

Company Announcements  
Australian Securities Exchange, Sydney

13 February 2019

**Announcement of Half-Year Results – 31 December 2018**

Clime Investment Management Limited is pleased to announce the half-year information under Listing Rule 4.2A.

During the half-year, Clime continued its strategy of moving from an Australian equity manager to an integrated wealth management business by expanding its financial services offering for clients.

Please find attached the following documents with respect to the Group's results for the half-year ended 31 December 2018:

- Appendix 4D; and
- Interim financial report for the half-year ended 31 December 2018, including the auditor's unqualified review report.

This information should be read in conjunction with the most recent Annual Report of the Group for the financial year ended 30 June 2018.

Yours sincerely,

Biju Vikraman  
Company Secretary

# Appendix 4D

Lodged with the ASX under Listing Rule 4.2A.3  
Results for Announcement to the Market

## Half-Year Ended 31 December 2018

(Previous corresponding period – Half-Year Ended 31 December 2017)

				\$
Revenue from ordinary activities	up	6%	to	5,154,229
Profit from ordinary activities before tax attributable to members	down	62%	to	326,803
Profit from ordinary activities after tax attributable to members	down	64%	to	214,062

Dividends per share	Amount per security	Franked amount per security
Interim Dividend – FY19 (proposed)	0.75 cents	0.75 cents
Final Dividend – FY18 (paid)	1.50 cents	1.50 cents

Record date for determining entitlements to the interim dividend is

22 March 2019

### Explanation of Revenue

Revenue from continuing operations for the half-year totalled \$5,154,229 (HY17: \$4,869,487) representing a 6% increase over the previous corresponding period.

Funds management fees of \$4,721,510 slightly increased from \$4,379,112 earned in HY2017. Gross FUM as at 31 December 2018 was \$816million compared to \$811million at 31 December 2017. As at 31 January 2019, Gross FUM increased to \$835million.

Software revenue from the StocksinValue business was \$246,625 compared to \$301,645 in HY2017 as a result of a drop in membership levels.

Direct investment income comprises dividend, interest income, realised gains as well as mark-to-market of our investments in listed equities. For the 6 months to December 2018, we had \$188,246 (HY2017: \$238,158) of income and \$31,567 (HY2017: \$236,849) mark-to-market movements of investments in listed equities.

### Explanation of Net Profit

Clime recorded an after-tax profit attributable to members of \$214,062 for the half-year to 31 December 2018 (HY 2017: \$590,186). The operating result is reported after amortisation of intangibles of \$223,225 compared with \$284,891 during HY to 31 December 2017.

Administrative expenses were \$4,473,856 (compared to \$3,864,380 for HY17). As announced in the Company's Annual Report for the year ended 30 June 2018, this includes introducing Private Wealth Advisory services to enable Clime to meet a number of wealth management needs for our clients. Clime currently has 5 highly experienced Private Wealth advisers working from our offices in Sydney, Melbourne and Brisbane.

## Explanation of Net Profit (continued)

During the half-year to 31 December 2018, Clime created a new operating division for all group client-facing functions, encompassing Private Wealth Advice, StocksinValue, financial adviser distribution and SMSF Administration operations. We believe having increased focus and management intensity in this area will lead to beneficial outcomes in the years to come. Over the next 12-24 months, however, this will require further investment as our Advisory team builds strong relationships with Clime's high net worth and sophisticated investor clients; we re-brand and re-launch StocksinValue in early 2019 to attract additional subscribers; expand our SMSF Administration service; and create scale in our financial adviser distribution operations to distribute Clime's investment products through intermediaries to additional clients. It is important for shareholders to understand that the Company is expensing all start-up costs of the Private Wealth Division with an investment in the half-year of approximately \$0.9million. We anticipate similar expenses for the second half to 30 June 2019.

## Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share before tax	\$0.16	\$0.17
Net tangible asset backing per ordinary share after tax	\$0.16	\$0.17

## Dividends

Details of dividends/distributions declared or paid during or subsequent to the six months ended 31 December 2018 are as follows:

Record Date	Payment Date	Type	Amount per security	Total Dividend \$000's	Franked amount per security	Foreign sourced dividend amount per security
20 September 2018	3 October 2018	Final	1.50 cents	853	1.50 cents	-
22 March 2019	12 April 2019	Interim	0.75 cents	427	0.75 cents	-

## Dividend/Distribution Reinvestment Plans

The consolidated entity does not currently operate a dividend/distribution reinvestment plan.

## Joint Venture entity

Name	Ownership Interest		Contribution to net profit	
	Current period %	Previous corresponding period %	Current period \$	Previous corresponding period \$
Clime Super Pty Ltd	50	50	17,027	9,846

## Review

This report is based on accounts that have been reviewed. The unqualified review report is attached on page 17 of the attached Interim Financial Report.

# **CLIME INVESTMENT MANAGEMENT LIMITED**

(ABN 37 067 185 899)

**and Controlled Entities**

## **Interim Financial Report - 31 December 2018**

### **Clime Investment Management Limited**

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GENERAL PURPOSE INTERIM FINANCIAL REPORT 31 DECEMBER 2018

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**DIRECTORS' REPORT**

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

Dear Shareholders

Your Directors present their report on the consolidated entities ("Group" or "Clime") consisting of Clime Investment Management Limited and its controlled entities for the half-year ended 31 December 2018.

**Directors**

The following persons were Directors of Clime Investment Management Limited during the financial period and up to the date of this report:

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

**Review of Operations**

Gross balances of FUM as at 31 December 2018 total \$816m (\$855m as at 30 June 2018) were as follows:

<u>Gross Funds under Management (FUM)</u>	<u>31 December 2018</u>	<u>30 June 2018</u>
Clime Individually Managed Accounts	\$396 million	\$409 million
Clime Capital Limited/CBG Capital Limited	\$120 million	\$134 million
Managed Funds and mandates	\$300 million	\$312 million
	<u>\$816 million</u>	<u>\$855 million</u>

It should be noted Clime Individually Managed Accounts do have funds invested in Clime Managed Funds. Clime had positive funds inflows from new and existing investors for the 6-month period to 31 December 2018. However, the significant downturn in global and domestic stock markets during the December 2018 quarter impacted Gross Funds under Management.

**Half-Year Result**

The Group continued its strategy of moving from an Australian equity manager to an integrated wealth management business by expanding its financial services offering for clients. As announced in the Company's Annual Report for the year ended 30 June 2018, this includes introducing Private Wealth Advisory services to enable Clime to meet a number of wealth management needs for our clients. Clime currently has 5 highly experienced Private Wealth advisers working from our offices in Sydney, Melbourne and Brisbane.

During the half-year to 31 December 2018, Clime created a new operating division for all group client-facing functions, encompassing Private Wealth Advice, StocksInValue, financial adviser distribution and SMSF Administration operations. We believe having increased focus and management intensity in this area will lead to beneficial outcomes in the years to come. Over the next 12-24 months, however, this will require further investment as our Advisory team builds strong relationships with Clime's high net worth and sophisticated investor clients; we re-brand and re-launch StocksInValue in early 2019 to attract additional subscribers; expand our SMSF Administration service; and create scale in our financial adviser distribution operations to distribute Clime's investment products through intermediaries to additional clients. It is important for shareholders to understand that the Company is expensing all start-up costs of the Private Wealth Division with an investment in the half-year of approximately \$0.9million. We anticipate similar expenses for the second half to 30 June 2019.

As a result, operating business margin for the 6 months ended 31 December 2018 was \$149,519 (HY 2017: \$608,743), a decrease of \$459,224. The main contributor to this decrease was the increase in staff costs, for the reasons highlighted above.

The Group received performance fees of \$259,367 in HY 2018 compared with \$46,936 in HY 2017. Direct investment income mainly represents dividend received from listed investments with very limited uplifts from mark-to-market movements.

