers a comprehensive suite of Financial Planning and Accounting services. With annual gross revenue of \$3 million between Financial Advice and Accounting and over \$380 million in FUA, the acquisition will bring valued revenue and advice growth to Clime and within the Private Wealth space. MTIS has ceased their own AFSL and have joined the Madison community from 1st July 2022.

Outlook 2023

Our focus is to continue providing advice practices with greater efficiency and capability and for our advice community, to provide clients greater value and accessibility to advice. There is a strong regulatory focus around cyber security and supervision and monitoring of advice.

We believe cyber resilience is essential to our community. We will work collaboratively and provide support and education to our advisers and their staff to ensure they have protected their data and remain resilient to cyber incidents.

We see advice in the future requiring leadership and change. As such, we will continue to add different advice delivery choices for advisers and their clients. We believe the current and future innovation around advice delivery supports timeliness and greater affordability, allowing more Australians to access financial advice.

We await the results of the Quality Advice Review which has been undertaken by the Treasury and hope the feedback provided in December will positively shape change for the simplification of advice delivery. Many advisers continue to express dissatisfaction with their current licensee, and their intentions to switch over the next 12 months. Through the consolidation of many licensee groups, advisers have shared they have felt like a number within the groups rather than a close collaborator within a tight knit community. Madison is well placed to provide a competitive offer delivered through our technology framework and experienced professionals which provide advice practices with a personalised service required for client experience.

AFSL Services

In FY23, we will look to extend our advice channels by adding a service model to our group strategy, focusing on services required when firms are self-licensed and do not have access to strong education, governance framework and community collaboration.



Jaime Johns

“We exist to create value for our clients.”

Sharing investing insights with our **529** Private Wealth clients



Active investing to manage risk & volatility



A tax effective way to end the financial year



Family Wealth Transfer



Investment management in uncertain times



Sourcing growth solutions



The outlook for FY23 with John Abernethy



Investing in the best emerging market companies



Investing in a low interest rate environment



Behavioural finance and asset allocation



Investing in a balanced and ethical way

128 attendees

Clime Capital Live Presentation - 20 May 2022

498 attendees

across Clime Investor Briefings



Research Ratings

Funds

Clime Australian Income Fund



Superior



Clime Smaller Companies Fund



Superior



Separately Managed Accounts (SMAs)

Ralton
Dividend Builder

Zenith

APPROVED

Ralton Concentrated
Australian Equity

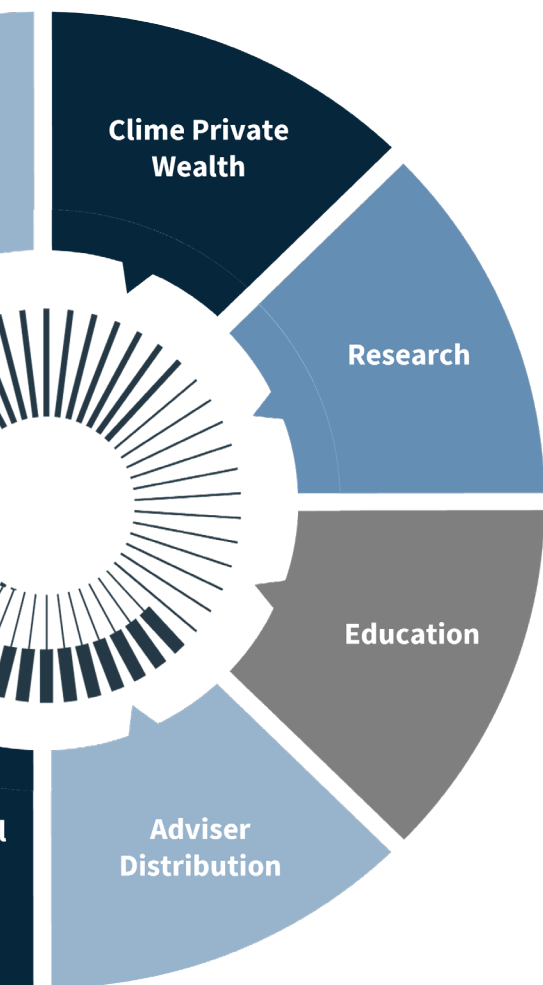
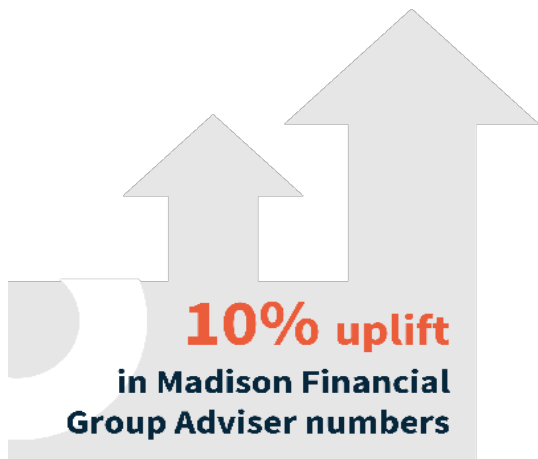
Zenith

APPROVED

Ralton
Ex50

Zenith

APPROVED



Strategic Growth Opportunities



\$4.1m

New capital raised for strategic growth opportunities



Joint Venture with Ralton AM Pty Ltd to create \$330m managed account service



Acquisition of MTIS which includes ~ \$380m FUM & ~\$3m gross annual revenue taking the Group's private wealth assets to in excess of \$800m Australia wide.



Strategic alliance to provide licensing and operating infrastructure services whilst increasing our fixed income & credit offerings to clients.

Madison Financial Group Educating our Adviser community



Professional Development Days

Melbourne, Sydney, Brisbane, Adelaide

191 attendees

Rating ★★★★★



Good Governance Summit 2022

Melbourne, Sydney, Brisbane, Adelaide

209 attendees

Rating ★★★★★

Investment Specialist Forum May 2022

Sydney

62 attendees

Rating ★★★★★



Design & Distribution Webinars

APRA Sustainability Webinar

Ethical Investing

Advice & Governance Webinar





Clime in the community

The Emerge Foundation

During both World Wars, Timor-Leste fought alongside Australian troops and since then our countries have a long history of kinship and support for one another. The Emerge Foundation builds on this relationship and creates incredible opportunities for the people of Timor-Leste through their 3 programs - Teaching Scholarship, Barefoot Nursing and Youth in Sport. This funding provides critical education and training to the women and children of Timor-Leste who continue to bring hope amidst the nation's devastated past.

Annick Donat joined The Emerge Foundation committee and has continued to work closely with founders, Ian and Marianne MacRitchie. In May, Clime and Madison enjoyed a day of fundraising at the Legends of Sports Lunch. On the day, Annick was honored to present traditional Timorese Tais to the speakers. Tais cloth is a form of traditional weaving by the women of East Timor. An essential part of the nation's cultural heritage, tais weavings are used for ceremonial adornment, sign of respect and appreciation towards guests.



**Future
Generation**
INVESTMENT & SOCIAL RETURNS

Future Generation Australia

Future Generation Australia supports 10 charities across the country to help at-risk youth: Act for Kids, Australian Children's Music Foundation, Australian Indigenous Education Foundation, Debra Australia, Diabetes Kids Fund, Giant Steps, Lighthouse Foundation, Mirabel Foundation, Raise Foundation and Youth Off The Streets. The funds raised for these charities help to break the cycle of disadvantage, improve social wellbeing and community engagement among the young people across the country.

Clime became a fund manager with Future Generation Australia in May 2016. We are part of the \$5.3 million invested by Future Generations Australia in 2021 in charities which focus on supporting vulnerable young Australians.

Report from the Board

Report from the Board

We are pleased to present the results of Clime Investment Management Limited and its controlled entities ("the Group") for the financial year ended 30 June 2022.

Key highlights

For FY22, the Group recorded a net profit before tax of \$213,973 compared with \$3,109,254 in FY21. Net profit after tax attributable to the owners of the Company was \$96,905 for FY22 compared with \$2,277,575 in FY21.

Basic earnings per share for the year was 0.1 cents per share compared to 3.5 cents per share as at 30 June 2021.

Group revenue (excluding performance fees) increased by 1.6% from \$13,464,250 in FY21 to \$13,682,882 in FY22.

The Group did not derive performance fees during the year (FY21: \$2,285,283).

Madison Entities contributed \$2,793,090 revenue to the Group in FY22 compared to \$3,591,472 in FY21.

The Group's Gross Funds Under Management and Advice (FUM&A) was flat at \$5.1 billion as at 30 June 2022 and 2021.

Direct investment income comprises of dividends, trust distributions, interest income, realised gains and unrealised gains for a mark to market of our investments. For the year ended 30 June 2022 this represented \$339,917 (FY21: \$317,558) of dividend and distribution income and marked to market loss on financial assets of \$875,228 (FY21: gain of \$1,110,971), mainly due to decrease in the market value of the Group's holdings in Clime Capital Limited.

Depreciation and amortisation expense during the year was \$1,078,239 compared to \$1,130,321 in FY21. The decrease was mainly on account of lower amortisation on intangible assets reaching their useful life.

Administration expenses were \$11,708,267 (compared to \$12,928,852 in FY21) as short term incentives to staff were not payable as against payment of \$1.3 million in the previous year.

| Gross Funds under Management (FUM) | 30 JUNE 2022 (\$ millions) | 30 JUNE 2021 (\$ millions) |
|--|-------------------------------|-------------------------------|
| Clime Individually Managed Accounts | 508 | 556 |
| Listed Investment Company (Clime Capital Limited - ASX: CAM) | 145 | 163 |
| Managed Funds and Mandates | 285 | 363 |
| Separately Managed Accounts | 269 | 98 |
| Sub-Total Funds Under Management | 1,207 | 1,180 |
| Funds Under Management and Advice - WealthPortal | 527 | 833 |
| Funds Under Advice - other investment platforms | 3,335 | 3,057 |
| Insurance Premiums Under Advice | 53 | 45 |
| Sub-Total Funds and Insurance Premiums Under Advice | 3,915 | 3,935 |
| TOTAL FUM&A | 5,122 | 5,115 |

Summary of total equity

The total equity at 30 June comprised the following:

| | 30 JUNE 2022 (\$) | 30 JUNE 2021 (\$) |
|---|----------------------|----------------------|
| Cash and cash equivalents | 8,141,740 | 6,078,777 |
| Other financial asset at amortised cost | 289,545 | 289,334 |
| Trade and other receivables less payables | (808,057) | (826,024) |
| Listed investment company - Clime Capital Limited | 5,137,064 | 5,649,076 |
| Unlisted investments - managed funds | 65,622 | 21,596 |
| Equity accounted investments | 119,731 | - |
| Other tangible assets less liabilities | (1,393,001) | (2,153,961) |
| Net tangible assets | 11,552,644 | 9,058,798 |
| Intangibles, right-of-use assets and contract costs | 13,317,401 | 13,709,057 |
| Deferred tax assets - net | 435,681 | 308,545 |
| Total equity | 25,305,726 | 23,076,400 |
| No. of ordinary shares on issue (excluding EIS) | 70,975,080 | 64,708,505 |
| Equity per share | 35.7 cents | 35.7 cents |
| Net tangible assets per share | 16.3 cents | 14.0 cents |

Cashflow

Operating cash flow was positive \$1.7 million (\$0.4 million in FY21). This was primarily a function of the following:

- An increase in fees received from operating activities of \$2.1 million;
- An increase in expense payments on operating activities of \$0.1 million;
- An increase in tax payments by \$0.1 million.

The Group paid net cash of \$0.4 million for acquisition of financial assets in FY22 compared to \$1.1 million net inflows in FY21.

On account of the above, the net cash inflows from operating activities were \$1.3 million, a decrease of \$0.2 million compared to the previous financial year.

In FY22, net cash outflow from investing activities was \$0.8 million mainly on account of payment of \$0.4 million for intangible assets in the form of software development, \$0.2 million towards acquisition of customer lists from CHL Bayswater Financial Planning Pty Ltd and MI Wealth Plan Pty Limited, and \$0.2 million investment in associates.

Net cash inflow from financing activities in FY22 was \$1.6 million mainly due to institutional placement of shares and Share Purchase Plan that raised \$4.4 million less the dividend payment of \$1.8 million.

Outlook for 2023 Financial Year

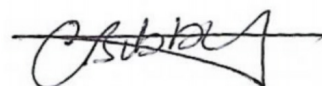
Directors and management expect FY23 to be a year of further growth resulting from delivery of Clime's strategy. The Group's integrated service offering encompasses investor education, advice and investment solutions for self-directed, retail and wholesale clients.

We also anticipate continued expansion during FY23 via growing funds under management and advice; expanding the retail and wholesale advice footprint of the Group through appointing Financial Advisers who share our values of Integrity, Transparency, Conviction and Progress; growing investment services provided to third-party licensed Financial Advisers; and seeking above benchmark investment returns across all portfolios.

On behalf of the Board



John Abernethy
Chairman



Claire Bibby
Independent Director



The Directors



The Directors of Clime Investment Management Limited submit herewith the financial report of Clime Investment Management Limited for the financial year ended 30 June 2022. To comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

J Abernethy
Chairman - Non-Independent

S Wynne
(Appointed 27 September 2021)
Independent Director

M Kollo
(Appointed 27 September 2021)
Independent Director

R Chalmers
(Appointed 27 September 2021)
Non-Independent Director

C Bibby
(Appointed 18 October 2021)
Independent Director

N Schafer
(Ceased 6 August 2021)
Independent Director

B Spork
(Ceased 27 September 2021)
Independent Director

P Beaumont
(Ceased 27 September 2021)
Independent Director

Mr. John Abernethy BCom (Econ), LL.B
Chairman - Non-Independent

Experience and expertise

Mr. Abernethy was appointed Executive Director in 1994 and Non-Executive Director from 1 January 2019.

Mr. Abernethy has over 35 years' funds management experience in Australia and was previously General Manager Investments of the NRMA. Mr. Abernethy holds a Bachelor of Commerce (Economics)/LLB from the University of New South Wales.

Directorships of other listed companies

Clime Capital Limited
WAM Research Limited.

Former Directorships in last 3 years

Watermark Market Neutral Fund Limited, Watermark Global Limited, CBG Capital Limited and Australian Leaders Fund Limited.

