

Company Announcements
Australian Stock Exchange, Sydney

21 August 2018

Announcement of Results – Year ended 30 June 2018

Please find attached the Appendix 4E and the Annual report for the year ended 30 June 2018.

Yours' sincerely,

A handwritten signature in black ink, appearing to read 'Biju Vikraman', with a long horizontal line extending to the right.

Biju Vikraman
Company Secretary

Appendix 4E
Preliminary Final Report
Lodged with the ASX under Listing Rule 4.3A
 Year Ended 30 June 2018
 (Previous corresponding period – 30 June 2017)

Results for Announcement to the Market

Revenue from ordinary activities	up	25%	to	\$10,864,250
Profit before tax attributable to members	up	78%	to	\$1,367,296
Profit after tax attributable to members	down	58%	to	\$1,064,259

Dividends per share	Amount per security	Franked amount per security
Interim dividend – FY18 (paid on 12 April 2018)	1.50 cents	1.50 cents
Final dividend – FY18 (proposed)	1.50 cents	1.50 cents

Record date for determining entitlements to the final dividend is

20 September 2018

Explanation of revenue from ordinary activities

Revenues for the period increased to \$10.86 million (FY17: \$8.67 million).

FY17 Revenue	\$8.67 million
Increase in management fees	\$1.40 million
Increase in performance fees	\$0.96 million
Decrease in investment software	(\$0.17 million)
FY18 Revenue	<u>\$10.86 million</u>

Explanation of profit from ordinary activities after tax attributable to members

The Group generated an after-tax profit of \$1.1 million for the year (FY17: \$2.6 million). Please note, FY17 included a one-off write-back of \$1.9 million deferred tax liability following the de-merger of Clime Private Limited.

The primary drivers for the results are as follows:

1. Movements in revenue as explained above. CBG Asset Management Limited, acquired by the Group in July 2017 contributed \$1.9 million to the Group revenue of FY18;
2. Increase in administrative expenses by 12% to \$8.68 million (FY17: \$7.71 million) mainly due to increase in employee expenses due to increase in headcount and redundancy costs;
3. Decrease in gains on Group's investments by \$0.5 million mainly due to flat marked-to-market movements in listed investments; and
4. Increase in amortisation expenses by \$0.1 million due to recognition of intangible assets from the acquisition of CBG Asset Management Limited.

Associates and Joint Venture entities

Name of the entities	Ownership Interest		Contribution to net profit	
	Current period	Previous corresponding period	Current period	Previous corresponding period
	%	%	\$	\$
Clime Super Pty Ltd – Joint Venture	50%	-	2,808	-

Clime Super Pty Ltd

On 1 July 2017, the Group entered into a 50:50 Joint Venture with HLB Mann Judd (Wollongong), an experienced firm of accountants and business advisors to provide self-managed super fund administration services.

Audit Status

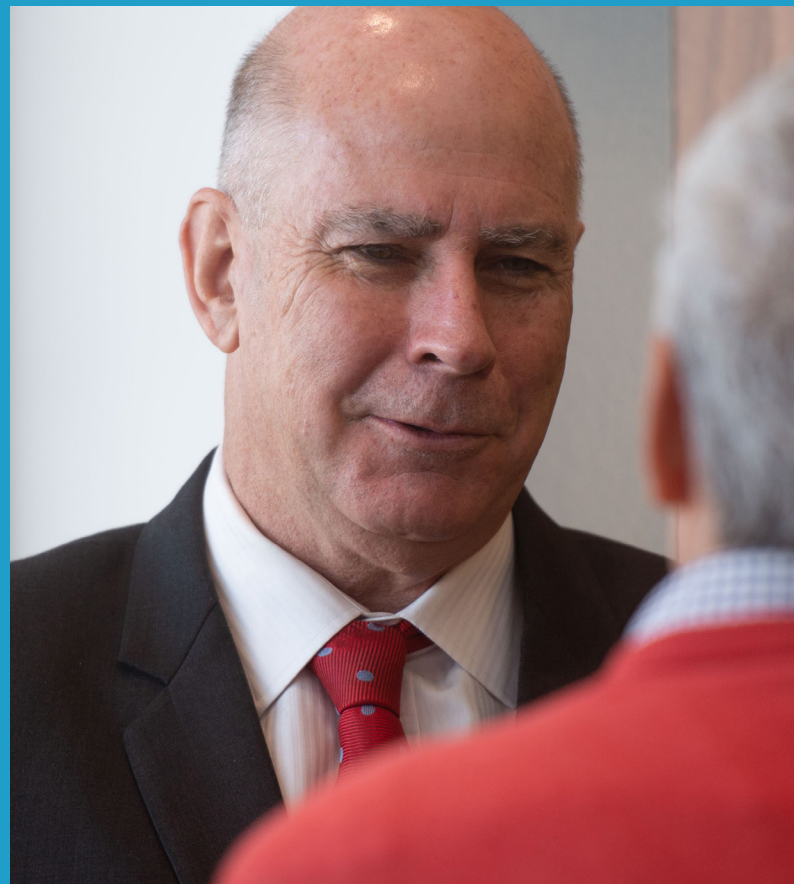
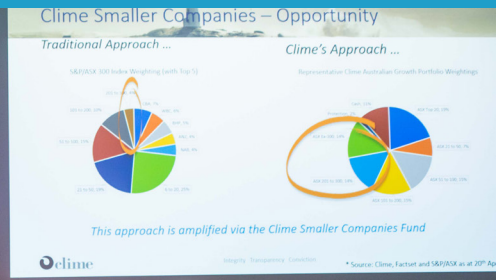
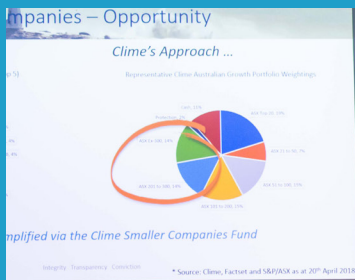
This report is based on the Annual Report which is audited.