**DIRECTORS' REPORT**

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

Underlying operating profit for HY 2018 at \$645,726 is also lower than the \$1,140,532 achieved in the previous corresponding period despite the increase in performance fees on account of above factors.

Clime recorded an after-tax profit attributable to members of \$214,062 for the half-year to 31 December 2018 (HY 2017: \$590,186). The operating result is reported after amortisation of intangibles of \$223,225 compared with \$284,891 during HY to 31 December 2017.

Earnings per share for the six-month period to 31 December 2018 was 0.4 cents per share (31 December 2017: 1.1 cents per share).

**Review of financial results**

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
Funds management and related activities revenue	4,462,143	4,332,176
Investment software revenue	246,625	301,645
Administrative and occupancy expenses	(3,698,132)	(3,115,225)
Third party custody, management & funds administration services	(572,199)	(518,035)
<b>Operating business activities revenue less administrative costs</b>	<b>438,437</b>	<b>1,000,561</b>
FUM growth incentives and marketing	(288,918)	(391,818)
<b>Operating business margin</b>	<b>149,519</b>	<b>608,743</b>
Performance fees	259,367	46,936
Direct investment income	219,813	475,007
Income from joint venture	17,027	9,846
<b>Underlying operating profit</b>	<b>645,726</b>	<b>1,140,532</b>
Redundancy costs	(95,698)	(1,924)
Amortisation of intangibles	(223,225)	(284,891)
<b>Statutory profit before income tax</b>	<b>326,803</b>	<b>853,717</b>
Income tax expense attributable to operating profit	(112,741)	(263,531)
<b>Statutory profit after income tax</b>	<b>214,062</b>	<b>590,186</b>

Funds management fees of \$4,462,143 slightly increased from \$4,332,176 earned in HY2017, on account of higher FUM. Gross FUM as at 31 December 2018 was \$816million compared to \$811million at 31 December 2017.

Software revenue from the StocksinValue business was \$246,625 compared to \$301,645 in HY2017 as a result of a drop in membership levels. As highlighted above, Clime is investing in StocksinValue in terms of improved functionality and rebranding early in 2019, with a view to increasing subscriber numbers.

Administrative and occupancy expenses rose to \$3,698,132 in HY2018 from \$3,115,225 incurred in HY2017, primarily as result of various strategic initiatives undertaken by the Board to grow the operating business. Third party custody, management & Funds Administration service costs have increased marginally in the half-year to \$572,199 from \$518,035 incurred in HY2017.

Direct investment income comprises dividend, interest income, realised gains as well as mark-to-market of our investments in listed equities. For the 6 months to 31 December 2018, we had \$188,246 (HY2017: \$238,158) of income and \$31,567 (HY2017: \$236,849) mark-to-market movements of investments in listed equities.

Amortisation decreased slightly this half-year from \$284,891 to \$223,225 on account of fully amortising intangible assets acquired in the previous years over their estimated useful lives.

The Total Equity at balance date comprised the following:

**Summary of Total Equity**

	<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	4,312,837	4,735,297
Trade and other receivables less payables	(373,379)	(96,884)
Listed investments - Clime Capital Limited and CBG Capital Limited	5,120,992	5,021,646
Unlisted investments - Managed funds	234,234	-
Equity accounted investment - Clime Super Pty Ltd	20,435	3,408
Other tangible assets less liabilities	(618,492)	(751,292)
<b>Net tangible assets</b>	<b>8,696,627</b>	<b>8,912,175</b>
Intangible assets	8,582,276	8,805,501
Deferred tax assets	564,937	610,260
<b>Total Equity</b>	<b>17,843,840</b>	<b>18,327,936</b>
No. of Ordinary Shares on Issue	<b>55,173,363</b>	54,933,362
<b>Equity per Share</b>	<b>32.3 cents</b>	33.4 cents
<b>Net Tangible Assets per Share</b>	<b>15.8 cents</b>	16.2 cents

**Dividend**

During the six months to December 2018 shareholders received 1.5 cents per share fully franked dividend amounting to \$852,726 which was paid in October 2018.