Special responsibilities

Member of Board Audit Risk & Compliance Committee

Interests in shares and options

4,911,844 ordinary shares

Ms. Susan Wynne
Independent Director

Experience and expertise

Ms. Wynne was appointed Non-Executive Director of the Company in September 2021. Ms. Wynne is an experienced leader with a proven track record of working across multi-disciplined and complex areas and industries with a key focus on the triple bottom line.

Ms. Wynne has extensive experience in the boardroom and at a senior executive level.

Ms. Wynne is a graduate of Australian Institute of Company Directors, an Affiliate of the Governance Institute of Australia, and the Mayor of the Municipality of Woollahra.

Directorships of other listed companies
MoneyMe Limited.

Former Directorships in last 3 years
None

Special responsibilities
Chairman of Remuneration Committee
Member of Board Audit, Risk & Compliance Committee

Interests in shares and options
10,000 ordinary shares



Dr. Michael Kollo

Independent Director

Experience and expertise

Dr. Kollo was appointed as a Non-Executive Director of the Company on 27 September 2021.

Dr. Kollo is a senior investment professional with extensive academic and private sector experience globally.

Dr. Kollo has gained his PhD in Finance from the London School of Economics, and has lectured at the London School of Economics, and at the University of New South Wales.

Directorships of other listed companies

None

Special responsibilities

Member of Remuneration Committee

Interests in shares and options

None



Mr. Ronni Chalmers

Non-Independent Director

Experience and expertise

Mr. Chalmers was appointed as a Non-Executive Director on 27 September 2021. Mr. Chalmers has over 40 Years of Australian Equities investment management experience. Mr. Chalmers began his career as a graduate at Bankers Trust Australia, rising to Associate Director during its rapid growth.

Mr. Chalmers has held senior Portfolio Manager / Investment Manager roles with several funds management and insurance companies before founding CBG Asset Management Limited in 2001.

Mr. Chalmers has a Bachelor of Commerce from the University of New South Wales and is a Fellow of the Financial Services Institute of Australasia.

Directorships of other listed companies

Clime Capital Limited.

Former Directorships in last 3 years

CBG Capital Limited.

Special responsibilities

None

Interests in shares and options

8,013,387 ordinary shares

150,000 options under Employee Incentives Scheme

1,500 options under Employee Share Scheme



Ms. Claire Bibby

Independent Director

Experience and expertise

Ms. Bibby was appointed as a Non-Executive Director on 18 October 2021. Ms. Bibby is a senior lawyer and professional coach. Over the last 5 years, Ms. Bibby has founded and co-founded a number of businesses covering the legal, executive coaching, property-tech and legal-tech spaces.

Ms. Bibby is a Non-Executive Director of two ASX listed companies and a Non-Executive Director of a charity. Ms. Bibby is an Industry/Professional Fellow with the University of Technology Sydney, School of Law.

Directorships of other listed companies

Comms Group Limited

Arowana International Limited

Magnis Energy Technologies Limited.

Special responsibilities

Chairman of Board Audit, Risk &

Compliance Committee

Member of Remuneration Committee

Interests in shares and options

None



Mr. Biju Vikraman

Joint Company Secretary

Experience and expertise

Mr. Vikraman was appointed Company Secretary in 2015. Mr. Vikraman holds a Bachelor of Commerce from the University of Mumbai, India and is an Australian and Indian Chartered Accountant.

Mr. Vikraman has more than 20 years' experience across accounting, audit, finance and governance and has held senior roles with big 4 Accounting Firms and listed entities within Australia, India and Africa.

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

Mr. Andrew Metcalfe

Joint Company Secretary

Experience and expertise

Mr. Andrew Metcalfe was appointed to the position of Joint Company Secretary on 21 June 2022.

Mr. Metcalfe (CPA, FGIA, GAICD) is an experienced Chartered Secretary and Governance Adviser with more than 25 years' experience across a broad industry base, having worked with a variety of Board and senior management team of ASX listed companies.

Remuneration of Key Management Personnel

Information about the remuneration of Key Management Personnel is set out in the Remuneration report section of this Directors' report.

The term 'Key Management Personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity (the Company), directly or indirectly, including any Director (whether executive or otherwise) of the Group.



Mr. Neil Schafer BAppEcon
Independent Director
(Ceased 6 August 2021)

Experience and expertise

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

Special responsibilities

Chairman of Audit Committee
Member of Remuneration Committee
Member of Compliance & Risk Committee

Interests in shares and options

Not applicable



Mr. Brett Spork BBA
Independent Director
(Ceased 27 September 2021)

Experience and expertise

Mr. Spork was appointed Non-Executive Director of the Company in October 2020. Mr Spork has extensive experience in the Funds Management Banking and Financial Services Sectors. Mr. Spork's previous roles include CEO of B.T.I.G., CEO of E*Trade Australia and Executive Director with Macquarie Bank. Mr. Spork holds a Bachelor of Business from Queensland University of Technology.

Special responsibilities

Chairman of Remuneration Committee
Member of Compliance & Risk Committee
Member of Audit Committee

Interests in shares and options

Not applicable



Mr. Peter Beaumont BSc(Chem), MBA
Independent Director
(Ceased 27 September 2021)

Experience and expertise

Mr. Beaumont was appointed as a Non-Executive Director of the Company in October 2020. Mr Beaumont has extensive experience in financial markets, public-private partnerships and consumer fintech lending.

Mr. Beaumont holds a Bachelor of Science (hons 1) from the University of Sydney and an MBA from the MIT-Sloan School of Management Cambridge MA.

Special responsibilities

Chairman of Audit Committee
Member of Compliance & Risk Committee
Member of Remuneration Committee

Interests in shares and options

Not applicable

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

| DIRECTORS | BOARD OF DIRECTORS | | AUDIT COMMITTEE | | REMUNERATION COMMITTEE | |
|--------------------|--------------------|----------|-----------------|----------|------------------------|----------|
| | Held | Attended | Held | Attended | Held | Attended |
| Mr. John Abernethy | 11 | 11 | 3 | 3 | - | - |
| Ms. Susan Wynne | 5 | 4 | 2 | 2 | 1 | 1 |
| Mr. Michael Kollo | 5 | 5 | - | - | 1 | 1 |
| Mr. Ronni Chalmers | 5 | 5 | - | - | - | - |
| Ms. Claire Bibby | 4 | 4 | 2 | 2 | 1 | 1 |
| Mr. Neil Schafer | 2 | 2 | - | - | 1 | 1 |
| Mr. Brett Spork | 6 | 6 | - | - | 1 | 1 |
| Mr. Peter Beaumont | 6 | 6 | - | - | 1 | 1 |

Rotation and election of Directors

Mr. John Abernethy was appointed in 2019 and being eligible, offers himself for re-election at the next Annual General Meeting in accordance with the Company's Constitution.

Principal activities

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

There were no significant changes in the nature of the Group's activities during the financial year.

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

- Operating an Individually Managed Accounts Service for wholesale clients, and Separately Managed Accounts, through subsidiaries Clime Asset Management Pty Limited and Ralton AM Pty Limited.
- Providing exclusive wealth advice to wholesale and sophisticated clients through wholly owned subsidiary Clime Private Wealth Pty Limited.
- Acting as investment manager for listed company Clime Capital Limited (ASX: CAM) through wholly owned subsidiary Clime Asset Management Pty Limited.
- Acting as investment manager for the managed funds Clime Australian Income Fund, Clime Smaller Companies Fund, Clime International Fund, Clime Fixed Interest Fund, Clime All Cap Australian Equities Fund (Wholesale) and Clime Australian Equity Long Short Fund through wholly owned subsidiaries Clime Asset Management Pty Limited and CBG Asset Management Limited.
- Providing licensee services to Financial Advisers licensed through Madison Financial Group Pty Limited.
- Dealing in various financial products to retail and wholesale investors through AdviceNet Pty Limited, WealthPortal Pty Ltd and ProActive Portfolios Pty Ltd.
- Providing an online equity research and valuation tool for Australian investors to research and value Australian listed companies and investment markets through wholly owned subsidiary Stocks in Value Pty Limited (trading as Clime Direct).

Review of operations

In accordance with the relief provided by Legislative Instrument 2016/188 issued by ASIC, the Company is not required to reproduce information required in the Directors' Report if it has been included elsewhere in the Annual Report. As such, for a detailed review of operations of the Company, please refer to Chairman's and Chief Executive Officer's report from the beginning of page 4.

Operating result

The consolidated net profit after providing for tax amounted to \$98,490 (2021: \$2,277,575).

Dividends paid or recommended

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

| | 2022 | 2021 |
|--|------------------|------------------|
| 1.5 cents per share (2021: 1 cent per share) franked to 100% at 25% (2021: franked to 100% at 27.5%) corporate income tax rate, final ordinary dividend paid during the year on 28 October 2021 in respect of the prior financial year | 1,097,787 | 657,075 |
| 1 cent per share (2021: 1 cent per share) franked to 100% at 25% (2021: franked to 100% at 26%) corporate income tax rate, interim ordinary dividend paid during the year on 7 April 2022 in respect of the current financial year | 724,008 | 650,585 |
| Total dividends paid | 1,821,795 | 1,307,660 |

Changes in state of affairs

During the year, the Group raised new capital of \$4.1 million at 62 cents per share through institutional placements and associated Share Purchase Plan (SPP). The capital raised was utilised to part fund the acquisition of MTIS Wealth on 15 August 2022.

During the year, the Group acquired the Client Books of CHL Bayswater Financial Planning Pty Limited and MI Wealth Plan Pty Limited for \$232,000 which have been recorded as an intangible asset.

During the current financial year, the Group invested \$150,000 in James Street Private Wealth which has been recorded as an investment in associate.

During the second half of the financial year the Group transferred the management of its circa \$270 million of Funds Under Management in the SMA/MDA space to Ralton AM Pty Limited for an initial shareholding of 75% of Ralton. The terms of agreement between the parties includes the option for CIW to fully acquire Ralton in the second half of calendar year 2022.

There were no other significant changes in the state of affairs of the Group during the financial year.

Subsequent events

A final fully franked dividend for the year ended 30 June 2022 of 0.4 cents per share, totaling \$289,100 has been declared by the Directors subsequent to year end. This provision has not been reflected in the financial statements.

On 19 May 2022, the Company announced the proposed acquisition of MTIS Wealth Management Pty Limited and Investment Strategists Accounting Services Pty Limited. The agreed acquisition price is \$7 million. The first payment was made on 15 August 2022 and two further payments (subject to agreed adjustments) will be made over the next two years.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

The Group will continue to pursue activities of:

- Primarily investing in equities listed on the Australian and international securities exchanges;
- Growing the Madison adviser community; and
- Providing advice to wholesale and retail clients.

The Group's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by company-specific and prevailing industry conditions.

In addition, a range of external factors including economic growth rates, COVID pandemic impact, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

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

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

| NATURE OF OPTIONS | DATE OPTIONS GRANTED | VESTING / EXPIRY DATE | EXERCISE PRICE | NUMBER UNDER OPTION |
|-------------------------------|----------------------|-----------------------|----------------|---------------------|
| CIW Employee Incentive Scheme | 30 April 2021 | 29 April 2024 | \$0.575 | 400,000 |
| CIW Employee Incentive Scheme | 23 June 2021 | 22 June 2024 | \$0.573 | 550,000 |
| CIW Employee Incentive Scheme | 22 March 2022 | 21 March 2025 | \$0.582 | 350,000 |
| | | | Total | 1,300,000 |

The holders of these options do not have the right, by virtue of the option, to participate in any other share issue of the Company or of any other body corporate or registered scheme.

Rounding off amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' report and in the financial statements are rounded to the nearest dollar or in certain cases to the nearest one thousand dollars, unless otherwise indicated.

Environmental issues

The Group's operations are minimally impacted by any significant law of the Commonwealth or of a State or Territory relating to the environment.

Risk and compliance control statement

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

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

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

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

Insurance for Directors and Officers

During the financial year, the Group paid a premium in respect of a contract insuring all Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as Directors or Officers of the Company, other than conduct involving a willful breach of duty in relation to the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of premium.

No indemnity provided to auditors

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

Remuneration Report

Audited



Remuneration report – audited

This Remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Directors of Clime Investment Management Limited (Company) and its other Key Management Personnel for the financial year ended 30 June 2022.

The term 'Key Management Personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- A. Directors and other Key Management Personnel
- B. Remuneration policy
- C. Remuneration of Key Management Personnel
- D. Service agreements
- E. Share-based compensation
- F. Related party transactions
- G. Additional information

A. Directors and other Key Management Personnel

The Directors and other Key Management Personnel of the Group during or since the end of the financial year were:

| Non-Executive Directors | Position |
|---|--------------------------|
| John Abernethy | Non-Executive Chairman |
| Susan Wynne (Appointed 27 September 2021) | Independent Director |
| Michael Kollo (Appointed 27 September 2021) | Independent Director |
| Ronni Chalmers (Appointed 27 September 2021) | Non-Independent Director |
| Claire Bibby (Appointed 18 October 2021) | Independent Director |
| Neil Schafer (Ceased 6 August 2021) | Independent Director |
| Brett Spork (Ceased 27 September 2021) | Independent Director |
| Peter Beaumont (Ceased 27 September 2021) | Independent Director |

Executive Officers

Position

Annick Donat
(appointed 1 May 2021)

Chief Executive Officer

There were no additional persons who were considered Key Management Personnel under the *Corporations Act 2001*.

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

Directors and other Key Management Personnel

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

The fixed portion of the package reflects the core performance of their duties. Executives may be given an incentive via a performance based bonus (as determined by the Remuneration Committee).

Equity based remuneration can be made via shares issued under the CIW Employee Share Plan (ESP) or via the options issued to the executives under the CIW Employee Incentive Scheme (EIS).

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

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

Directors

Fees and payments to Directors reflect the demands which are made on, and the responsibilities of, the Directors. Remuneration of Independent Directors is determined by the Board within the maximum amount approved by shareholders periodically. The payments to Independent Directors do not include retirement benefits other than statutory superannuation.

Consultation with Independent Directors outside their duties as Directors is treated as external consultation and is subject to additional fees by consent of the Board. The Company has a policy that Independent Directors are not entitled to retirement benefits, may not participate in performance-based incentives, and may not participate in the ESP and EIS.

Directors' fees

The current base remuneration was last reviewed with effect from 1 January 2022. The Independent Directors' fees are inclusive of committee fees.