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Clime Investment Management Limited

2018 Annual Report



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Chairman's Report

The 2018 financial year has seen the company move further towards its goal as a diversified wealth advisor supporting self-directed and self-managing wholesale investors. This goal included:

- Building out the range of equity fund products;
- Expanding products and solutions across asset classes;
- Building a private wealth advisory service under the Clime brand; and
- Developing a cost-effective administration service for SMSF clients.

The Managing Director's Report explains the progress of these objectives in greater detail.

Total revenue for the year of \$10.86 million was a 25% increase over the 2017 financial year, boosted by a \$0.96 million increase in performance fees and more pleasingly, a \$1.39 million increase in management fees – the core of our business sustainability.

Profit before income tax increased 78% to \$1.37 million. Profit after tax is not directly comparable due to the large tax benefit in 2017 arising from the deconsolidation of the deferred tax liability in Clime Private Limited (CPL).

Profit before income tax is after amortisation of \$0.57 million across management contracts, client lists and investment software. Profit before tax and amortisation amounted to \$1.94 million compared with \$1.24 million in FY17.

While these results are lower than the profits being reported in 2014 and 2015, shareholders have benefited from stripping down the non-core assets by way of in-specie distribution of shares in CPL and generous dividend payments relative to earnings per share. The objective of directors and management is to continue to enhance the sustainable growth of the core business through growth in management fees.

Gross Funds Under Management grew during the 2018 financial year by \$271 million to \$855 million. This included a net \$122 million obtained from the merger with CBG Asset Management and the balance from organic growth and market price movements.

On 21 August 2018 the company announced the appointment of a new CEO, Mr. Rod Bristow, to take responsibility for the management and growth of the business from mid September 2018. Mr. Bristow brings a wealth of management experience, having worked in senior roles across a range of successful financial services businesses. He has expertise in developing and implementing strategy for enhanced organisational performance with a strong commercial and ethical overlay.

The managing director and founder, Mr. John Abernethy, remains with the business and will be aligned with growth objectives in Clime Private Wealth through timely investment market and asset allocation forecasting.

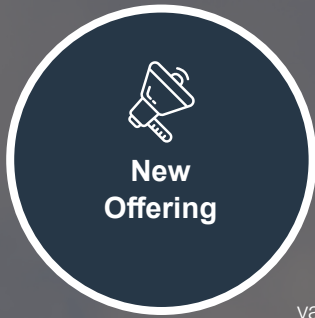
Directors are proposing a fully franked final dividend of 1.5 cents to be paid on 3 October 2018 which together with the fully franked interim dividend of 1.5 cents, makes a total of 3.0 cents per share which is unchanged from last year.

I would like to thank our 32 staff for their efforts and contribution during the year. Clearer board driven objectives for the business are giving greater focus. I welcome new staff with different capabilities and experience who have recently joined us to assist in achieving these broader objectives.

Finally, thank you to my fellow directors and the senior leadership team. All have worked hard in the transition into a diversified wealth advisor supporting self-directed and self-managing sophisticated investors. We expect to see further improved results in 2018-19.

A handwritten signature in black ink, appearing to read 'Donald McLay'.

Donald McLay
Chairman



Introducing Clime Private Wealth

April 2018 saw the recruitment and commencement of our inaugural Private Wealth Advisers.

Each of our advisers came to us with significant experience in dealing with high net worth individuals. Central to the ability to scale up, is the evolution of our business model from being a product transaction to creating something significant through Wealth Advisory by better understanding client's values and what is important to them. The focus of our first 3 months has been to engage with as many of our existing clients as possible. We have evolved our general advice process in order that we can have meaningful discussions regarding our client's existing and potential portfolios. The initial conversations we are having are helping to bring to light what our target market would expect in terms of service and expertise with the purpose of helping them achieve their objectives.

It is of prime importance to really get to know our existing clients, not only so we can build enduring relationships but also so that we can build a relevant advice model that will allow us to be more holistic with them. Uncovering and addressing more needs per client will increase our value proposition to them, their families and their legacy.

Along with the recruitment of Private Wealth Advisers in NSW, VIC and QLD, we have commenced reshaping our operational support functions and systems for the ongoing management and maintenance of our clients with the appointment of Private Wealth Associates. This will enhance the client experience of having access to an adviser and their team.

Clime Asset Management Pty Limited AFSL 221146 currently has an application with ASIC to vary our licence to provide personal advice on superannuation. Once approved, our advisers will be able to open up our conversations to include strategic advice. This ability will open up our business and enable us to connect with more clients and broaden SMSF capability beyond Clime Super Administration nationally. Whilst keeping abreast of the revelations being shared in the current Royal Commission, we are working on fee for service based models as well as our value proposition for SMSF trustees and the identified needs of the sophisticated investor overall.