**Subsequent Events**

An interim dividend of 0.75 cents per share (100% franked), totalling \$427,113 has been declared by the Directors. This provision has not been reflected in these financial statements.

On 23 January 2019, the Company announced its intention on refreshing its ability to implement an on-market buy back (within the 10/12 limit) for a further 12-month period which will commence from 7 February 2019 and end on 6 February 2020. During this period, the Company has the ability to buy a maximum of 5,694,836 fully paid ordinary shares.

No other matters or circumstances have arisen since the end of the reporting period which significantly affect 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 the future financial periods.

**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 4.

**Rounding off of amounts**

In accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise stated.

This report is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:



Donald McLay  
Chairman



John Abernethy  
Director

Sydney, 13 February 2019



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

In relation to the independent auditor's review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

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



M GODLEWSKI  
Partner

PITCHER PARTNERS  
Sydney

13 February 2019

## **Clime Investment Management Limited Interim Financial Statements - 31 December 2018**

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These interim financial statements do not include all the notes of the type normally included in an annual report. Accordingly, these statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Clime Investment Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

	<b>Half-Year</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	<b>5,154,229</b>	4,869,487
Net realised and unrealised gains on financial assets at fair value through profit or loss	<b>33,719</b>	286,277
Occupancy expenses	<b>(159,677)</b>	(148,220)
Depreciation and amortisation expense	<b>(244,639)</b>	(299,293)
Administrative expenses	<b>(4,473,856)</b>	(3,864,380)
Share of profit of joint venture	<b>17,027</b>	9,846
<b>Profit before income tax</b>	<b>326,803</b>	853,717
Income tax expense attributable to operating profit	<b>(112,741)</b>	(263,531)
<b>Profit for the period</b>	<b>214,062</b>	590,186
Other comprehensive income, net of income tax	-	-
<b>Total comprehensive income for the period</b>	<b>214,062</b>	590,186
<b>Profit attributable to members of Clime Investment Management Limited</b>	<b>214,062</b>	590,186
<b>Total comprehensive income attributable to members of Clime Investment Management Limited</b>	<b>214,062</b>	590,186
<b>Earnings per share</b>		
Basic - cents per share	<b>0.4 cents</b>	1.1 cents
Diluted - cents per share	<b>0.4 cents</b>	1.1 cents

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2018

Clime Investment Management Limited and Controlled Entities

	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>4,312,837</b>	4,735,297
Trade and other receivables	<b>825,875</b>	2,030,348
Other current assets	<b>144,420</b>	175,907
Financial assets at fair value through profit or loss	<b>5,355,226</b>	5,021,646
Current tax assets	<b>96,712</b>	-
Total Current Assets	<b>10,735,070</b>	11,963,198
<b>Non-Current Assets</b>		
Investments accounted for using the equity method	<b>20,435</b>	3,408
Property, plant and equipment	<b>92,136</b>	89,777
Deferred tax assets	<b>564,937</b>	610,260
Intangible assets	<b>8,582,276</b>	8,805,501
Total Non-Current Assets	<b>9,259,784</b>	9,508,946
<b>Total Assets</b>	<b>19,994,854</b>	21,472,144
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	<b>1,295,966</b>	2,084,165
Current tax liabilities	-	43,067
Unearned revenue	<b>535,417</b>	645,961
Provisions	<b>247,102</b>	306,314
Total Current Liabilities	<b>2,078,485</b>	3,079,507
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	<b>72,529</b>	64,701
Total Non-Current Liabilities	<b>72,529</b>	64,701
<b>Total Liabilities</b>	<b>2,151,014</b>	3,144,208
<b>Net Assets</b>	<b>17,843,840</b>	18,327,936
<b>EQUITY</b>		
Issued capital	<b>17,129,894</b>	17,006,379
Reserves	<b>264,609</b>	233,556
Retained earnings	<b>449,337</b>	1,088,001
<b>Total Equity</b>	<b>17,843,840</b>	18,327,936