Independent Directors' fees are determined within an Independent Directors' base remuneration pool, which is periodically recommended for approval by shareholders. The Independent Directors' base remuneration pool currently stands at \$300,000 per annum.

Executive Officers' remuneration

The Executive Officers' remuneration framework has four components:

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

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

Base pay

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

Executives are offered a base pay that comprises the fixed component of pay and rewards. Base pay for

senior executives is reviewed annually to ensure the Executive's pay is competitive with the market.

Short-Term Incentives (STI)

Executive Officers and senior management have the ability to earn STIs depending on the accountabilities of respective roles and their impact on the Company's performance.

The intention of the STI plan is to recognise and reward the contributions and achievements of individuals for the achievement of their relevant Key Performance Indicators (KPIs). Such KPIs will generally include measures relating to both the Group and the relevant individual, and may include financial, non-financial, human resources, client service, strategy, risk and compliance measures where appropriate. The measures are chosen such that they directly align the individual's reward to the KPIs of the Group and to its strategy and performance.

Long-Term Incentives (LTI)

CIW Employee Incentive Scheme (EIS)

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

Each year, the Remuneration Committee considers the appropriate targets and KPIs to link the STI and LTI plans and the level of payout if targets are met. This includes setting any maximum payout under the STI and LTI plan, and minimum levels of performance to trigger payment of the STI. The Remuneration Committee also retains the capacity to pay discretionary bonuses subject to the Executives' respective performances during the year.

CIW Employee Share Plan (ESP)

Information on the Company's Employee Share Plan is set out in Note 21(g).

Shares under the Employee Share Plan are issued to all CIW employees (excluding Directors). The participants under the ESP are entitled to dividends and are subject to a 3-year lock in period in accordance with the plan rules.

C. Remuneration of Key Management Personnel

Details of the remuneration of Key Management Personnel for the years ended 30 June 2022 and 30 June 2021 are set out in the following tables. STIs are dependent on the satisfaction of performance conditions as set out in the section headed Short-Term Incentives (STI) on page 32. EIS and ESP do not vest unless the relevant vesting hurdles are achieved. All other elements of remuneration are not directly related to performance.

| 2022 | SHORT-TERM EMPLOYEE BENEFITS | | | POST-EMPLOYMENT BENEFITS | SHARE-BASED PAYMENTS | |
|--------------------------------|------------------------------|----------------------------|---------------------------|--------------------------|---------------------------------------|------------------|
| NAME | CASH SALARY AND FEES (\$) | SHORT-TERM INCENTIVES (\$) | TERMINATION BENEFITS (\$) | SUPERANNUATION (\$) | OPTIONS(1) & EMPLOYEE SHARE PLAN (\$) | TOTAL (2) (\$) |
| Non-Executive Directors | | | | | | |
| John Abernethy* | 286,885 | - | - | 6,689 | - | 293,574 |
| Susan Wynne | 34,091 | - | - | 3,409 | - | 37,500 |
| Michael Kollo | 34,091 | - | - | 3,409 | - | 37,500 |
| Ronni Chalmers** | 184,476 | - | - | 18,024 | 5,400 | 207,900 |
| Claire Bibby | 31,469 | - | - | 3,147 | - | 34,616 |
| Neil Schafer | 5,457 | - | - | 546 | - | 6,003 |
| Brett Spork | 12,002 | - | - | 1,200 | - | 13,202 |
| Peter Beaumont | 12,002 | - | - | 1,200 | - | 13,202 |
| Executive Officers | | | | | | |
| Annick Donat | 352,478 | - | - | 23,568 | 15,293 | 391,339 |
| Total | 952,951 | - | - | 61,192 | 20,693 | 1,034,836 |

* Includes \$73,574 in his capacity as Director and \$220,000 paid as consultancy fees.

** Includes \$37,500 in his capacity as Director and \$165,500 paid as salary since his appointment as a Director.

| 2021 | SHORT-TERM EMPLOYEE BENEFITS | | | POST-EMPLOYMENT BENEFITS | SHARE-BASED PAYMENTS | |
|--------------------------------|------------------------------|----------------------------|---------------------------|--------------------------|---------------------------------------|------------------|
| NAME | CASH SALARY AND FEES (\$) | SHORT-TERM INCENTIVES (\$) | TERMINATION BENEFITS (\$) | SUPERANNUATION (\$) | OPTIONS(1) & EMPLOYEE SHARE PLAN (\$) | TOTAL (2) (\$) |
| Non-Executive Directors | | | | | | |
| John Abernethy* | 227,711 | - | - | 4,338 | - | 232,049 |
| Brett Spork | 32,147 | - | - | 3,053 | - | 35,200 |
| Peter Beaumont | 32,877 | - | - | 3,123 | - | 36,000 |
| Neil Schafer | 60,112 | - | - | 2,680 | - | 62,792 |
| Donald McLay | 17,769 | - | - | - | - | 17,769 |
| Allyn Chant | 14,794 | - | - | 1,405 | - | 16,199 |
| Executive Officers | | | | | | |
| Annick Donat*** | 51,747 | 75,000 | - | 3,253 | 2,407 | 132,407 |
| Brett Spork** | 55,748 | - | - | 5,547 | - | 61,295 |
| Neil Schafer** | 57,018 | - | - | 5,547 | - | 62,565 |
| Rod Bristow | 185,610 | 146,740 | 152,453 | 17,855 | 6,422 | 509,080 |
| Total | 735,533 | 221,740 | 152,453 | 46,801 | 8,829 | 1,165,356 |

*Includes \$50,000 in his capacity as Director and \$182,049 paid as consultancy fees.

**Joint CEO from 16 November 2020 to 16 April 2021.

***Annick Donat commenced her position as CEO on 1 May 2021.

(1) The value of the options granted to Key Management Personnel as part of their remuneration is calculated at the grant date using a binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

(2) The STI has been included in the above tables on an accrual basis and have been recorded at 100 per cent of the maximum potential payment. Individual performance reviews to be conducted after the finalisation of the audited consolidated financial statements will determine the final entitlement.

The relative percentage of those elements of remuneration of Key Management Personnel that are linked to performances are as follows:

| NAME | FIXED REMUNERATION | | REMUNERATION LINKED TO PERFORMANCE | |
|--------------------------------|--------------------|-------|------------------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Non-Executive Directors | | | | |
| John Abernethy | 100% | 100% | - | - |
| Susan Wynne | 100% | - | - | - |
| Michael Kollo | 100% | - | - | - |
| Ronni Chalmers | 100% | - | - | - |
| Claire Bibby | 100% | - | - | - |
| Brett Spork | 100% | 100% | - | - |
| Peter Beaumont | 100% | 100% | - | - |
| Neil Schafer | 100% | 100% | - | - |
| Donald McLay | - | 100% | - | - |
| Allyn Chant | - | 100% | - | - |
| Executive Officers | | | | |
| Annick Donat | 100% | 43.7% | - | 56.3% |
| Rod Bristow | - | 71.2% | - | 28.8% |

Short-Term Incentives

\$Nil (2021: \$221,740) STIs were paid/payable to Key Management Personnel in respect of the year ended 30 June 2022. The STIs are paid at the discretion of the Remuneration Committee based on the exceeding its targets for the financial year.

D. Service Agreements

Remuneration and other terms of employment for Non-Independent Directors and certain Executive Officers are formalised in service agreements with annual adjustments (once agreed by the Remuneration Committee) notified in writing.

Provisions relating to the term of agreement, periods of notice required for termination and relevant termination payments are set out below.

Mr. John Abernethy Non-Independent Director

- Term of consultancy agreement – 3 years commencing 1 January 2019, the contract is still in force and is being reviewed in line with the FY23 strategic initiatives
- Estimated rate of effort – 4 days per week
- \$70,000 per annum plus superannuation as Director's fee
- \$204,000 per annum plus GST as consultancy fee for a three-year mutually agreeable renewable contract for delivering agreed outcomes
- Continued Directorship of the Company

Ms. Annick Donat Chief Executive Officer

- Base salary - \$385,000 per annum (inclusive of superannuation) subject to yearly review
- STI – entitled to receive short term incentives in the form of annual cash bonus based on achieving yearly targets including annual EBITDA, operating cash profit, and operational targets as approved by the Board
- Maximum STI upon commencement is \$200,000 per annum
- Notice period for termination by employee or by Company – two months' written notice in the initial 12 months of employment and three months' written notice thereafter

E. Share-based compensation

Shares provided on exercise of remuneration options

No ordinary shares in the Company were provided to any Key Management Personnel as a result of the exercise of options via the EIS during the year (2021: Nil).

Shareholdings of Directors and other Key Management Personnel

The numbers of shares (including shares issued under EIS) in the Company held during the year by each Key Management Personnel of the consolidated entity, including their related parties, are set out below.

Loans to Directors and other Key Management Personnel

\$302,200 (2021: \$230,000) loan to executive officers in relation to the EIS share issued under the Employee Incentive Scheme (refer Note 25(a)).

There were no other loans made to Directors of the Company or other Key Management Personnel of the consolidated entity, including their personally related entities, at any stage during the financial year.

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

| NAME | BALANCE AT 1 JULY 2021 | GRANTED AS COMPENSATION | OTHER CHANGES DURING THE YEAR | AT BALANCE DATE |
|--------------------------------|------------------------|-------------------------|-------------------------------|-----------------|
| Non-Executive Directors | | | | |
| John Abernethy | 4,430,404 | - | 481,440 | 4,911,844 |
| Susan Wynne | - | - | 10,000 | 10,000 |
| Michael Kollo | - | - | - | - |
| Ronni Chalmers | - | - | 8,164,887 | 8,164,887* |
| Claire Bibby | - | - | - | - |
| Brett Spork | 35,000 | - | (35,000) | - |
| Peter Beaumont | - | - | - | - |
| Neil Schafer | 624,058 | - | (624,058) | - |
| Executive Officers | | | | |
| Annick Donat | 401,500 | 1,500** | - | 403,000 |

*Includes 150,000 shares issued under the Employee Incentive Scheme in April 2021 and 1,500 shares issued under the CIW Employee Share Plan in December 2020 issued prior to the appointment as a Director.

**1,500 shares issued on 22 December 2021, under the CIW Employee Share Plan (ESP). Under the ESP no consideration is payable by the employee and the shares have a three-year lock in period. An estimate of the value of the consideration being provided per share is \$0.595 as at the date of issue.

F. Related party transactions

1. Clime Capital Limited

- i. Mr. John Abernethy and Mr. Ronni Chalmers are Directors of Clime Capital Limited. The Group received \$156,160 (2021: \$162,867) as management fees for the services rendered by two Directors and Company Secretary to Clime Capital Limited and reimbursement of marketing fees.
- ii. Clime Investment Management Ltd directly owns 4.44% (2021: 4.38%) of the share capital of the Company as at 30 June 2022. Clime Investment Management Ltd, through the Investment Manager, has the indirect power to dispose 2.98% (2021: 2.94%) of the Company's shares and has the indirect power to dispose 9.17% (2021: 10.12%) of the Company's Convertible Notes held by the Investment Manager's Individually Managed Accounts (IMAs) and other managed funds.
- iii. Clime Capital Limited received \$Nil (2021: \$533,520 (ex-GST)) from Clime Asset Management Pty Limited to obtain the investment management agreement of CBG Capital Limited's portfolio that was previously managed by CBG Asset Management Limited.
- iv. Clime Asset Management Pty Limited, received \$1,308,541 (2021: \$2,213,502) as remuneration for managing Clime Capital Limited's investment portfolio in full.

- v. All dividends paid and payable by Clime Capital Limited to its Directors and their related entities are on the same basis as to other shareholders.

2. Clime Fixed Interest Fund

Clime Asset Management Pty Limited during the year received \$77,928 (2021: \$102,339) as remuneration for managing the investment portfolios and acting as trustee of Clime Fixed Interest Fund.

3. Clime All Cap Australian Equities Fund (Wholesale) (formerly Clime CBG Australian Equities Fund (Wholesale))

CBG Asset Management Limited, during the year received \$677,171 (2021: \$931,485) as remuneration for managing the investment portfolios and acting as trustee of Clime All Cap Australian Equities Fund (Wholesale).

4. Clime Australian Equity Long Short Fund (Wholesale)

Clime Asset Management Pty Limited, during the year received \$2,034 (2021: \$Nil) as remuneration for managing the investment portfolios and acting as trustee of Clime Australian Equity Long Short Fund.

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

| | 30 JUNE 2022 (\$) | 30 JUNE 2021 (\$) |
|---|----------------------|----------------------|
| AMOUNT OWED BY RELATED PARTIES | | |
| Clime Capital Limited | 131,239 | 1,232,601 |
| Clime All Cap Australian Equities Fund (Wholesale) | 42,963 | 305,208 |
| Subsidiaries of Clime Investment Management Limited | 8,791,583 | 6,818,749 |
| AMOUNT OWED TO RELATED PARTIES | | |
| Clime Capital Limited | - | - |
| Clime All Cap Australian Equities Fund (Wholesale) | - | - |
| Subsidiaries of Clime Investment Management Limited | 21,656,843 | 20,477,782 |

G. Additional Information

Performance of Clime Investment Management Limited

The tables below set out the summary information regarding the economic entity's earnings and movements in shareholder wealth for the five years to 30 June 2022:

| | 30 JUNE 2022 \$ | 30 JUNE 2021 \$ | 30 JUNE 2020 \$ | 30 JUNE 2019 \$ | 30 JUNE 2018 \$ | TOTAL \$ |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|
| Revenue | 13,682,882 | 15,749,533 | 11,952,222 | 12,447,639 | 10,864,250 | - |
| Net profit before tax and amortisation | 788,234 | 3,757,012 | 983,622 | 2,542,907 | 1,937,078 | - |
| Net profit before tax | 213,973 | 3,109,254 | 534,654 | 2,096,147 | 1,367,296 | - |
| Net profit after tax | 98,490 | 2,277,575 | 397,428 | 1,461,444 | 1,064,259 | - |
| <i>Profits attributable to:</i> | | | | | | - |
| Owners of the Company | 96,905 | 2,277,575 | 397,428 | 1,461,444 | 1,064,259 | - |
| Non-controlling interest | 1,585 | - | - | - | - | - |
| Cash dividends paid | 1,821,795 | 1,307,660 | 1,400,310 | 1,274,439 | 1,699,113 | 7,503,317 |
| Interim dividend - Fully franked ¹ | 1.0cps | 1.0cps | 1.0cps | 0.75cps | 1.5cps | 5.25cps |
| Final dividend ^{1,2} | 0.4cps | 1.5cps | 1.0cps | 1.5cps | 1.5cps | 5.90cps |
| Share price at start of year | 0.61 | 0.50 | 0.48 | 0.48 | 0.50 | - |
| Share price at end of year | 0.50 | 0.61 | 0.50 | 0.50 | 0.48 | - |
| Basic EPS | 0.1cps | 3.5cps | 0.7cps | 2.6cps | 1.9cps | - |
| Diluted EPS | 0.1cps | 3.4cps | 0.7cps | 2.6cps | 1.9cps | - |

¹100% franked dividends (franked to 100% at 25% for FY2022, 26% for FY2021 and 27.5% up to FY2020)

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

Furthermore, during the five years to 30 June 2022, Clime Investment Management Limited bought back 1,706,108 (2021: 1,346,198) fully paid ordinary shares for total consideration of \$895,114 (2021: \$655,922). These shares were repurchased at the prevailing market prices on the dates of the respective transactions in accordance with the on-market buy-back scheme (within the 10/12 limit imposed by s257B of the *Corporations Act 2001*).