Clime Private Wealth Advice Team



Maria Greensill
Head of Clime Private Wealth



Ryan Brill
Clime Private Wealth
Adviser
(NSW & ACT)



Fanoula Stathatos
Clime Private Wealth
Adviser
(VIC & SA)



Sean Cummins
Clime Private Wealth
Adviser
(VIC & TAS)



Jeremy Ross
Clime Private Wealth
Adviser
(QLD & NT)

Clime Private Wealth Pty Limited | ABN 87 617 235 168

is a Corporate Authorised Representative (CAR No. 001263076) of Clime Asset Management Pty Limited (AFSL No. 221146)

The Clime Group

Clime is an independent, highly-regarded Australian wealth manager specialising in value investing and focused on delivering absolute returns. We are run by a team of experienced investors, for investors.

The Clime Group offers a range of services and products for wholesale and retail investors via our three main entities - Clime Asset Management, CBG Asset Management and StocksInValue.

Clime applies a consistent value-based approach to identify the most attractive investment opportunities within our universe of stocks.

We are objective-based investors and seek to deliver strong risk-adjusted total returns.

Clime's investment objectives are aligned with our clients' investment objectives and are centred on helping Australians achieve security in their retirement.

At Clime our investment goals are to:

- **Grow** your retirement savings,
- **Guard** your retirement savings along the way, and
- **Generate** meaningful retirement income.

We don't focus on:

- Peer group surveys,
- Traditional benchmarks,
- Short-term returns, or
- Tracking error,

because none of these things will help you achieve security in your retirement.

We seek to deliver a smooth profile of returns over a five to seven year investment horizon and are cognizant of the old adage that *"the best way to make money, is to not lose it in the first place"*.

OUR INVESTMENT GOALS

Clime seeks to deliver strong risk-adjusted total returns. We aim to extract a solid investment return with an appropriate level of risk. A foundation of our investment approach is that investment risk must be appropriately compensated.

Over the long term we aim to achieve a higher return than the market index with lower volatility.



INTEGRITY

Doing the best by our clients & doing what we say we will do.



TRANSPARENCY

In everything we do.



CONVICTION

Courage in our convictions.

Executive Team



John Abernethy | Managing Director

John is the founder of Clime Investment Management Limited (ex Loftus Capital Partners).

John has over 35 years of experience across funds management, corporate advice and public company directorships.

Prior to establishing Clime John's roles included the Head of Equities at NRMA Investments and an Executive Director for a highly successful investment advisory group.

John holds a B.Com (Economics) LLB from the University of NSW.



Anthony Golowenko | Head of Investments

Anthony has 20 years portfolio investment experience and is passionate about developing innovative solutions to meet risk/return objectives.

Anthony joins Clime from State Street Global Advisors where his most recent roles included Senior Portfolio Strategist – Asia Pacific and Head of Active Australian Equities.

Anthony is responsible for portfolio management and risk management outcomes.



Maria Greensill | Head of Clime Private Wealth

Maria joined Clime in November 2017 to transition the frontline team into Private Wealth Advisory and build client advocacy.

Maria has over 20 years' experience in Financial Services and is a Financial Planner AFP® with the Financial Planning Association.

Maria has a compelling skill set in both Senior Management and practicing her profession in large corporates, not-for-profit, accounting and SME businesses making a purposeful difference to the financial wellbeing of many Australians.

Maria is responsible for building and operationalising wealth advisory through Clime Private Wealth.



Biju Vikraman | Group Finance Manager and Company Secretary

Biju has 20 years of post-qualification experience across accounting, auditing, finance and governance. He joined Clime 7 years ago and has been the Company Secretary since June 2015.

Biju is an Australian and Indian Chartered Accountant with a Bachelor of Commerce degree from the University of Mumbai.

Biju has held senior roles with big 4 accounting firms and listed entities within Australia, India and Africa.

Biju manages the Group's finance, reporting and compliance functions.



Managing Director's Report

I am very pleased to report that during FY18 Clime continued to successfully implement its strategic plan to create and build out a range of services to be provided to our direct client base and broader target market. At this point, most of our services are directed towards the trustees of self-managed superannuation funds (SMSFs).

It is important to understand that SMSFs represent a massive opportunity for a small company like Clime. The superannuation industry measured through funds under management and advice has continued to grow substantially in Australia. Recent estimates suggest that total Australian superannuation assets exceed \$2.6 trillion. Outside super, Australian households have an estimated \$1.5 trillion in investment assets (excluding the home).

Measured by assets, Australia now has the fourth largest retirement system in the world. Further, Australia's per capita income sits comfortably inside the top 10% of world economies. We are indeed a wealthy nation.

Whilst these observations and statistics are impressive it is sobering to reflect that for the foreseeable future over 70% of people who enter retirement will be dependent upon a full or part Commonwealth public pension.

Those retirees in the community who are self-sufficient, through super or non-super assets, will have an increasing burden to bear. These people are and will increasingly be required to look after

themselves through retirement. Whilst there is nothing wrong with this, future governments will continue to make changes across superannuation and taxation rules. These changes, the frantic pace of change everywhere and an enduring low yield investment environment, will require the self-funded to constantly monitor their affairs or seek the support of ethical retiree consultants.

The creation and now development of Clime Private Wealth (CPW) has been strategically undertaken to provide a range of services that include tactical, strategic, product and administrative solutions to our clients. CPW fits nicely alongside our asset management group to combine consulting services with product solutions. To complete the service and create a one stop shop Clime now partners with a range of quality product managers and service providers.