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

Consolidated	Issued capital	Share-based payments reserve	Retained earnings	Total
	\$	\$	\$	\$
<b>Balance as at 1 July 2017</b>	<b>13,822,370</b>	<b>155,798</b>	<b>1,722,855</b>	<b>15,701,023</b>
Profit for the period	-	-	590,186	590,186
Other comprehensive income for the period net of tax	-	-	-	-
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>590,186</b>	<b>590,186</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>				
- Recognition of share-based payments	-	38,879	-	38,879
- Shares issued as consideration for CBG acquisition	3,250,000	-	-	3,250,000
- Dividends paid or provided for	-	-	(849,739)	(849,739)
<b>Balance as at 31 December 2017</b>	<b>17,072,370</b>	<b>194,677</b>	<b>1,463,302</b>	<b>18,730,349</b>
Profit for the period	-	-	474,073	474,073
Other comprehensive income for the period net of tax	-	-	-	-
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>474,073</b>	<b>474,073</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>				
- On-market buy-back, including transaction costs	(65,991)	-	-	(65,991)
- Recognition of share-based payments	-	38,879	-	38,879
- Dividends paid or provided for	-	-	(849,374)	(849,374)
<b>Balance as at 1 July 2018</b>	<b>17,006,379</b>	<b>233,556</b>	<b>1,088,001</b>	<b>18,327,936</b>
Profit for the period	-	-	214,062	214,062
Other comprehensive income for the period net of tax	-	-	-	-
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>214,062</b>	<b>214,062</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>				
- On-market buy-back, including transaction costs	(63,985)	-	-	(63,985)
- Recognition of share-based payments	-	31,053	-	31,053
- Shares issued as consideration for CBG acquisition	187,500	-	-	187,500
- Dividends paid or provided for	-	-	(852,726)	(852,726)
<b>Balance as at 31 December 2018</b>	<b>17,129,894</b>	<b>264,609</b>	<b>449,337</b>	<b>17,843,840</b>

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

**CONSOLIDATED STATEMENT CASH FLOWS**

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

	<b>Half-Year</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Fees received in the course of operations	6,599,888	5,000,414
Expense payments in the course of operations	(5,768,726)	(5,052,612)
Other dividends and distributions received	148,462	143,164
Interest received	37,632	36,581
Income taxes paid	(199,370)	(122,918)
	<u>817,886</u>	<u>4,629</u>
Proceeds from disposal of financial assets at fair value through profit or loss	516,426	1,682,464
Payments for financial assets at fair value through profit or loss	(816,288)	(1,666,961)
	<u>(299,862)</u>	<u>15,503</u>
<b>Net cash provided by operating activities</b>	<u>518,024</u>	<u>20,132</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash inflow from acquisition of subsidiary	-	725,944
Payments for property, plant & equipment	(23,773)	(23,952)
Payment for investment in joint venture	-	(600)
<b>Net cash (used in)/provided by investing activities</b>	<u>(23,773)</u>	<u>701,392</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for shares bought back (including transaction costs)	(63,985)	-
Dividends paid to Company's shareholders	(852,726)	(849,739)
<b>Net cash used in financing activities</b>	<u>(916,711)</u>	<u>(849,739)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(422,460)</u>	<u>(128,215)</u>
Cash and cash equivalents at beginning of the period	4,735,297	4,370,278
<b>Cash and cash equivalents at end of the period</b>	<u>4,312,837</u>	<u>4,242,063</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

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### NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

#### (a) Basis of accounting

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with the *Corporations Act 2001 and AASB 134 Interim Financial Reporting*.

The half-year consolidated financial statements have been prepared on the basis of the historical cost convention, as modified by the valuation of investments.