Relationship of group performance to remuneration policies

The profitability of the Group is one of the key measures taken into consideration by the Remuneration Committee when determining the quantum of bonuses payable under the STI plan in any given year.

Other performance measures assessed by the Remuneration Committee when determining remuneration packages for Key Management Personnel include:

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

Proceedings on behalf of the Group

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

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 23 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 23 to the financial statements do not compromise the external auditor's independence, based on the advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (Including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 39.

Signed in accordance with a resolution of the Directors.



John Abernethy
Chairman



Claire Bibby
Independent Director

Sydney, 26 August 2022

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Sydney NSW 2000

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

In relation to the independent audit for the year ended 30 June 2022, I declare that to the best of my knowledge and belief there have been:

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

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



Mark Godlewski
Partner

Pitcher Partners
Sydney

26 August 2022



Financial Statements

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

| | Notes | 2022 \$ | 2021 \$ |
|--|-------|----------------|------------------|
| Revenue | 5 | 13,682,882 | 15,749,533 |
| Net realised and unrealised gains on financial assets at fair value through profit or loss | | (875,228) | 1,100,971 |
| Government subsidy | | - | 435,682 |
| Other income | | 309,943 | - |
| Depreciation and amortisation expense | 6 | (1,078,239) | (1,130,321) |
| Administrative expenses | 6 | (11,708,267) | (12,928,852) |
| Share of results of associate | | (30,268) | - |
| Finance costs | 15 | (86,850) | (117,759) |
| Profit before income tax | | 213,973 | 3,109,254 |
| Income tax expense attributable to operating profit | 8(a) | (115,483) | (831,679) |
| Profit for the year | | 98,490 | 2,277,575 |
| Other comprehensive income, net of income tax | | - | - |
| Total comprehensive income for the year | | 98,490 | 2,277,575 |
| Attributable to: | | | |
| Owners of the Company | | 96,905 | 2,277,575 |
| Non-controlling interest | | 1,585 | - |
| | | 98,490 | 2,277,575 |
| Earnings per share | | | |
| Basic - cents per share | 24(a) | 0.1 | 3.5 |
| Diluted - cents per share | 24(b) | 0.1 | 3.4 |

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 2022

| | Notes | 2022 \$ | 2021 \$ |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7(a) | 8,141,740 | 6,078,777 |
| Trade and other receivables | 10 | 2,084,765 | 3,937,543 |
| Current tax assets | 9 | 238,629 | - |
| Other current assets | 11 | 672,548 | 475,466 |
| Financial assets at fair value through profit or loss | 12 | 5,202,686 | 5,670,672 |
| Total Current Assets | | 16,340,368 | 16,162,458 |
| Non-Current Assets | | | |
| Other financial asset at amortised cost | 31(c) | 289,545 | 289,334 |
| Investment in associate | | 119,731 | - |
| Plant and equipment | 14 | 145,373 | 163,990 |
| Right-of-use assets | 15 | 1,288,334 | 1,717,778 |
| Deferred tax assets - net | 16 | 435,681 | 308,545 |
| Contract costs | 17 | 421,200 | 477,360 |
| Intangible assets | 18 | 11,607,868 | 11,513,919 |
| Total Non-Current Assets | | 14,307,732 | 14,470,926 |
| Total Assets | | 30,648,100 | 30,633,384 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 19 | 3,131,451 | 4,564,298 |
| Lease liabilities | 15 | 425,835 | 377,884 |
| Current tax liabilities | | - | 199,273 |
| Contract liabilities | | 96,826 | 244,233 |
| Provisions | 20 | 616,593 | 526,792 |
| Total Current Liabilities | | 4,270,705 | 5,912,480 |
| Non-Current Liabilities | | | |
| Lease liabilities | 15 | 1,010,182 | 1,436,017 |
| Provisions | 20 | 61,487 | 208,487 |
| Total Non-Current Liabilities | | 1,071,669 | 1,644,504 |
| Total Liabilities | | 5,342,374 | 7,556,984 |
| Net Assets | | 25,305,726 | 23,076,400 |
| EQUITY | | | |
| Issued capital | 21(a) | 25,487,865 | 21,539,410 |
| Reserves | 22(a) | 290,137 | 294,951 |
| Retained (losses) / earnings | 22(b) | (482,851) | 1,242,039 |
| Equity attributable to owners of the Company | | 25,295,151 | 23,076,400 |
| Non-controlling interests | | 10,575 | - |
| Total Equity | | 25,305,726 | 23,076,400 |

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 2022

| Consolidated | Notes | Issued capital \$ | Share-based payments reserve \$ | Retained (losses) / earnings \$ | Attributable to owners of Company \$ | Non-controlling interest \$ | Total \$ |
|---|-------|----------------------|------------------------------------|------------------------------------|---|--------------------------------|-------------------|
| Balance as at 30 June 2020 | | 21,508,300 | 286,307 | 272,124 | 22,066,731 | - | 22,066,731 |
| Profit for the year | | - | - | 2,277,575 | 2,277,575 | - | 2,277,575 |
| Other comprehensive income for the year net of tax | | - | - | - | - | - | - |
| Total comprehensive income for the year net of tax | | - | - | 2,277,575 | 2,277,575 | - | 2,277,575 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | - | |
| • Issue of ordinary shares under CIW Employee Share Plan | 21(b) | 31,110 | - | - | 31,110 | - | 31,110 |
| • Recognition of share-based payments | 22(a) | - | 8,644 | - | 8,644 | - | 8,644 |
| • Dividends paid or provided for | 9(a) | - | - | (1,307,660) | (1,307,660) | - | (1,307,660) |
| Balance as at 30 June 2021 | | 21,539,410 | 294,951 | 1,242,039 | 23,076,400 | - | 23,076,400 |
| Profit for the year | | - | - | 96,905 | 96,905 | 1,585 | 98,490 |
| Other comprehensive income for the year net of tax | | - | - | - | - | - | - |
| Total comprehensive income for the year net of tax | | - | - | 96,905 | 96,905 | 1,585 | 98,490 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | | |
| • Issue of ordinary shares by way of placements and share purchase plan | | 4,139,936 | - | - | 4,139,936 | - | 4,139,936 |
| • Transaction cost on issue of ordinary shares | | (38,300) | - | - | (38,300) | - | (38,300) |
| • Shares bought back on-market and cancelled | | (474,332) | - | - | (474,332) | - | (474,332) |
| • Issue of ordinary shares under CIW Employee Share Plan | 21(b) | 27,400 | - | - | 27,400 | - | 27,400 |
| • Transfer from share-based payments reserve to issued capital on completion of EIS loan term | | 42,850 | (42,850) | - | - | - | - |
| • Transfer of loan repayments to issued capital on completion of EIS loan term | | 250,901 | - | - | 250,901 | - | 250,901 |
| • Recognition of share-based payments | 22(a) | - | 38,036 | - | 38,036 | - | 38,036 |
| • Dividends paid or provided for | 9(a) | - | - | (1,821,795) | (1,821,795) | - | (1,821,795) |
| • Interest in Ralton AM Pty Limited | | - | - | - | - | 8,990 | 8,990 |
| Balance as at 30 June 2022 | | 25,487,865 | 290,137 | (482,851) | 25,295,151 | 10,575 | 25,305,726 |

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 2022

| | Notes | 2022 \$ | 2021 \$ |
|---|-------------|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Fees received in the course of operations | | 18,895,498 | 16,799,058 |
| Expense payments in the course of operations | | (16,856,762) | (16,737,127) |
| Dividends and distributions received | | 321,037 | 299,207 |
| Government grants received | | - | 549,183 |
| Interest received | | 17,327 | 14,550 |
| Income taxes paid | | (680,524) | (567,203) |
| Operating cashflows | | 1,696,576 | 357,668 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 1,019,353 | 1,775,507 |
| Payments for financial assets at fair value through profit or loss | | (1,426,464) | (626,000) |
| | | (407,111) | 1,149,507 |
| Net cash provided by operating activities | 7(b) | 1,289,465 | 1,507,175 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for other financial asset at amortised cost | | (211) | (58,696) |
| Net cash inflow on acquisition of Madison Entities | | - | 338,977 |
| Payments for plant and equipment | 14 | (55,917) | (104,919) |
| Payments for intangible assets | 18(a) | (612,050) | (62,815) |
| Payment for contract costs | | - | (533,520) |
| Payment of investment in Associate | | (150,000) | - |
| Proceeds on termination of investment management agreement | | - | 533,520 |
| Net cash (used in)/provided by investing activities | | (818,178) | 112,547 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payments for shares bought back (including transaction costs) | 21(e) | (474,332) | - |
| Principal elements of lease payments | | (377,884) | (392,059) |
| Finance costs paid for lease liabilities | 15 | (86,850) | (117,759) |
| Proceeds from issue of shares to institutional investors | | 4,139,936 | - |
| Cash received on exercise of EIS | | 250,901 | - |
| Costs of issue of shares to institutional investors | | (38,300) | - |
| Dividends paid to Company's shareholders | 9(a) | (1,821,795) | (1,307,660) |
| Net cash provided by/(used in) financing activities | | 1,591,676 | (1,817,478) |
| Net increase/(decrease) in cash and cash equivalents | | 2,062,963 | (197,756) |
| Cash and cash equivalents at beginning of the year | | 6,078,777 | 6,276,531 |
| Cash and cash equivalents at end of the year | 7(a) | 8,141,740 | 6,078,777 |

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 2022

1. Corporate information

Clime Investment Management Limited (the Company) is a publicly listed company incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 12, 20 Hunter Street, Sydney NSW 2000 Australia. The principal activities of the Company and its subsidiaries (the Group) are described in Note 26(a).

The financial statements of Clime Investment Management Limited for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 26 August 2022 and covers the consolidated entity consisting of Clime Investment Management Limited as required by the *Corporations Act 2001*.

2. Summary of significant accounting policies

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

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

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

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

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

New and revised accounting standards effective during the reporting period

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2021 that have a material impact on the Group.

(a) Basis of preparation

Significant accounting policies adopted in the preparation of these consolidated financial statements are presented below and have been consistently applied unless stated otherwise.

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

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

Critical accounting estimates

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

(b) Principles of consolidation

Subsidiaries

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

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

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are 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 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 interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis.

Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Revenue recognition

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

(i) Dividend and distribution income

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

(ii) Management fees, advice fees and other fees

Fees and commissions that relate to specific transactions or events are recognised as revenue in the period that the services are provided and performance obligations are satisfied.

(iii) Performance fees

Performance fees are recognised at a point in time as income at the end of the relevant period to which the performance fee relates and when the Group's entitlement to the fee becomes established.

As performance fees are contingent upon performance determined at a future date, they are not recognised over time as they are not able to be measured reliably, and it is probable that there could be a reversal of revenue.

(iv) Authorised representative fees

On a bi-monthly basis, Madison Financial Advisers are billed for AFSL licensing fees in line with the contract between Madison and the Advisers. The Group's obligations under these contracts is to provide support to Advisers and licensing under the Madison AFSL to enable them to provide financial advice. The fees charged to the Advisers are based on a fee structure outlined in the contract with the Advisers.

(v) Investment education and software

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

(vi) 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.

(vii) Government subsidies

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

(d) Income tax

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

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

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

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

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

(e) Leases

The Group assesses whether a contract is, or contains, a lease, at inception of the contract.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less).

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(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 is discounted to its net present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other 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.

(i) Trade and other receivables

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

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

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

(j) Investments

(i) Classification

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

The Group classifies its assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. Since the investments do not have contractual cash flows attached the appropriate classification is fair value through profit or loss.

(ii) Recognition/derecognition

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

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

(iii) Measurement

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

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

(iv) Offsetting financial instruments

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

(k) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using alternative valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held, if any. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables are considered to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(l) Plant and equipment

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 of 3-20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

(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.

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

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for the goodwill is recognised directly in profit or loss in the consolidated Statement of Profit or Loss and Other Comprehensive Income.

An impairment loss recognised for goodwill is not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Intangible assets acquired separately

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

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.

(iii) Investment Management contracts & relationships
Investment Management contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. When acquired in a business combination, they are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition they 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 reviewed for indicators of impairment annually.

(iv) 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. When acquired in a business combination, they are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition they are carried at cost less accumulated amortization and impairment losses. Amortisation is calculated using the straight-line method to allocate the software license, customer relationship and customer list over their useful life of 3 to 15 years. Software license, customer relationship and customer list are reviewed for indicators of impairment annually.

(n) Trade and other payables

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

(o) Contract liabilities

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

(p) Employee benefits

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

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

(ii) Bonus plans

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

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

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

(iii) Superannuation

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

(iv) Employee benefit on-costs

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

(v) Share-based payments

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

Employee Incentive Scheme (EIS)

The Company EIS was approved by shareholders at the Company's Annual General Meeting held in October 2007.

The EIS provides an opportunity for eligible employees, as determined by the Board from time to

time, to purchase shares in the Company via the provision of an interest-free, non-recourse loan.

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

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

The fair value of the 'in-substance options' at grant date is determined using a binomial distribution to statistically estimate the value of the benefits granted. The valuation model considers 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 considers 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 ASX.