At the time of writing this report, CPW has employed 5 highly experienced wealth advisors working from our offices in Sydney, Melbourne and Brisbane. Whilst it is relatively early days for CPW we are encouraged by the feedback from clients, many of whom have sought a deeper relationship with Clime.

Therefore, FY19 will be a consolidation period for CPW whose success will not merely be measured by Funds Under Management (FUM) or Assets Under Management (AUM) growth. Success will be measured by client satisfaction and portfolio returns which, in the main, will be generated from a balanced asset management approach.

In our quarterly updates through the ASX we have kept shareholders informed of our steady growth, product development, asset class extension and extended service range. However, I would like to reiterate some of the milestones for the Clime Group for FY18.

- The acquisition of CBG Asset Management Limited into Clime has proceeded smoothly and it is pleasing to report that CBG exceeded the expectations that we set at the time of acquisition;
- The creation of Clime Smaller Companies Fund in FY17 has resulted in strong returns of 22% in FY18 for our clients invested in this fund and also for Clime who seeded the fund with \$0.5 million;
- The forming of a strategic partnership with Realm Investment House led to the strategic development of the Realm High Income Fund. This is a closed end 5-year fund that is uniquely designed for the pension investment market;
- The creation and then issue of a 4-year convertible note in Clime Capital Limited (CAM). The note was issued at a yield of 6.25% per annum, has traded above issue price since listed and raised \$21 million for CAM;
- The launch of SMA products under mandate with FUM in this category is now \$55 million as at 31 July 2018; and
- The positive returns generated by our range of funds and external managers. It was pleasing to report that our managers generated returns of about 10% for our balanced clients who invested across Australian and International equities, income and direct property asset classes.

Clime has, for some period, utilised sophisticated marketing systems to ensure that our brand and views received wide coverage and recognition. Today we have well over 40,000 people receiving our investment newsletters. Our brand is commonly associated with thought leadership, education and value-based investment services that are delivered to the market place with "***integrity, transparency and conviction***".

The last year has seen Clime extend its client numbers, FUM and service capabilities. None of this could have been achieved without the support and diligence of our staff. I acknowledge and thank them on behalf of all our shareholders.



John Abernethy
Managing Director

DID YOU KNOW?

During FY18, the Clime Smaller Companies Fund has returned 22%.





Investment Update

Clime's investment approach evolved in June 2016 to more directly align our strategy objectives with those of our customers. This has now expanded to a multi-asset class objective-based asset allocation framework of portfolio design. While a number of aspects of Clime's investment approach have changed over these past two years, what remains unchanged is Clime's resolute focus on identifying compelling investment opportunities and delivering strong results for our clients.

I'm pleased to report consistent strong results being achieved across the underlying Clime and aligned manager component strategies, both over financial year 2018 and the past two years since commencing our journey of objective-based investing. I provide a short summary of major asset class results below.

Australian Equity Growth

The key tenet of Clime's Australian equity sub-portfolio approach - finding meaningful growth outside of traditional large caps was clearly demonstrated in portfolio results over FY 2018. The small and mid-cap sub-portfolios delivered constructive results.

These strong results were echoed in the Clime Smaller Companies Fund (CSCF). While the timeframe for strategy evaluation is more closely aligned with a 5-year horizon as opposed to a 1-year period, the CSCF made a pleasing start for its first full year.

Another pleasing aspect of the financial year just past is the welcoming of CBG Asset Management within the Clime Group. The Clime CBG 'All Cap Conviction' strategy is a key element of the journey that lies ahead for the business, as is the experience and depth of talent they bring to the Clime Investment Team. FY 2018 saw very strong results produced by the Clime CBG Fund, primarily driven by high quality mid- and small-caps.

International Equity Growth

Providing diversity as well as opportunity for amplified growth, the Clime International Fund (CIF) delivered another year of solid risk-adjusted total returns. Against a backdrop of broadly elevated valuations, geopolitically driven uncertainties provided opportunities to deploy capital through the judicious application of our value-based investment approach.

Australian Income Strategies

After delivering a solid first six months, calendar year 2018 saw the prior period's capital appreciation given back over the second half of FY2018, resulting in an Australian Income portfolio return equivalent to the income-component. The three-year results for CAIF are consistent and marginally above its stated investment objective.

Clime Group's network of aligned 'best of breed' strategic partners was expanded over the year to include Realm Investment House, a specialist credit and RMBS manager. Via the co-development of the Realm Capital Series 2018-1, within Clime there now exists an added dimension to deliver a foundation of regular income.

Australian Syndicated Unlisted Property

The network of aligned unlisted property managers was expanded over the past 12 months, and Clime participated in a number of raisings in select high-quality individual funds. We continue to see high quality direct property, accessible via syndicated unlisted funds, as an attractive opportunity set.

Clime's investment objectives are aligned with our clients' objectives and seek to deliver strong risk-adjusted returns. Distilled to its essence, Clime's investment approach comes down to providing our clients with security in their investment journey. This is captured in the **Grow, Guard, Generate** mantra.

The year just passed was a good one and, while global uncertainties remain, I expect the year ahead to also offer a range of attractive investment opportunities. Across Clime's multi-asset class objective based investment strategies, we look forward to harnessing the diverse range of opportunities in financial year 2019.

I thank you for your continuing support of Clime.

Anthony Golowenko
Head of Investments



*Ronni Chalmers - Executive Chairman
CBG Capital Limited*

CBG Asset Management

CBG Asset Management Limited (CBG)

is a successful Australian equities fund manager, founded in 2001. On 14 July 2017, CBG was acquired by Clime Investment Management, and we believe that the combined resources of the two companies offer the potential to facilitate even stronger results going forward.