These condensed half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any public announcements made by the Group during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### *Details of Reporting Period*

The current reporting period is the half-year ended 31 December 2018. For the Statement of Profit or Loss and Other Comprehensive Income, State of Changes in Equity and the Statement of Cash Flows, the previous corresponding period is the half-year ended 31 December 2017. For the Statement of Financial Position, the previous corresponding date is 30 June 2018.

#### (b) Accounting policies

The accounting policies applied in these interim financial statements have been applied consistently throughout the period.

Except as disclosed below, the accounting policies in these half-year financial statements are the same as those applied in the Company's financial statements for the year ended 30 June 2018.

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

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

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

This standard and its consequential amendments introduce new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. AASB 9 also provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks.

The adoption of AASB 9 has not had a significant impact on the recognition, classification and measurement of the Company's financial instruments as they are carried at fair value through profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

### NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT (continued)

#### *New and revised accounting standards (continued)*

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

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

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

The Company's main sources of income are management and performance fees which arise through the provision of services to clients. In accordance with the revenue recognition policies of the Group, revenue is typically recognised as these services are delivered. The application of AASB 15 has not had a material impact on the recognition of management and performance fees.

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

#### *New and revised accounting standards not yet effective*

##### *(iii) AASB 16 Leases*

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

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

AASB 16 applies to annual periods beginning on or after 1 January 2019. As at 31 December 2018, the Group has non-cancellable operating lease commitment of \$212,249. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The Company's current leasing arrangement for its Sydney office, representing 85% of the lease commitment, will expire in August 2019 and at this point in time, the key features of the new lease are unknown and thus the financial impact can't be quantified.

### **(C) Rounding off of amounts**

In accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise stated.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

### NOTE 2: DIVIDENDS

	Half-Year	
	2018	2017
	\$	\$
<b>Fully Paid Ordinary Shares</b>		
1.5 cents per share (2017: 1.5 cents) fully franked dividends were paid during the period in respect of the previous financial period	<b>852,726</b>	<b>849,739</b>

### NOTE 3: ISSUING AND REPURCHASES OF EQUITY SECURITIES

	Half-Year		Half-Year	
	2018	2017	2018	2017
	No. of	No. of	\$	\$
	Shares	Shares		
<b>Issuing and repurchases of ordinary shares during the half-year</b>				
- Ordinary shares issued for acquisition of CBG Asset Management Ltd	<b>375,001</b>	6,500,000	<b>187,500</b>	3,250,000
- On-market buy-back of ordinary shares during the half-year	<b>135,000</b>	-	<b>63,985</b>	-

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

As at 31 December 2018, there are 1,575,000 (December 2017: 1,575,000) EIS 'in-substance' options on issue. During the period, no new in-substance options were granted (December 2017: nil), 550,000 options were transferred/forfeited (December 2017: nil), and none of the in-substance options were exercised.

Share options granted under the Company's employee incentive scheme carry no rights to dividends and no voting rights.

#### Shares issued for acquisition of CBG Asset Management Ltd

On 16 July 2018, the Group issued 375,001 ordinary shares at a deemed issue price of 50 cents per share as final settlement of the deferred consideration for the acquisitions of CBG Asset Management Ltd.

### NOTE 4: SEGMENT INFORMATION

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 our Chief Operating Decision Makers (CODM), evaluates business activities in a number of different ways. The Group's reportable segments under AASB 8 are as follows:

- Funds management
- Investment software
- Direct investments

#### *Funds Management*

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

#### *Investment Software*

Revenue generated from external subscriptions to the Group's proprietary web-based investment software, Stocks in Value Pty Limited, is included within this segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