Employee Share Plan (ESP)

The shares under the ESP are granted to all employees (other than directors) at Nil consideration. The fair value of the shares issued under the ESP of \$27,400 are expensed to the income statement immediately on issue.

(q) Provisions

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

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

(r) Financial liabilities and equity instruments

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

Ordinary shares are classified as equity.

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

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

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

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

(s) Dividends

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

(t) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(u) Goods and services tax

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

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

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

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

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

The AASB has issued certain new and amended Accounting Standards and Interpretations that are not mandatory for 30 June 2022 reporting period and hence have not been early adopted by the Group.

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(w) Presentation currency and rounding of amounts

These financial statements are presented in Australian Dollars. Australian Dollars are also the functional currency of all entities in the Group.

The Group is of a kind referred to in ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations Instruments to the nearest dollar.

3. Critical accounting estimates and assumptions

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below and in Note 18.

Carrying value assessment of goodwill, investment management contracts and client relationships

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

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Revenue from Madison – Principal versus agent considerations

Revenue from Madison includes revenues collected for services performed by Authorised Representatives (as defined in the *Corporations Act 2001 (Cth)*) of Madison. Madison is considered to be acting as agent under the requirements of AASB 15 *Revenue from Contracts with Clients*. Accordingly, payments made to Authorised Representatives are deducted from the gross revenue to arrive at the reported net revenue figure as disclosed in Note 5 of the financial statements.

4. Financial risk management

The Group's activities expose it to various direct and indirect financial risks, including market risk, interest rate risk, credit risk, liquidity risk and fair value risk. Risk management is carried out by senior management under policies and strategies approved by the Board, and Audit Committee. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Market risk

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

(i) Other price risk

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

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

(a) Market risk (continued)

The Group seeks to reduce market risk by adhering to the prudent investment guidelines as documented in the respective product disclosure statements, information memorandum and portfolio construction guidelines.

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 2022 | | 30 JUNE 2021 | |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 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) | \$ 756,829 | (\$ 756,829) | \$868,286 | (\$868,286) |

(ii) Interest rate risk management

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

INTEREST RATE RISK SENSITIVITY ANALYSIS

The table below summarises the pre-tax impact on the Group's profits due to both a decrease and increase in interest rates by 100 basis points (one percentage point) at the end of the reporting period. The analysis is based on the assumption that the change is based on the weighted average rate of interest on cash at bank and cash on deposit for the year (0.22% weighted average interest rate in 2022 and 0.23% weighted average interest rate in 2021).

| | 30 JUNE 2022 | | 30 JUNE 2021 | |
|----------------------------|---|---|---|---|
| | 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) | \$86,975 | (\$86,975) | \$62,329 | (\$62,329) |

(b) Credit risk

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

(i) Cash and cash equivalents

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

(ii) Trade and other receivables

The maximum credit risk of the Group in relation to trade and other receivables is their carrying amounts. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(c) Liquidity risk

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

(i) Maturities of financial liabilities

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

| MATURITY ANALYSIS – GROUP 2022 | CARRYING AMOUNT \$ | CONTRACTUAL CASH FLOWS \$ | LESS THAN 6 MONTHS \$ | 6 – 12 MONTHS \$ | 1-3 YEARS \$ |
|-----------------------------------|--------------------------|---------------------------------|-----------------------------|------------------------|--------------------|
| Financial liabilities | | | | | |
| Trade and other payables | 2,900,740 | 2,900,740 | 2,803,914 | - | 96,826 |
| Lease liabilities | 1,436,017 | 1,552,937 | 244,139 | 244,139 | 1,064,659 |
| Total financial liabilities | 4,336,757 | 4,453,677 | 3,048,053 | 244,139 | 1,161,485 |
| | | | | | |
| MATURITY ANALYSIS – GROUP 2021 | CARRYING AMOUNT \$ | CONTRACTUAL CASH FLOWS \$ | LESS THAN 6 MONTHS \$ | 6 – 12 MONTHS \$ | 1-3 YEARS \$ |
| Financial liabilities | | | | | |
| Trade and other payables | 4,487,145 | 4,487,145 | 4,242,912 | - | 244,233 |
| Lease liabilities | 1,813,901 | 2,013,344 | 230,204 | 230,204 | 1,552,936 |
| Total financial liabilities | 6,301,046 | 6,500,489 | 4,473,116 | 230,204 | 1,797,169 |

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

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

(d) Fair value risk

The Group seeks to reduce market risk by adhering to the prudent investment guidelines of its Investment Committee.

(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 2022 | LEVEL 1 \$ | LEVEL 2 \$ | LEVEL 3 \$ | TOTAL \$ |
|---|---------------|---------------|---------------|-------------|
| Financial assets at fair value through profit or loss | | | | |
| - Listed equities | 5,137,064 | - | - | 5,137,064 |
| - Unlisted unit trusts | - | 65,622 | - | 65,622 |
| | 5,137,064 | 65,622 | - | 5,202,686 |

| AT 30 JUNE 2021 | LEVEL 1 \$ | LEVEL 2 \$ | LEVEL 3 \$ | TOTAL \$ |
|---|---------------|---------------|---------------|-------------|
| Financial assets at fair value through profit or loss | | | | |
| - Listed equities | 5,649,076 | - | - | 5,649,076 |
| - Unlisted unit trusts | - | 21,596 | - | 21,596 |
| | 5,649,076 | 21,596 | - | 5,670,672 |

(i) Valuation technique

LISTED INVESTMENTS

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

UNLISTED UNIT TRUSTS

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds and are included within Level 2 of the hierarchy.

The carrying amounts of other financial asset and trade and other payables, are assumed to approximate their fair values due to their short-term nature.

5. Revenue

| | 2022 \$ | 2021 \$ |
|--|-------------------|-------------------|
| Revenue from contract with customers | | |
| Funds management | | |
| Management fees ¹ | 9,201,297 | 8,469,485 |
| Performance fees ² | - | 2,285,283 |
| Other fees ² | 831,389 | 427,531 |
| | 10,032,686 | 11,182,299 |
| | | |
| Advice fees ¹ | 190,145 | 202,250 |
| Other fees ² | 105,130 | 153,997 |
| | 295,275 | 356,247 |
| Revenue from MFG entities | | |
| Dealership, portfolio management and other fees ¹ | 2,793,090 | 3,591,472 |
| Investment software | | |
| Subscription fees ¹ | 221,914 | 301,957 |
| | 13,342,965 | 15,431,975 |
| Direct investments income | | |
| Dividends and distributions | 321,168 | 303,008 |
| Interest income | 18,749 | 14,550 |
| | 339,917 | 317,558 |
| TOTAL REVENUE | 13,682,882 | 15,749,533 |

¹Revenue from contracts with customers recognised over time

²Revenue from contracts with customers recognised at a point in time

Refer to Note 26(b) for an analysis of revenue by segment.

6. Expenses

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Profit before income tax includes the following specific expenses: | | |
| Employee benefits expense (excluding superannuation) | 6,895,461 | 8,355,156 |
| Defined contribution superannuation expense | 597,105 | 577,428 |
| Share-based payment expense recognised (Note 25 (c)) | 65,436 | 39,754 |
| Finance costs paid on lease liabilities | 86,850 | 117,759 |
| Rental expenses relating to short-term leases | 54,316 | 92,500 |
| Depreciation of plant and equipment | 74,534 | 53,120 |
| Depreciation of right of use assets (Note 15) | 429,444 | 429,444 |
| Amortisation of contract costs (Note 17) | 56,160 | 56,160 |
| Amortisation of investment management contracts (Note 18 (a)) | 300,747 | 300,747 |
| Amortisation of software licences, customer relationships and customer lists (Note 18 (a)) | 217,354 | 290,850 |

7. Statement of cashflows

(a) Reconciliation of cash

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise: | | |
| Cash and bank balances | 8,141,740 | 6,078,777 |

Cash at bank is interest bearing. Cash at bank and deposits at call bear floating interest rates between 0.02% and 0.40% (2021: 0.01% and 0.43%).

The cash and cash equivalents as at end of 30 June 2022 includes \$1.83 million (2021: \$1.30 million) of cash held on behalf of Authorised Representatives of Madison Financial Group Pty Limited.

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

| | 2022 \$ | 2021 \$ |
|---|------------------|------------------|
| Profit for the year attributable to the owners of the Company | 96,905 | 2,277,575 |
| Adjustment for non-cash items: | | |
| Depreciation and amortisation expense | 1,078,239 | 1,130,321 |
| Non-cash share-based payment expense | 65,436 | 39,754 |
| Share of loss of associate | 30,268 | - |
| Finance costs paid on lease liabilities | 86,850 | 117,759 |
| Change in operating assets and liabilities | | |
| Trade and other receivables and other assets | 1,655,700 | (2,654,516) |
| Financial assets at fair value through profit or loss | 467,986 | 44,732 |
| Trade and other payables and contract liabilities | (1,580,847) | 151,022 |
| Current tax asset | (437,902) | (17,117) |
| Deferred tax assets and liabilities | (127,138) | 281,595 |
| Provisions | (46,032) | 136,050 |
| Net cash provided by operating activities | 1,289,465 | 1,507,175 |

8. Income tax expense

(a) Income tax expense

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Current tax expense | 242,619 | 550,084 |
| Deferred tax expense | (127,136) | 281,595 |
| | 115,483 | 831,679 |
| Deferred income tax expense included in income tax expense comprises: | | |
| (Increase)/decrease in deferred tax assets (Note 16) | 69,530 | 82,266 |
| (Decrease)/increase in deferred tax liabilities (Note 16) | (196,666) | 199,329 |
| | (127,136) | 281,595 |

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

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Profit before income tax expense | 213,973 | 3,109,254 |
| Tax at the Australian tax rate of 25% (2021: 26%) | 53,493 | 808,406 |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: | | |
| Amortisation of intangibles | 131,276 | 135,985 |
| Share-based payment expense | 16,359 | 2,247 |
| Tax rate changes | (53,889) | (32,310) |
| Franking credits on dividends | (100,660) | (88,655) |
| Government subsidy | - | (13,000) |
| Sundry items | 68,904 | 19,006 |
| Income tax expense | 115,483 | 831,679 |

9. Dividends

(a) Dividends provided for and paid during the year

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Final dividend in respect of the previous financial year – 1.5 cents per share fully franked (2021: 1 cent per share fully franked) | 1,097,787 | 657,075 |
| Interim dividend in respect of the current financial year – 1.0 cent per share fully franked (2021: 1.0 cent per share fully franked) | 724,008 | 650,585 |
| | 1,821,795 | 1,307,660 |
| Fully franked portion | 1,821,795 | 1,307,660 |

(b) Dividends not recognised at year end

| | | |
|---|---------|---------|
| Proposed fully franked dividend – 0.4 cents per share (2021: 1.5 cents per share) | 289,100 | 997,628 |
|---|---------|---------|

(c) Franking account balance

Amount of franking credits available for subsequent financial years are:

| | | |
|--|----------------|----------------|
| Franking account balance brought forward | 288,762 | 79,577 |
| Franking credits arising from income tax paid | 680,522 | 567,200 |
| Franking credits from dividends received | 134,213 | 119,804 |
| Franking debits from payment of dividends | (607,265) | (477,819) |
| Balance of franking account at year end | 496,232 | 288,762 |
| Franking credits arising from income tax (receivable)/payable | (238,629) | 199,273 |
| Impact on franking account of proposed dividend not recognised at year end at 25% corporate tax rate (2021: 26%) | (96,367) | (350,518) |
| Amount of franking credits available for subsequent financial years | 161,236 | 137,517 |

10. Trade and other receivables - Current

| | 2022 \$ | 2021 \$ |
|-------------------|------------|------------|
| Trade receivables | 1,448,604 | 3,487,177 |
| Other receivables | 636,161 | 450,366 |
| | 2,084,765 | 3,937,543 |

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

11. Other current assets

| | 2022 \$ | 2021 \$ |
|--------------------------|------------|------------|
| Prepayments and deposits | 672,548 | 475,466 |

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

| | 2022 \$ | 2021 \$ |
|----------------------|------------|------------|
| Listed equities | 5,137,064 | 5,649,076 |
| Unlisted unit trusts | 65,622 | 21,596 |
| | 5,202,686 | 5,670,672 |

13. 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 * | |
|-------------------------------------|--------------------------|---------------------|------------------|--------|
| | | | 2022 % | 2021 % |
| Clime Asset Management Pty Ltd | Australia | Fully Paid Ordinary | 100 | 100 |
| Stocks In Value Pty Ltd | Australia | Fully Paid Ordinary | 100 | 100 |
| Clime Private Wealth Pty Ltd | Australia | Fully Paid Ordinary | 100 | 100 |
| Clime Investors Education Pty Ltd | Australia | Fully Paid Ordinary | 100 | 100 |
| CBG Asset Management Limited | Australia | Fully Paid Ordinary | 100 | 100 |
| Madison Financial Group Pty Limited | Australia | Fully Paid Ordinary | 100 | 100 |
| AdviceNet Pty Limited | Australia | Fully Paid Ordinary | 100 | 100 |
| ProActive Portfolios Pty Limited | Australia | Fully Paid Ordinary | 100 | 100 |
| WealthPortal Pty Limited | Australia | Fully Paid Ordinary | 100 | 100 |
| Ralton AM Pty Limited | Australia | Fully Paid Ordinary | 75 | - |

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

14. Plant and equipment

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| Plant and equipment - at cost | 724,363 | 668,444 |
| Accumulated depreciation and impairment | (578,990) | (504,454) |
| Written down value of plant and equipment | 145,373 | 163,990 |
| Reconciliation | | |
| Carrying value at beginning of the year | 163,990 | 112,191 |
| Additions during the year | 55,917 | 104,919 |
| Depreciation charge for the year | (74,534) | (53,120) |
| Carrying amount at end of the year | 145,373 | 163,990 |

15. Leases

The Group has a lease contract on its main office in Sydney which has a term of five years. The Group also has leases on its Brisbane and Melbourne offices with lease terms of 12 months or less which the Group applies the "short term lease" recognition exemptions for these leases.