CBG is an active boutique manager with the objective of maximising long term returns to investors through a balance of capital growth and distributions. The CBG investment team employs a proven, bottom-up investment process. CBG manages a diversified portfolio of Australian listed equities with generally between 40 and 60 stocks held.

The Australian equities market is heavily concentrated in the largest capitalisation stocks. However, CBG's mandate and relative fund size allows it to invest more broadly and to have a greater exposure to emerging companies.

CBG also has a longer term investment focus than most investors, as evidenced by average historical turnover of 30-40% per annum. This assists CBG to benefit from pricing inefficiencies that result from the shorter term focus of the market as a whole. CBG invests only in high quality companies, which minimises the risk of permanent capital loss and ensures the portfolios are highly liquid in nature. A key strength of the team is the stock picking track record and in 2013 CBG won the Golden Calf Award for best boutique fund manager at the Australian Fund Manager Awards.

CBG is the investment manager for three products, namely Clime CBG Australian Equities Fund (Wholesale), CBG Capital Limited and CBG Australian Equities Fund (Retail).

For more information about the CBG Wholesale and Retail Funds please visit:
www.cbgam.com.au

Clime CBG Australian Equities Fund (Wholesale)

The Clime CBG Australian Equities Fund (Wholesale) Fund was launched in 2002. The objective of the Clime CBG Australian Equities Fund (Wholesale) is to provide strong risk-adjusted total returns over the medium to long-term (3+ years) by investing in securities listed on the Australian Securities Exchange.

We believe that in the short-term markets are inefficient and investors are irrational and therefore that disciplined active management can add value through the economic and market cycle. Over a rolling three to five-year investment horizon we expect to achieve a total return of 7% p.a. beyond the Consumer Price Index (CPI). The Fund aims to achieve a return higher than the broader market benchmark (the S&P ASX200 Accumulation Index) while assuming a similar level of total risk.

The Fund may be suitable for those seeking primarily capital growth, with some supplementary income derived largely from dividends. This is a wholesale fund and you must qualify as a sophisticated investor, as defined by the Corporations Act, to invest.

CBG Capital Limited (ASX:CBC)

CBG Capital is an Australian equities Listed Investment Company (LIC) that was listed on the ASX in December 2014. The purpose of the company is to provide investors with access to a listed investment vehicle that actively manages a portfolio of investments in listed Australian companies.

CBG Capital aims to pay a growing stream of fully franked dividends twice per year. For more information about the company please visit: www.cbgcapital.com.au

CBG Australian Equities Fund (Retail)

The CBG Australian Equities Retail Fund was launched in 2006. It has a similar mandate to the other CBG funds but is available via platforms and may be suitable for retail investors and financial planners.



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 2018 (FY18).

The comparison with the prior year needs consideration of the impact of the acquisition of CBG Asset Management Limited (CBG). On 14 July 2017, the Group acquired 100% equity of CBG. The results of CBG has been included in the Group consolidation from the date of acquisition to 30 June 2018 and it contributed positively to the overall Group result.

Key Highlights

For FY18 the Group recorded a net profit before tax of \$1,367,296 compared with \$766,739 in FY17. Net profit after tax attributable to members was \$1,064,259 for FY18 compared with \$619,945 (excluding one-off tax write back of \$1,941,185 following the de-merger of Clime Private Limited) in FY17.

Group revenue increased by 25%, from \$8.7 million in FY17 to \$10.9 million in FY18. Investment Management fees increased from \$7.2 million to \$8.6 million attributed to higher Funds Under Management (FUM). The Group’s Gross FUM was \$855 million as at 30 June 2018, compared with \$584 million as at 30 June 2017.

The Group received performance fees during the year at \$1,081,205 (FY17: \$115,887) while revenue from Investment Software was \$0.6 million compared to \$0.7 million in FY17 in Stocks In Value Pty Ltd.

Interest and dividend marginally decreased from \$416,000 to \$371,000 this year. The Group’s interest income declined in line with lower average interest rates and a lower average cash balance held.

Depreciation and amortisation expense increased from \$520,000 in FY17 to \$603,000 in FY18. The increase was mainly due to amortisation of intangible assets recognised on the acquisition of CBG.

Administration expenses rose from \$7.7 million to \$8.7 million mainly due to \$0.7 million increase in headcount and \$0.2 million increase in redundancy costs.

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.

	2018 \$	2017 \$
Funds management and related activities revenue	8,865,132	7,422,637
Investment software revenue	546,830	718,142
Administrative and occupancy expenses	(6,350,937)	(5,491,769)
Third party custody, management & funds administration services	(1,095,640)	(1,050,854)
Operating business activities revenue less administrative costs	1,965,385	1,598,156
FUM growth incentives and marketing	(1,334,682)	(1,112,540)
Operating business margin	630,703	485,616
Performance fees	1,081,205	115,887
Balance sheet income	460,308	985,136
Income from associate	2,808	490
Underlying cash profit	2,175,024	1,587,129
Redundancy costs	(237,946)	(347,168)
Amortisation of intangibles	(569,782)	(473,222)
Statutory profit before income tax	1,367,296	766,739
Income tax expense attributable to operating profit	(303,037)	(146,794)
Income tax benefit attributable to de-recognition of deferred tax liability	-	1,941,185
Statutory profit after income tax	1,064,259	2,561,130