### NOTE 4: SEGMENT INFORMATION (continued)

#### Direct Investments

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

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

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue Half-Year ended		Segment Profit/ (Loss) Half-Year ended	
	31 Dec 2018 \$	31 Dec 2017 \$	31 Dec 2018 \$	31 Dec 2017 \$
Funds management				
Management fees <sup>1</sup>	3,767,407	3,694,473		
Performance fees <sup>1</sup>	259,367	46,936		
Other fees <sup>2</sup>	694,736	637,703		
	<b>4,721,510</b>	4,379,112	<b>1,042,943</b>	917,300
Investment software				
Subscription fees <sup>1</sup>	246,625	301,645	119,103	138,452
Direct investments				
Dividends and distributions	148,462	152,148		
Interest income	37,632	36,582		
Net realised and unrealised gains on financial assets at fair value through profit or loss	33,719	286,277		
	<b>219,813</b>	475,007	<b>219,813</b>	475,007
Share of profits of joint venture accounted for using the equity method			17,027	9,846
Central administrative costs			(1,072,083)	(686,888)
Profit before tax from continuing operations			<b>326,803</b>	853,717
Income tax expense			(112,741)	(263,531)
Consolidated segment revenue and profit for the period	<b>5,187,948</b>	5,155,764	<b>214,062</b>	590,186

<sup>1</sup> Revenue from contracts with customers recognised over time

<sup>2</sup> Revenue from contracts with customers recognised at a point in time

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment profit represents the profit earned by each segment without allocation of central administration costs and Directors' salaries, share of profits of associate and joint venture, and income tax. This is the measure reported to the Chief Operating Decision Makers (CODM) for the purposes of resource allocation and assessment of segment performance.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

### NOTE 5: EVENTS OCCURRING AFTER THE REPORTING DATE

An interim dividend of 0.75 cents (fully franked) (2017: 1.5 cents fully franked) per share, totalling \$427,113 (2017: \$849,739) has been declared by the Directors. This provision has not been reflected in the financial statements.

On 23 January 2019, the Company announced its intention on refreshing its ability to implement an on-market buy back (within the 10/12 limit) for a further 12-month period which will commence from 7 February 2019 and end on 6 February 2020. During this period, the Company has the ability to buy a maximum of 5,694,836 fully paid ordinary shares.

No other matters or circumstances have arisen since the end of the half-year which 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.

### NOTE 6: CONTINGENT LIABILITIES AND COMMITMENTS

There has been no material change in contingent liabilities or commitments since the last annual reporting date.

### NOTE 7: FAIR VALUE MEASUREMENT

The Group measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Group has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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).

#### (i) Recognised fair value measurements

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

At 31 December 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
- Listed equities	5,120,992	-	-	5,120,992
- Unlisted managed funds	-	234,234	-	234,234
	5,120,992	234,234	-	5,355,226
At 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
- Listed equities	5,021,646	-	-	5,021,646
	5,021,646	-	-	5,021,646

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

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### NOTE 7: FAIR VALUE MEASUREMENT (continued)

#### (ii) Transfers between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

#### (iii) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables approximate their fair values.

#### (iv) Valuation technique

##### Listed Investment in equity and preference securities and managed funds

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

##### Unlisted managed funds

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

### NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### (i) Clime Super Pty Ltd

Effective 1 July 2017, Clime established a jointly owned corporate entity, Clime Super Pty Ltd, with HLB Mann Judd (Wollongong) to provide SMSF administration services. HLB Mann Judd (Wollongong) has provided similar services on a direct service-provider basis in the past.

## DIRECTORS' DECLARATION

for the Half-Year ended 31 December 2018

Clime Investment Management Limited and Controlled Entities

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The Directors declare that:

- (a) in the Directors' opinion, the financial statements and notes set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*; and
  - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*; and
  - (ii) give a true and fair view of the financial position of the consolidated entity as at 31 December 2018 and of its performance for the half-year ended on that date.
- (b) In the Directors' opinion, there are reasonable grounds, at the date of this declaration, to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Donald McLay  
Chairman



John Abernethy  
Director

Sydney, 13 February 2019

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Clime Investment Management Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Clime Investment Management Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of Clime Investment Management Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

**Independence**

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

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Clime Investment Management Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



M GODLEWSKI  
Partner



PITCHER PARTNERS  
Sydney

13 February 2019