Amounts recognised in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases:

| | 2022 \$ | 2021 \$ |
|--|-------------------------|-------------------------|
| Right-of-use assets | | |
| <i>Building under lease arrangement</i> | | |
| At cost | 2,147,222 | 2,147,222 |
| Accumulated depreciation | (858,888) | (429,444) |
| | <u>1,288,334</u> | <u>1,717,778</u> |
| Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year: | Office Space | Office Space |
| Carrying amount at 1 July | 1,717,778 | 1,045,485 |
| Termination of right of use assets | - | (1,045,485) |
| Additions during the year | - | 2,147,222 |
| Depreciation | (429,444) | (429,444) |
| Carrying amount at 30 June | <u>1,288,334</u> | <u>1,717,778</u> |
| Lease liabilities | | |
| Current | 425,835 | 377,884 |
| Non-current | 1,010,182 | 1,436,017 |
| | <u>1,436,017</u> | <u>1,813,901</u> |

An analysis of the remaining contractual maturities of lease liabilities is disclosed in Note 4(c).

| | | |
|--|-----------------------|-----------------------|
| Lease expenses and cashflows | | |
| Finance costs on lease liabilities | 86,850 | 117,759 |
| Principal elements of lease payments | 377,884 | 392,059 |
| Expenses relating to leases of 12 months or less (for which a lease asset and lease liability have not been recognised) | 54,316 | 92,500 |
| Total cash outflow in relation to leases | <u>519,050</u> | <u>602,318</u> |
| Depreciation expense on lease assets | <u>429,444</u> | <u>429,444</u> |

16. Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| The balance comprises temporary differences attributable to: | | |
| Financial assets at fair value through profit or loss | 54,250 | 289 |
| Contract liabilities | 24,206 | 43,087 |
| Employee benefits | 169,520 | 191,173 |
| Accrued expenses | 12,387 | 80,657 |
| Tax losses carried forward on capital account | 177,981 | 192,668 |
| Deferred tax assets | 438,344 | 507,874 |
| Movements | | |
| Opening balance at 1 July | 507,874 | 590,139 |
| Credited/(charged) to profit or loss (Note 8(a)) | (69,530) | (82,265) |
| Closing balance at 30 June | 438,344 | 507,874 |

(b) Deferred tax liabilities

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| The balance comprises temporary differences attributable to: | | |
| Financial assets at fair value through profit or loss | 2,663 | 199,329 |
| Deferred tax liabilities | 2,663 | 199,329 |
| Movements: | | |
| Opening balance at 1 July | 199,329 | - |
| Credited/charged to the profit or loss (Note 8(a)) | (196,666) | 199,329 |
| Closing balance at 30 June | 2,663 | 199,329 |
| Net deferred tax assets (a – b) | 435,681 | 308,545 |

17. Contract Costs

| | 2022 \$ | 2021 \$ |
|----------------|------------|------------|
| Contract Costs | 421,200 | 477,360 |

Contract costs represent payments made by the Group to obtain an Investment Management Agreement. These costs are amortised on a straight-line basis over the period of the Investment Management Agreement as this reflects the period over which the Investment Management Services will be provided.

During FY 2021, Clime Asset Management Pty Limited paid an amount of \$533,520 (ex-GST) to Clime Capital Limited to obtain the investment management agreement of CBG Capital Limited's portfolio that was previously managed by CBG Asset Management Limited.

In FY 2022, amortisation amounting to \$56,160 (2021: \$56,160) was recognised in the consolidated statement of profit or loss. There was no impairment during the year (2021: \$Nil).

18. Intangible assets

| | 2022 \$ | 2021 \$ |
|--|-------------|-------------|
| Goodwill: | | |
| At cost | 8,613,884 | 8,613,884 |
| Investment management contracts and relationships: | | |
| At cost | 5,160,480 | 5,160,480 |
| Accumulated amortisation | (4,113,393) | (3,812,646) |
| | 1,047,087 | 1,347,834 |
| Software licences: | | |
| At cost | 1,285,613 | 905,563 |
| Accumulated amortisation | (617,132) | (501,341) |
| | 668,481 | 404,222 |
| Customer relationship and customer list: | | |
| At cost | 1,990,023 | 1,758,023 |
| Accumulated amortisation | (711,607) | (610,044) |
| | 1,278,416 | 1,147,979 |
| Closing balance at 30 June | 11,607,868 | 11,513,919 |

18. Intangible assets (continued)

(a) Reconciliations

| 2022 - Consolidated | GOODWILL | INVESTMENT MANAGEMENT CONTRACTS & RELATIONSHIPS | SOFTWARE LICENCES | CUSTOMER RELATIONSHIPS & CUSTOMER LISTS | TOTAL |
|---------------------------------------|------------------|--|----------------------|---|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Carrying amount at beginning of year | 8,613,884 | 1,347,834 | 404,222 | 1,147,979 | 11,513,919 |
| Additions | - | - | 380,050 | 232,000 | 612,050 |
| Deletions | - | - | - | - | - |
| Amortisation expense ¹ | - | (300,747) | (115,791) | (101,563) | (518,101) |
| Carrying amount at end of year | 8,613,884 | 1,047,087 | 668,481 | 1,278,416 | 11,607,868 |

| 2021 - Consolidated | GOODWILL | INVESTMENT MANAGEMENT CONTRACTS & RELATIONSHIPS | SOFTWARE LICENCES | CUSTOMER RELATIONSHIPS & CUSTOMER LISTS | TOTAL |
|---------------------------------------|------------------|--|----------------------|---|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Carrying amount at beginning of year | 8,613,884 | 2,182,101 | 530,694 | 1,249,543 | 12,576,222 |
| Additions | - | - | 62,815 | - | 62,815 |
| Deletions | - | (533,520) | - | - | (533,520) |
| Amortisation expense ¹ | - | (300,747) | (189,287) | (101,564) | (591,598) |
| Carrying amount at end of year | 8,613,884 | 1,347,834 | 404,222 | 1,147,979 | 11,513,919 |

¹ Amortisation of \$518,101 (2021: \$591,598) 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 | DEALERSHIP BUSINESS | TOTAL |
|--------------------------------------|---------------------|---|------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| 2022 - Consolidated | | | | |
| Balance at the beginning of the year | 4,996,884 | 325,000 | 3,292,000 | 8,613,884 |
| Movements during the year | - | - | - | - |
| Balance at end of year | 4,996,884 | 325,000 | 3,292,000 | 8,613,884 |
| 2021 - Consolidated | | | | |
| Balance at the beginning of the year | 4,996,884 | 325,000 | 3,292,000 | 8,613,884 |
| Movements during the year | - | - | - | - |
| Balance at end of year | 4,996,884 | 325,000 | 3,292,000 | 8,613,884 |

(b) Impairment testing of goodwill (continued)

Funds management

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

The Company's acquisitions of the components of its Funds Management business were conducted at prices within the historical range of 2.5% to 6.0% of their underlying FUM.

Investment software and education

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

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

Licensee business

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets, normalised EBITDA for a period of five years, a pre-tax discount rate of 16% (2021: 13%) per annum and a growth rate of 5% per annum.

Management believe that any reasonably possible change in the key assumptions on which the recoverable amount of the cash generating unit is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related cash generating unit.

19. Trade and other payables

| 2022 CONSOLIDATED | 2022 \$ | 2021 \$ |
|--|------------------|------------------|
| Unsecured: | | |
| Trade payables | 1,036,148 | 1,162,010 |
| Dividends on shares issued under the Employee Incentive Scheme | 27,326 | 81,375 |
| Accruals | 526,203 | 1,837,531 |
| Licensee fees payable (Madison) | 1,088,293 | 1,087,745 |
| Other payables | 453,481 | 395,637 |
| | <u>3,131,451</u> | <u>4,564,298</u> |

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

20. Provisions

| | 2022 \$ | 2021 \$ |
|---------------------------------|----------------|----------------|
| Employee benefits – current | | |
| Annual leave | 417,539 | 462,074 |
| Long service leave | 199,054 | 64,718 |
| | 616,593 | 526,792 |
| Employee benefits – non-current | | |
| Long service leave | 61,487 | 208,487 |

21. Issued capital

(a) Share capital

| | PARENT EQUITY | | PARENT EQUITY | |
|-----------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 Shares | 2021 Shares | 2022 \$ | 2021 \$ |
| Ordinary shares | | | | |
| Fully paid | 70,975,080 | 64,708,505 | 25,487,865 | 21,539,410 |

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(p)(v) for further information.

As at 30 June 2022, there are 1,300,000 (2021: 1,800,000) fully paid ordinary shares issued under the Employee Incentive Scheme as 'in-substance options', which are not included in the fully paid ordinary shares disclosed above.

(b) Movements in ordinary share capital

| DATES | DETAILS | NUMBER OF SHARES | \$ |
|----------------------------|--|---------------------|-------------------|
| 30 June 2020 | Balance | 64,657,505 | 21,508,300 |
| 16 December 2020 | Issue of ordinary shares under CIW Employee Share Plan (ESP) | 51,000 | 31,110 |
| 30 June 2021 | Balance | 64,708,505 | 21,539,410 |
| September to October 2021 | Issue of ordinary shares by way of placements and share purchase plan | 6,677,285 | 4,139,936 |
| September to October 2021 | Cost of issuing capital – net of tax | - | (38,300) |
| December 2021 to June 2022 | Shares bought back on-market and cancelled | (806,760) | (473,762) |
| December 2021 to June 2022 | Transaction costs arising from on-market buy-back | - | (570) |
| December 2021 | Transfer of loan repayments to issued capital on completion of Employee Incentive Scheme (EIS) loan term | 350,000 | 250,901 |
| December 2021 | Transfer from share-based payments reserve to issued capital on completion of EIS loan term | - | 42,850 |
| 22 December 2021 | Issue of ordinary shares under CIW ESP | 46,050 | 27,400 |
| 30 June 2022 | Balance | 70,975,080 | 25,487,865 |

21. Issued capital (continued)

(c) Terms and conditions

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

(d) Institutional Placement and Share Purchase Plan

During the financial year ended 30 June 2022, the Company issued 6,677,285 fully paid ordinary shares (2021: Nil) at 62 cents per share through institutional placement and associated Share Purchase Plan.

(e) On-market share buy-back

During the financial year ended 30 June 2022, Clime Investment Management Limited, in accordance with its on-market share buy-back scheme, bought back 806,760 (2021: Nil) 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 58.72 cents. The total cost of \$474,332, including \$570 transaction costs, was deducted from contributed equity. The shares bought back in the current year were cancelled immediately.

(f) Employee Incentive Scheme ("EIS")

As at 30 June 2022, there are 1,300,000 (2021: 1,800,000) EIS 'in-substance' options on issue. Share options granted under the Company's EIS carry rights to dividends and voting rights. Refer to Note 25(a) for a schedule of the movements in EIS options on issue during the year.

(g) Employee Share Plan ("ESP")

On 22 December 2021, the Company issued 46,050 (2021: 51,000) new shares under the Clime Employee Share Plan for Nil consideration. These shares were issued to all Clime Group employees (excluding directors). The participants under the ESP are entitled to dividends and are subject to a 3-year lock-in-period in accordance with the plan rules. The fair value of these shares are immediately expensed to profit or loss account. Refer to Note 25(b) for the shares issued under ESP for the year.

(h) 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 and benefits for other stakeholders and to maintain an optimal capital structure and to reduce the cost of capital.

The Group's capital structure currently consists of total equity, as recognised in the Statement of Financial Position.

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 2021.

22. Reserves and retained earnings

(a) Reserves

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Share-based payments reserve | 290,137 | 294,951 |
| Movements | | |
| Share-based payments reserve | | |
| Balance 1 July | 294,951 | 286,307 |
| Share-based payment expense recognised | 38,036 | 8,644 |
| Transfer to issued capital on completion of EIS loan term | (42,850) | - |
| Balance 30 June | 290,137 | 294,951 |

(b) Retained (losses)/earnings

| | 2022 \$ | 2021 \$ |
|---|-------------|-------------|
| Movements in retained earnings were as follows: | | |
| Balance 1 July | 1,242,039 | 272,124 |
| Net profit for the year attributable to owners of the Group | 96,905 | 2,277,575 |
| Dividends (Note 9) | (1,821,795) | (1,307,660) |
| Balance 30 June | (482,851) | 1,242,039 |

(c) Nature and purpose of reserves

Share-based payments reserve

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

23. Remuneration of auditors

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

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| Audit and review of financial statements - Pitcher Partners | 159,057 | 136,026 |
| Audit and review of financial statements - KPMG | 8,310 | 12,368 |
| Taxation matters - Pitcher Partners | 12,745 | 24,963 |
| Other matters - Pitcher Partners | 1,000 | 2,900 |
| Others | 1,020 | 650 |
| | 182,132 | 176,907 |

24. Earnings per share

(a) Basic earnings per share

| | 2022 CENTS | 2021 CENTS |
|---|---------------|---------------|
| Profit attributable to the ordinary equity holders of the Group | 0.1 | 3.5 |

(b) Diluted earnings per share

| | 2022 CENTS | 2021 CENTS |
|---|---------------|---------------|
| Profit attributable to the ordinary equity holders of the Group | 0.1 | 3.4 |

(c) Reconciliations of earnings used in calculating earnings per share

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| Basic and diluted earnings per share | | |
| Profit for the year attributable to owners of the Group | 96,905 | 2,277,575 |
| Profit attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share | 96,905 | 2,277,575 |

(d) Weighted average number of shares used as the denominator

| | 2022 NUMBER | 2021 NUMBER |
|--|----------------|----------------|
| Weighted average number of ordinary shares used in calculation of basic earnings per share | 69,451,157 | 64,684,891 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 71,022,938 | 66,484,891 |

(e) Reconciliations of weighted average numbers of shares

| | 2022 NUMBER | 2021 NUMBER |
|--|----------------|----------------|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 69,451,157 | 64,684,891 |
| Weighted average number of ordinary shares deemed to be issued for no consideration in respect of - Employee Incentive Scheme | 1,571,781 | 1,800,000 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 71,022,938 | 66,484,891 |

(f) Options issued under EIS

Options granted under the EIS 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) EIS

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

The EIS provides an opportunity for eligible employees, as determined by the Board from time to time, to purchase shares in the Company via the provision of an interest-free, non-recourse loan.

Shares issued in accordance with the EIS are subject to certain restrictions for the duration of the loan, including continued employment with the Company and share transfer locks. Upon the expiration of the loan term, and the repayment of the outstanding loan balance by relevant employees, the shares become unconditional. Shares issued under the EIS rank equally with other fully paid ordinary shares.

Due to certain aspects of the EIS - specifically the share transfer locks and non-recourse nature of the loans - the Company is required to classify shares issued under the EIS as 'in-substance options' in accordance with AASB 2 Share-based Payment.