Summary of Total Equity

The Total Equity at balance sheet date comprised the following:

	30 June 2018 \$	30 June 2017 \$
Cash and cash equivalents	4,735,297	4,370,278
Trade and other receivables less payables	(96,884)	(699,374)
Listed investments – Clime Capital Limited and CBG Capital Limited	5,021,646	4,858,417
Unlisted investments – Managed funds	-	1,158,800
Equity accounted investment - Clime Super Limited	3,408	-
Other tangible assets less liabilities	(751,292)	(829,195)
Net tangible assets	8,912,175	8,858,926
Intangible assets	8,805,501	6,500,963
Deferred tax assets	610,260	341,134
Total Equity	18,327,936	15,701,023

No. of ordinary shares on issue	54,933,362	48,574,243
Equity per share	33.4 cents	32.3 cents
Net tangible assets per share	16.2 cents	18.2 cents

Cashflow

Operating cash flow (pre impact of financial asset transactions) was positive \$0.4 million (\$0.2 million in FY17).

This was primarily a function of the following:

- An increase in cash receipts from operating activities of \$1.8 million;
- An increase in cash payments on operating activities of \$1.9 million; and
- A decrease in tax paid by \$0.4 million.

The Group generated net cash inflow of \$1.1 million in short term financial assets from trading financial assets carried on the balance sheet compared to \$1.7 million net inflow in FY17.

Thus, the net cash inflow from operating activities was \$1.5 million, a decrease of \$0.4 million in comparison with the prior corresponding period.

Cash flows from investing activities were positive at \$0.7 million mainly on account of the CBG acquisition resulting in a net cash inflow of \$0.7 million.

Cash reserves were applied as follows:

- Share buy-back program of \$0.1 million; and
- Payment of half year and full year dividends to shareholders of \$1.7 million.

Outlook for 2019 Financial Year

Directors and management expect 2019 to be a year of further growth as the business transitions from funds management into a diversified product and financial solutions services business. The Group has a clear focus on expanding the Clime Private Wealth Division, maintaining solid investment returns across all portfolios, and developing investment solutions that meet the needs of self-direct or managed superannuation funds.

The Group has recently moved steadily to building on its successful multi-asset product solution business with the employment of five highly skilled wealth advisors. This initiative, the strengthening funds management team and the building of strategic alliances with specialist technical advice providers, ensures the Group can present as a one stop wealth and/or superannuation solution for our clients.

On behalf of the Board



Donald McLay

Chairman



John Abernethy

Managing Director

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Directors' Report

Your Directors present their report on the consolidated entities ("the Group"), consisting of Clime Investment Management Limited and its controlled entities for the financial year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The following persons were directors of Clime Investment Management Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

D McLay	- Non-executive Chairman
J Abernethy	- Managing Director
N Schafer	- Independent Director
A Chant	- Independent Director

Information on Directors



Mr. Donald McLay BCom, CA, FFin, ACIS, AGIA
Non-executive Chairman, Director

Experience and expertise

Mr. Donald McLay has more than 35 years' experience within financial markets, investment banking and broad business services. He has previously held executive roles with a number of local and overseas investment managers and investment banking organisations, working in London, Singapore, Auckland and Sydney.

Other current directorships

Currently Mr. McLay is Chairman of Credit Corp Group Limited (ASX: CCP), appointed as a Non-Executive Director in March 2008 and Chairman on 30 June 2008 and Chairman of Registry Direct Limited (ASX:RD1) from 30 May 2016 (the company was listed on 1 November 2017). He is also Chairman of Torres Industries Pty Limited, an unlisted company engaged in investment in transport and financial services and Clime Private Limited, an unlisted public company de-merged from Clime Investment Management Limited that holds investments in Jasco Holdings Limited.

Mr. McLay holds a Bachelor of Commerce degree, is a Chartered Accountant, a Chartered Secretary and a Senior Fellow of the Financial Services Institute of Australasia.

Former directorships in last 3 years

None

Special responsibilities

Member of Remuneration Committee
Member of Audit Committee

Interests in shares and options

7,320,680 ordinary shares.



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

Managing Director

Experience and expertise

Mr. John Abernethy was appointed Executive Director in 1994. Mr. Abernethy has over 35 years' funds management experience in Australia having been General Manager Investments of the NRMA. John holds a Bachelor of Commerce (Economics)/LLB from the University of New South Wales.

Mr. Abernethy has been a Director of the Company for over 20 years.

Other current directorships

Mr. Abernethy is a Director of Clime Capital Limited (Chairman), Clime Private Limited, Jasco Holdings Limited, WAM Research Limited, Australian Leaders Fund Limited, Watermark Market Neutral Fund Limited and Watermark Global Limited.

Former directorships in last 3 years

WAM Active Limited

Special responsibilities

None

Interests in shares and options

3,883,850 ordinary shares.

200,000 options under Employee Incentive Scheme ("EIS") over ordinary shares.



Mr. Neil Schafer BApp Econ

Independent Director

Experience and expertise

Mr. Neil 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 Honour's Degree in Applied Economics from the University of New England.

Other current directorships

Mr. Schafer is also a director of Monte St Angelo Mercy College, Catholic Development Fund and principal of SPG Asia.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of Remuneration Committee

Member of Audit Committee

Interests in shares and options

548,007 ordinary shares.

Information on Directors (Continued)



Mr. Allyn Chant BCom, CA, FFin

Independent Director

Experience and expertise

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

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

Other current directorships

Amigo Consulting Pty Ltd

Former directorships in last 3 years

Linear Financial Holdings Pty Limited

Special responsibilities

Member of Remuneration Committee
Chairman of Audit Committee

Interests in shares and options

50,000 ordinary shares.

Company Secretary



Mr. Biju Vikraman Bcom, ACA, AGIA, ACIS

Experience and expertise

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

Interests in shares and options

43,150 ordinary shares.

200,000 options (EIS) over ordinary shares.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

Directors	Board of Directors		Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
Mr. Donald McLay	10	10	2	2	1	1
Mr. Neil Schafer	10	8	2	1	1	1
Mr. John Abernethy	10	10	-	-	-	-
Mr. Allyn Chant	10	10	2	2	1	1

A – Number of meetings eligible to attend

B – Number of meetings attended

Rotation and election of Directors

In accordance with the Company's Constitution:

- Mr. Donald McLay retires by rotation and, being eligible, offer himself for re-election at the next Annual General Meeting.

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) approved Australian Financial Services Licences (AFSL) in the funds management industry.

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

Operating result

The consolidated net profit after providing for tax amounted to \$1,064,259 (2017: \$2,561,130).

Dividends paid or recommended

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

	2018 (\$)	2017 (\$)
1.5 cents per share (2017: 3 cents per share) franked to 100% at 27.5% (2017: franked to 100% at 30%) corporate income tax rate, final ordinary dividend paid during the year on 6 October 2017 in respect of the prior financial year	849,739	1,511,883
1.5 cents per share (2017: 1.5 cents per share) franked to 100% at 27.5% (2017: franked to 50% at 30%) corporate income tax rate, interim ordinary dividend paid during the year on 12 April 2018 in respect of the current financial year.	849,374	751,170
Total dividends paid	1,699,113	2,263,053

Review of operations

In accordance with the relief provided by Legislative Instrument 2016/188 issued by the Australian Securities and Investments Commission, the Company is not required to reproduce information required in the Directors' Report if it has been included elsewhere in the Annual Report. As such, for a detailed Review of Operations of the Company, please refer to Report from the Board beginning on page 10.

Significant changes in state of affairs

The Group acquired 100% share capital of CBG Asset Management Ltd (CBG) on 14 July 2017. The acquisition cost was \$3,625,000 comprising \$3,250,000 on completion and \$375,000 in 12 months based on the fulfilment of certain warranties relating to funds under management retention and delivery of agreed outcomes. On 16th 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.

There was no other significant change in the Group's state of affairs during the financial year other than as disclosed in the financial statements.

Subsequent events

A final fully franked dividend for the year ended 30 June 2018 of 1.5 cents per share, totalling \$852,725 has been declared by the directors. This provision has not been reflected in the accounts.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Future developments

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

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by company-specific and prevailing industry conditions. In addition, a range of external factors including economic growth rates, 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 Company's investments nor its mandates and therefore, the Company's performance.

Shares under option

Unissued ordinary shares of Clime Investment Management Limited under option at the date of this report are as follows:

Nature of options	Date Options Granted	Vesting / Expiry Date	Exercise Price	Number under Option
Employee Incentive Scheme	22 August 2013	4 November 2018	\$0.800	100,000
Employee Incentive Scheme	25 October 2013	4 November 2018	\$0.829	150,000
Employee Incentive Scheme	19 August 2014	19 August 2019	\$0.850	100,000
Employee Incentive Scheme	25 February 2015	25 February 2019	\$0.750	25,000
Employee Incentive Scheme	11 September 2015	11 September 2018	\$0.700	200,000
Employee Incentive Scheme	20 July 2016	20 July 2019	\$0.630	300,000
Employee Incentive Scheme	23 June 2017	23 June 2020	\$0.500	300,000
Employee Incentive Scheme	21 August 2018	21 August 2021	\$0.485	400,000
			Total	1,575,000

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

Shares issued on the exercise of options

Nil shares (2017: Nil shares) were issued to option holders after the end of the 2018 financial year as a result of the exercise of options. Refer note 25 for movement of in-substance options during the year.

Environmental issues

The Group's operations are not regulated by any significant law of the Commonwealth or of a State or Territory relating to the environment.

Rounding off amounts

In accordance with *Australian Securities and Investments Commission 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 or in certain cases to the nearest one thousand dollars where indicated, unless otherwise stated.

Risk and compliance control statement

Under Australian Securities Exchange (ASX) Listing Rules and the 3rd Edition of 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 Company's objectives. These internal control processes cover financial, operational and compliance risks. The Company's corporate governance practices are outlined in further detail in the Corporate Governance Statement section on Company's website at www.clime.com.au.

The Directors have received and considered the annual control certification from the Managing Director 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 Principles to the extent disclosed in the Corporate Governance Statement.

Insurance of officers and auditors

During the financial year, the economic entity paid a premium for an insurance policy insuring all Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as Directors or officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

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

Remuneration report - Audited

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the directors of Clime Investment Management Limited ("the Company") and its other key management personnel for the financial year ended 30 June 2018. The remuneration report is set out under the following main headings:

- A Directors and other key management personnel
- B Principles used to determine the nature and amount of remuneration
- C Details of remuneration
- D Service agreements
- E Share-based compensation
- F Related party transactions
- G Additional information

A. Directors and other key management personnel

The following persons acted as directors of the Company during or since the end of the financial year.