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

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

| GRANT DATE | VESTING / EXPIRY DATE | EXERCISE PRICE | BALANCE AT START OF THE YEAR | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | TRANSFERRED/ FORFEITED DURING THE YEAR | BALANCE AT THE END OF THE YEAR | VESTED AND EXERCISABLE AT END OF THE YEAR |
|--|-----------------------|----------------|------------------------------|-------------------------|---------------------------|--|--------------------------------|---|
| 2022 | | | NUMBER | NUMBER | NUMBER | NUMBER | NUMBER | NUMBER |
| 25/10/2013 | 03/01/2022 | \$0.829 | 100,000 | - | (100,000) | - | - | - |
| 11/09/2015 | 03/01/2022 | \$0.700 | 150,000 | - | (150,000) | - | - | - |
| 20/07/2016 | 03/01/2022 | \$0.630 | 100,000 | - | (100,000) | - | - | - |
| 30/04/2021 | 29/04/2024 | \$0.575 | 400,000 | - | - | - | 400,000 | - |
| 23/06/2021 | 22/06/2024 | \$0.573 | 1,050,000 | - | - | (500,000) | 550,000 | - |
| 22/03/2022 | 21/03/2025 | \$0.582 | - | 350,000 | - | - | 350,000 | - |
| Total | | | 1,800,000 | 350,000 | (350,000) | (500,000) | 1,300,000 | - |
| Weighted average exercise price | | | | \$0.576 | | | | |

(a) EIS(continued)

| GRANT DATE | VESTING / EXPIRY DATE | EXERCISE PRICE | BALANCE AT START OF THE YEAR | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | TRANSFERRED/ FORFEITED DURING THE YEAR | BALANCE AT THE END OF THE YEAR | VESTED AND EXERCISABLE AT END OF THE YEAR |
|--|-----------------------|----------------|------------------------------|-------------------------|---------------------------|--|--------------------------------|---|
| 2021 | | | NUMBER | NUMBER | NUMBER | NUMBER | NUMBER | NUMBER |
| 25/10/2013 | 03/01/2022 | \$0.829 | 100,000 | - | - | - | 100,000 | 100,000 |
| 11/09/2015 | 03/01/2022 | \$0.700 | 150,000 | - | - | - | 150,000 | 150,000 |
| 20/07/2016 | 03/01/2022 | \$0.630 | 150,000 | - | - | (50,000) | 100,000 | 100,000 |
| 21/08/2018 | 21/08/2021 | \$0.485 | 400,000 | - | - | (400,000) | - | - |
| 02/01/2019 | 02/01/2022 | \$0.470 | 200,000 | - | - | (200,000) | - | - |
| 04/10/2019 | 03/01/2022 | \$0.490 | 50,000 | - | - | (50,000) | - | - |
| 30/04/2021 | 29/04/2024 | \$0.575 | - | 400,000* | - | - | 400,000 | - |
| 23/06/2021 | 22/06/2024 | \$0.573 | - | 1,050,000 | - | - | 1,050,000 | - |
| Total | | | 1,050,000 | 1,450,000 | - | (700,000) | 1,800,000 | 350,000 |
| Weighted average exercise price | | | \$0.601 | | | | | |

* In-substance options granted to the Chief Executive Officer.

The weighted average contractual life of in-substance options outstanding at the end of the period was 2.14 years (2021: 2.38 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 2022 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 \$0.56 (2021: \$0.56) 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 30.2% and 34.3% (2021: 30.2% and 34.3%);
- risk-free interest rate: 1.35% (2021: 1.0%); and
- discount rate: 12% (2021: 12%).

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

| NUMBER OF OPTIONS | GRANT DATE | EXERCISE PRICE | VALUE PER OPTION AT GRANT DATE | VESTING / EXPIRY DATE |
|-------------------|------------|----------------|--------------------------------|-----------------------|
| 400,000 | 30/04/2021 | \$0.575 | \$0.108 | 29/04/2024 |
| 550,000 | 23/06/2021 | \$0.573 | \$0.108 | 22/06/2024 |
| 350,000 | 22/03/2022 | \$0.582 | \$0.120 | 21/03/2025 |
| 1,300,000 | | | | |

Refer to the Remuneration Report on pages 30 to 37, for additional information in relation to the EIS.

(b) ESP

The shares under the ESP are granted to all employees (other than directors) at \$Nil consideration. The fair value of the shares issued under the ESP of \$27,400 is expensed to the Statement of Comprehensive Income immediately on issue.

(c) Expenses arising from share-based payment transactions

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

| | 2022 \$ | 2021 \$ |
|----------------------------|---------------|---------------|
| Option expense | | |
| Employee Incentive Scheme | 38,036 | 8,644 |
| Employee Share Plan Scheme | 27,400 | 31,110 |
| | 65,436 | 39,754 |

Refer to the Remuneration Report on pages 30 to 37, for additional information in relation to the Employee Incentive Scheme and Employee Share Plan Scheme.

26. Segment information

(a) Description of segments

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

- Funds management
- Madison Entities
- Private wealth
- Investment software
- Direct investments

Funds Management

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

Madison Entities

Towards end of June 2020, the Group acquired all of the issued share capital of each of Madison Financial Group Pty Limited, AdviceNet Pty Limited, WealthPortal Pty Limited and ProActive Portfolios Pty

Limited. These entities generate operating revenue in the form of Licensee fees from Authorised Representatives (Madison) and portfolio management fees (AdviceNet, ProActive and WealthPortal).

Private Wealth

The Group, through Private Wealth, delivers tailored private wealth advisory services for wholesale and sophisticated investors.

Investment Software

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

Direct Investments

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

Other than the inclusion of Ralton AM Pty limited results in the Funds Management segment, there have been no other changes in the basis of segmentation or the basis of segment profit or loss since the previous financial report.

(b) Reportable Segments

| 2022 | FUNDS MANAGEMENT | MADISON ENTITIES | PRIVATE WEALTH | INVESTMENT SOFTWARE | DIRECT INVESTMENTS | INTER SEGMENT/ UNALLOCATED | CONSOLIDATED |
|--|---------------------|---------------------|-------------------|------------------------|-----------------------|----------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Segment revenue | | | | | | | |
| Sales to external clients | 8,691,612 | 2,793,090 | 1,480,295 | 221,914 | - | 156,054 | 13,342,965 |
| Investment income | - | - | - | - | 339,917 | - | 339,917 |
| Other income | - | 309,943 | - | - | - | - | 309,943 |
| Total segment revenue | 8,691,612 | 3,103,033 | 1,480,295 | 221,914 | 339,917 | 156,054 | 13,992,825 |
| Net realised and unrealised gains on financial assets at fair value through profit or loss | | - | - | - | (875,228) | - | (875,228) |
| Net group result before tax | 3,240,223 | 428,398 | (1,932) | 10,677 | (535,311) | (2,928,082) | 213,973 |
| Income tax expense | | - | - | - | - | - | (115,483) |
| Profit for the year | - | | | | | | 98,490 |
| Depreciation and amortisation expense | 884,592 | - | - | 65,156 | - | 128,491 | 1,078,239 |

| 2021 | FUNDS MANAGEMENT | MADISON ENTITIES | PRIVATE WEALTH | INVESTMENT SOFTWARE | DIRECT INVESTMENTS | INTER SEGMENT/ UNALLOCATED | CONSOLIDATED |
|--|---------------------|---------------------|-------------------|------------------------|-----------------------|----------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Segment revenue (Restated) | | | | | | | |
| Sales to external clients | 9,960,809 | 3,591,472 | 1,449,982 | 301,957 | - | 127,754 | 15,431,974 |
| Investment income | - | - | - | - | 317,558 | - | 317,558 |
| Government grants | - | - | - | - | - | 435,682 | 435,682 |
| Total segment revenue | 9,960,809 | 3,591,472 | 1,449,982 | 301,957 | 317,558 | 563,436 | 16,185,214 |
| Net realised and unrealised gains on financial assets at fair value through profit or loss | - | - | - | - | 1,100,971 | - | 1,100,971 |
| Net group result before tax | 4,222,798 | 717,399 | (100,107) | (64,668) | 1,418,529 | (3,084,697) | 3,109,254 |
| Income tax expense | - | - | - | - | - | - | (831,679) |
| Profit for the year | | | | | | | 2,277,575 |
| Depreciation and amortisation expense | 865,374 | - | - | 140,738 | - | 124,209 | 1,130,321 |

(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. The Group operates in the geographical segments of Australia.

(d) Information about major clients

Included in revenues arising from the funds management business of \$8.7 million (2021: \$9.9 million) (see Note 26 (b) above) are revenues of approximately \$1.3 million (2021: \$2.2 million) which arose from services provided to the Group's largest client.

27. Subsequent Events

A final fully franked dividend for the year ended 30 June 2022 of 0.4 cents per share, totaling \$289,100 has been declared by the Directors. This provision has not been reflected in the financial statements.

On 19 May 2022, the Company announced the proposed acquisition of MTIS Wealth Management Pty Limited and Investment Strategists Accounting Services Pty Limited. The agreed acquisition price is \$7 million. The first payment was made on 15 August 2022 and two further payments (subject to agreed adjustments) will be made over the next two years.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

29. Key Management Personnel disclosures

(a) Remuneration of Directors and other Key Management Personnel

A summary of the remuneration of Directors and other Key Management Personnel for the current and previous financial year is set out below:

| | SHORT-TERM EMPLOYEE BENEFITS | POST- EMPLOYMENT BENEFITS | SHARE- BASED PAYMENTS | TERMINATION BENEFITS | TOTAL |
|--|------------------------------------|---------------------------------|--------------------------|-------------------------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| 2022 | | | | | |
| Remuneration of Directors and other Key Management Personnel | 952,951 | 61,192 | 20,693 | - | 1,034,836 |
| 2021 | | | | | |
| Remuneration of Directors and other Key Management Personnel | 957,273 | 46,801 | 8,829 | 152,453 | 1,165,356 |

Further information regarding the identity of Key Management Personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report on pages 30 to 37 of this Annual Report.

28. Contingent liabilities, contingent assets and commitments

During the financial year, there was a claim instigated against one of the advisers operating under Madison Australian Financial Services Licence.

The investigation is currently in progress and the claim can be finalised only after reviewing additional evidence presented by the adviser and completion of the mediation process.

The Board believes that any potential liabilities will be covered against the escrow account created as part of the acquisition of Madison Entities with SC Australian Holdings 1 Pty Limited and security claims against the adviser.

Capital expenditure commitments

The Group has no contracted material capital expenditure commitments as at 30 June 2022 (2021: \$Nil).

(b) Equity instrument disclosures relating to Directors and other Key Management Personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 30 to 37.

(ii) Shareholdings

The numbers of shares (including shares issued under Employee Incentive Scheme (EIS)) in the Company held during the year by each Director of Clime Investment Management Limited and other Key Management Personnel of the consolidated entity, including their personally related entities, are set out below.

| | BALANCE AT THE START OF THE YEAR | RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS | OTHER CHANGES DURING THE YEAR | BALANCE AT THE END OF THE YEAR |
|--------------------|--|---|----------------------------------|-----------------------------------|
| 2022 | No. | No. | No. | No. |
| Mr. John Abernethy | 4,430,404 | - | 481,440 | 4,911,844 |
| Ms. Susan Wynne | - | - | 10,000 | 10,000 |
| Mr. Michael Kollo | - | - | - | - |
| Mr. Ronni Chalmers | - | - | 8,164,887 | 8,164,887* |
| Ms. Claire Bibby | - | - | - | - |
| Mr. Brett Spork | 35,000 | - | (35,000) | - |
| Mr. Neil Schafer | 624,058 | - | (624,058) | - |
| Mr. Peter Beaumont | - | - | - | - |
| Ms. Annick Donat | 401,500 | - | 1,500 | 403,000** |

* Includes 150,000 shares issued under Employee Incentive Scheme and 1,500 shares issued under Employee Share Plan Scheme to Mr. Ronni Chalmers issued prior to the appointment as a Director.

** Includes 400,000 shares issued under Employee Incentive Scheme and 3,000 shares issued under Employee Share Plan Scheme to Ms. Annick Donat.

| | BALANCE AT THE START OF THE YEAR | RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS | OTHER CHANGES DURING THE YEAR | BALANCE AT THE END OF THE YEAR |
|--------------------|--|---|----------------------------------|-----------------------------------|
| 2021 | No. | No. | No. | No. |
| Mr. John Abernethy | 4,293,850 | - | 136,554 | 4,430,404 |
| Mr. Brett Spork | - | - | 35,000 | 35,000 |
| Mr. Neil Schafer | 548,007 | - | 76,051 | 624,058 |
| Mr. Peter Beaumont | - | - | - | - |
| Mr. Donald McLay | 7,470,576 | - | (7,470,576) | - |
| Mr. Allyn Chant | 50,000 | - | (50,000) | - |
| Ms. Annick Donat | - | - | 401,500 | 401,500* |
| Mr. Rod Bristow | 610,000 | - | (610,000) | - |

* Includes 400,000 shares issued under Employee Incentive Scheme to Ms. Annick Donat

(c) Loans to Directors and other Key Management Personnel

\$302,200 (2021: \$230,000) loan to Executive Officers in relation to the EIS shares issued under the Employee Incentive Scheme (refer Note 25(a)).

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

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

30. Related party transactions

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

(a) Parent Entity

The Parent Entity within the Group is CIW (Clime Investment Management Limited).

(b) Subsidiaries

Interests in subsidiaries are set out in Note 13.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 29.

(d) Other related party transactions

1. Clime Capital Limited

- i. Mr. John Abernethy and Mr. Ronni Chalmers are Directors of Clime Capital Limited. The Group received \$156,160 (2021: \$162,867) as management fees for the services rendered by two Directors and Company Secretary to Clime Capital Limited and reimbursement of marketing fees.
- ii. Clime Investment Management Ltd directly owns 4.44% (2021: 4.38%) of the share capital of the Company as at 30 June 2022. Clime Investment Management Ltd, through the Investment Manager, has the indirect power to dispose 2.98% (2021: 2.94%) of the Company's shares and has the indirect power to dispose 9.17% (2021: 10.12%) of the Company's Convertible Notes held by the Investment Manager's Individually Managed Accounts (IMAs) and other managed funds.
- iii. Clime Capital Limited received \$Nil (2021: \$533,520 (ex-GST)) from Clime Asset Management Pty Limited to obtain the investment management agreement of CBG Capital Limited's portfolio that was previously managed by CBG Asset Management Limited.
- iv. Clime Asset Management Pty Limited, received \$1,308,541 (2021: \$2,213,502) as remuneration for managing Clime Capital Limited's investment portfolio in full.

- v. All dividends paid and payable by Clime Capital Limited to its Directors and their related entities are on the same basis as to other shareholders.

2. Clime Fixed Interest Fund

Clime Asset Management Pty Limited during the year received \$77,928 (2021: \$102,339) as remuneration for managing the investment portfolios and acting as trustee of Clime Fixed Interest Fund.

3. Clime All Cap Australian Equities Fund (Wholesale) (formerly Clime CBG Australian Equities Fund (Wholesale))

CBG Asset Management Limited, during the year received \$677,171 (2021: \$931,485) as remuneration for managing the investment portfolios and acting as trustee of Clime All Cap Australian Equities Fund (Wholesale).

4. Clime Australian Equity Long Short Fund (Wholesale)

Clime Asset Management Pty Limited, during the year received \$2,034 (2021: \$Nil) as remuneration for managing the investment portfolios and acting as trustee of Clime Australian Equity Long Short Fund.

(e) Outstanding balances as at year end

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

| | AMOUNT OWED BY RELATED PARTIES | | AMOUNT OWED TO RELATED PARTIES | |
|---|--------------------------------|----------------------|--------------------------------|----------------------|
| | 30 JUNE 2022 (\$) | 30 JUNE 2021 (\$) | 30 JUNE 2022 (\$) | 30 JUNE 2021 (\$) |
| Clime Capital Limited | 131,239 | 1,232,601 | - | - |
| Clime All Cap Australian Equities Fund (Wholesale) | 42,963 | 305,208 | - | - |
| Subsidiaries of Clime Investment Management Limited | 8,791,583 | 6,818,749 | 21,656,843 | 20,477,782 |

31. Parent Entity disclosures

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

(a) Financial position

| | 2022 \$ | 2021 \$ |
|------------------------------|-------------------|-------------------|
| Assets | | |
| Current assets | 14,534,113 | 12,906,647 |
| Non-current assets | 25,405,086 | 21,724,853 |
| Total Assets | 39,939,199 | 34,631,500 |
| Liabilities | | |
| Current liabilities | 8,522,351 | 11,951,739 |
| Non-current liabilities | 2,707,267 | - |
| Total Liabilities | 11,229,618 | 11,951,739 |
| Net Assets | 28,709,581 | 22,679,761 |
| Equity | | |
| Issued capital | 25,487,865 | 21,539,413 |
| Profit reserve | 24,849,832 | 24,849,832 |
| Accumulated losses | (21,918,253) | (24,004,435) |
| Share-based payments reserve | 290,137 | 294,951 |
| Total Equity | 28,709,581 | 22,679,761 |

(b) Financial performance

| | | |
|-------------------------------------|------------------|------------------|
| Profit for the year | 3,907,976 | 4,879,678 |
| Other comprehensive income / (loss) | - | - |
| Total comprehensive income | 3,907,976 | 4,879,678 |

(c) Guarantees entered into by the Parent Company

The parent company provides cash backed guarantees for the lease agreement of office premises. During the year these guarantees amounted to \$289,545 (2021: \$289,334) and is secured by a charge over other financial assets of \$289,545.

(d) Commitments

The Entity has contracted capital expenditure commitments of \$Nil (2021: \$Nil) on fit-out works of the 3 office locations as at 30 June 2022 and \$230,400 (2021: \$92,500) for the operating lease commitments of short-term office leases.

Directors' Declaration

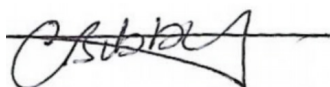
The Directors declare that:

- a. in the Directors' opinion, the attached financial statements and notes thereto, as set out on pages 41 to 80, are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, and giving a true and fair view of the financial position and performance of the Group;
- b. in the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- c. in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;
- d. the Directors have been given the declarations required by S295A of the *Corporations Act 2001*; and
- e. the remuneration disclosures contained in the Remuneration Report comply with S300A of the *Corporations Act 2001*.

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



John Abernethy
Chairman



Claire Bibby
Independent Director

26 August 2022



Level 16, Tower 2 Darling Park
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Sydney NSW 2000

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Sydney NSW 2001

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

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

We have audited the accompanying financial report of Clime Investment Management Limited ("the Company") and its Controlled Entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

Opinion

In our opinion:

- a) the accompanying financial report of Clime Investment Management Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| <i>Key audit matter</i> | <i>How our audit addressed the matter</i> |
|---|--|
| Accuracy of Management Fees Refer to Note 5: Revenue and Note 30: Related party transactions | |
| <p>Management fees account for \$9,201,297 of the Group's \$13,682,882 reported revenue in 2022.</p> <p>We focused our audit effort on the accuracy of management fees given their significance to the revenue of the Group and the calculation includes key inputs such as portfolio movements and set percentages in accordance with the Investment Management Agreements.</p> <p>In addition to their quantum, as some of these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be charged in excess of those mandated under the management agreement.</p> <p>We therefore identified accuracy of management fees as a key audit matter.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and evaluating the design and implementation of management's processes and controls for calculating the management fees; • Making enquiries with management and the directors with respect to any significant events during the year and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes; • Reviewing the independent auditor's report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Investment Administrator for the current financial year; • Testing of key inputs such as portfolio movements and set percentage used in the calculation of management fees, as well as performing a recalculation in accordance with our understanding of the Investment Management Agreements; and • Assessing the appropriateness of the accounting policy in relation to management fees and the adequacy of disclosures in the financial statements. |

Impairment Assessment of Intangible Assets
Refer to Note 18: Intangible Assets

At 30 June 2022 the Group's statement of financial position has intangible assets totalling \$11,607,868.

The assessment of impairment of the Group's intangible assets incorporates significant management judgement surrounding the assumptions and estimates used in calculating their recoverable amount.

Key assumptions and estimates include financial and cash flow forecasts based on budgeted results.

We therefore identified valuation of intangible assets as a key audit matter.

Our procedures included, amongst others:

- Obtain an understanding of and evaluating the design and implementation of management's processes and controls regarding the determination of the recoverable amount of the intangible assets;
- Challenging key assumptions and estimates (e.g., cash flow forecasts) used to determine the recoverable amount of the intangible assets;
- Performing sensitivity analysis on recoverable amount calculations performed by management; and
- Assessing the appropriateness of the accounting policy in relation to impairment and the adequacy of disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Directors Responsibility for the Financial Report

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

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



Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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



REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 37 of the Directors' Report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Clime Investment Management Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Mark Godlewski
Partner

26 August 2022

Pitcher Partners
Sydney

Shareholder Information

The shareholder information set out below was applicable as at 8 August 2022:

A. Distribution of Equity Securities

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

| ORDINARY SHARES | NUMBER OF HOLDERS |
|------------------|-------------------|
| 1 - 1,000 | 46 |
| 1,001 - 5,000 | 168 |
| 5,001 - 10,000 | 64 |
| 10,001 - 100,000 | 189 |
| 100,001 and over | 62 |
| | 529 |

B. Equity Security Holders

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

| ORDINARY SHARES | NO OF SHARES | PERCENTAGE OF ISSUED SHARES |
|--|--------------|--------------------------------|
| Citicorp Nominees Pty Limited | 12,000,204 | 16.6 |
| Mr. Ronni Chalmers, Locopec Pty Ltd & Savoir Superannuation Pty Ltd | 8,164,887 | 11.3 |
| Torres Industries Pty Limited & Nagarit Pty Limited <Nagarit Super Fund A/C> | 7,470,576 | 10.3 |
| Primewest Management Ltd | 5,434,783 | 7.5 |
| Mr. David Schwartz <David Schwartz Family Holdings A/C> & related entities | 5,223,573 | 7.2 |
| PHC Investments Limited | 4,950,052 | 6.8 |
| Double Pty Limited & Abernethy SMSF Pty Ltd <Abernethy Super Fund A/C> | 4,911,844 | 6.8 |
| Ruminator Pty Ltd | 1,274,645 | 1.8 |
| Robansheil Pty Limited | 1,178,833 | 1.6 |
| Nora Goodridge Investments Pty Limited | 1,001,620 | 1.4 |
| Clodene Pty Ltd | 813,522 | 1.1 |
| Mr Orlando Berardino Di Iulio | 748,090 | 1.0 |
| Capital Property Corporation | 742,309 | 1.0 |
| Di Iulio Homes Pty Limited | 740,951 | 1.0 |
| Garrett Smythe Ltd | 634,474 | 0.9 |
| Lodge Road Pty Ltd | 619,288 | 0.9 |
| Barrob Bondi Pty Ltd | 609,453 | 0.8 |
| Arcelia Pty Ltd | 485,334 | 0.7 |
| Jetosea Pty Ltd | 436,879 | 0.6 |
| Sanlam Private Wealth Pty Ltd | 410,000 | 0.6 |
| | 57,851,317 | 80.0 |

C. Equity Security Holders

Substantial holders in the Company are set out below:

| ORDINARY SHARES | NO OF SHARES | ORDINARY SHARES |
|--|--------------|-----------------------------|
| | | PERCENTAGE OF ISSUED SHARES |
| Citicorp Nominees Pty Limited | 12,000,204 | 16.6 |
| Mr. Ronni Chalmers, Loco Pty Ltd & Savoir Superannuation Pty Ltd | 8,164,887 | 11.3 |
| Torres Industries Pty Limited & Nagarit Pty Limited <Nagarit Super Fund A/C> | 7,470,576 | 10.3 |
| Primewest Management Ltd | 5,434,783 | 7.5 |
| Mr. David Schwartz <David Schwartz Family Holdings A/C> & related entities | 5,223,573 | 7.2 |
| PHC Investments Limited | 4,950,052 | 6.8 |
| Double Pty Limited & Abernethy SMSF Pty Ltd <Abernethy Super Fund A/C> | 4,911,844 | 6.8 |

D. Voting rights

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

Terms and conditions

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

Contact Details

The Company Secretaries are Mr. Biju Vikraman and Mr. Andrew Metcalfe.

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

Level 12
20 Hunter Street
Sydney NSW 2000

Telephone: 1300 788 568

E. Other Information

Annual General Meeting

The Annual General Meeting of Clime Investment Management Limited is expected to be held on 17 November 2022.

Stock Exchange Listing

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

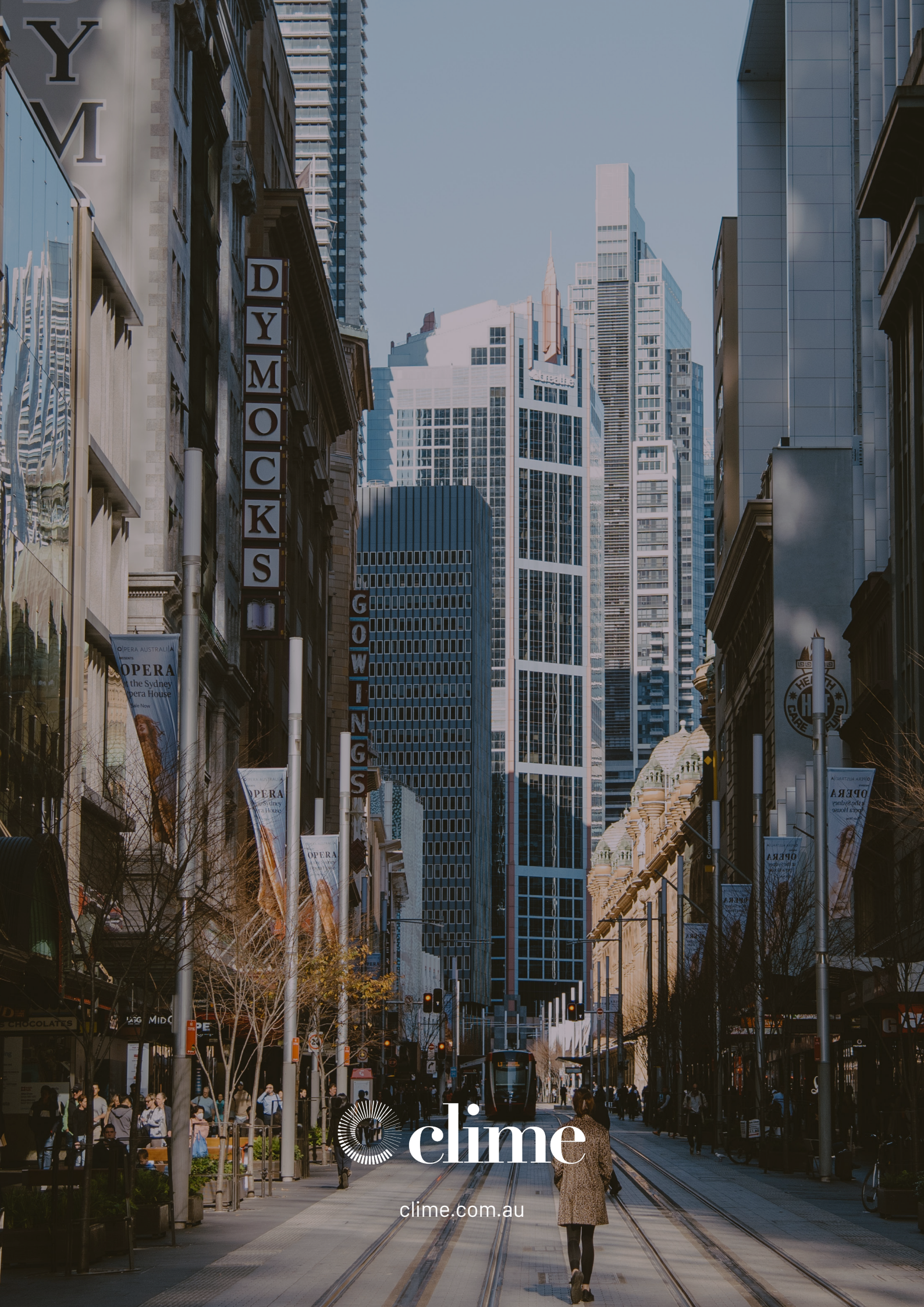
Clime Investment Management Limited

ABN 37 067 185 899

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