- Donald McLay - Non-executive Chairman
- John Abernethy - Managing Director
- Neil Schafer - Independent Director
- Allyn Chant - Independent Director

Other key management personnel of the consolidated entity

There were no additional persons other than the directors 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 first class 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. The executives may be given an incentive via a performance based bonus (as determined by the remuneration committee) and certain executives may be entitled to commission payments commensurate with the level of revenue they generate. Equity based remuneration can be made via the options issued to the executives under the Employee Incentive Scheme ("EIS").

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

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

Remuneration report - Audited (Continued)

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

Directors

Fees and payments to Directors reflect the demands which are made on, and the responsibilities of, the Directors. Remuneration of Independent Directors are determined by the full Board within the maximum amount approved by shareholders from time to time. The payments to Independent Directors do not include retirement benefits other than statutory superannuation. Consultation with Independent Directors outside their duties as Directors is treated as external consultation and is subject to additional fees by consent of the Board. The Company has a policy that Independent Directors are not entitled to retirement benefits, may not participate in performance based incentives, and may not participate in the EIS.

Directors' Fees

The current base remuneration was last reviewed with effect from 1 January 2016. 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 \$260,000 per annum.

Executive Directors' remuneration

The executive remuneration framework has five components:

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

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

Base pay

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

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market.

Commissions

Sales commissions, if any, formed part of certain executive remuneration packages during the year, commensurate with the level of revenue generated during the year.

Remuneration report - Audited (Continued)

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

Short-term incentives (STI)

Executive Directors and key management personnel have target short-term incentive opportunities depending on the accountabilities of respective roles and their impact on the organisation'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 ("KPI's"). Such KPI's will generally include measures relating to both the Group and the relevant individual, and may include financial, human resources, client service, strategy and risk measures where appropriate. The measures are chosen such that they directly align the individual's reward to the KPI's of the Group and to its strategy and performance.

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

Clime Investment Management Limited Employee Incentive Scheme

Information on the Company's Employee Incentive Scheme is set out in note 25 on pages 63 to 66.

C. Details of remuneration

Amounts of remuneration

Details of the remuneration of each Director of Clime Investment Management Limited and each of the other key management personnel of the Group for the years ended 30 June 2018 and 30 June 2017 are set out in the following tables. The commission payments, if any, are dependent on the level of revenue generated from consulting activities, short term incentives are dependent on the satisfaction of performance conditions as set out in the section headed *Short-term incentives* above, and share options do not vest unless the relevant vesting hurdles are achieved. All other elements of remuneration are not directly related to performance.

Directors and the other key management personnel of Clime Investment Management Limited

2018	Short-term Employee Benefits		Post-Employment Benefits	Share-Based Payments	Total
	Cash salary, fees and commissions	Short term incentives	Superannuation	Options	
Name	(\$)	(\$)	(\$)	(\$)	(\$)
Donald McLay	70,000	-	-	-	70,000
John Abernethy	282,120	22,831	20,049	7,380	332,380
Neil Schafer	54,000	-	-	-	54,000
Allyn Chant	47,489	-	4,511	-	52,000
Total	453,609	22,831	24,560	7,380	508,380

Remuneration report - Audited (Continued)

2017	Short-term Employee Benefits		Post-Employment Benefits	Share-Based Payments	Total
	Cash salary, fees and commissions	Short term incentives	Superannuation	Options	
Name	(\$)	(\$)	(\$)	(\$)	(\$)
Donald McLay	70,000	-	-	-	70,000
John Abernethy	267,424	23,231	19,746	142	310,543
Neil Schafer	54,000	-	-	-	54,000
Allyn Chant	47,489	-	4,511	-	52,000
Total	438,913	23,231	24,257	142	486,543

The relative performance of those elements of remuneration of directors and other key management personnel that are linked to performances:

Name	Fixed remuneration		Remuneration linked to performance	
	2018	2017	2018	2017
Donald McLay	100%	100%	-	-
John Abernethy	93.1%	92.5%	6.9%	7.5%
Neil Schafer	100%	100%	-	-
Allyn Chant	100%	100%	-	-

Short-term incentives

\$22,831 (2017: \$23,231) short term incentives were paid to directors and other key management personnel in respect of the year ended 30 June 2018. The short term incentives were paid at the discretion of the Remuneration Committee. The short term incentives therefore vested 100% during the financial year ended 30 June 2018.

Remuneration report - Audited (Continued)

D. Service Agreements

Remuneration and other terms of employment for the Executive Directors and certain other senior executives are formalised in service agreements with annual adjustments (once agreed by the remuneration committee) notified in writing. Provisions relating to the term of agreement, periods of notice required for termination and relevant termination payments of the Managing Director are set out below.

Mr. John Abernethy

Managing Director

- Term of agreement – no fixed term
- Notice period for termination by employee – 3 months
- Notice period for termination by company – 9 months
- Payment of a termination benefit on early termination by the Company – in lieu of 9 months' notice and other than for gross misconduct – the Company has the right to request that he works 3 months' notice period at the time of termination.

E. Share-Based Compensation

(i) Shares provided on exercise of remuneration options

No ordinary shares in the Company were provided as a result of the exercise of options via the EIS during the year (2017: Nil).

(ii) Shareholdings of directors and other key management personnel

The numbers of shares in the Company held during the year by each director of Clime Investment Management Limited and each of the other key management personnel of the consolidated entity, including their related parties, are set out below.

Name	Balance at 1 July 2017	Granted as compensation / Received on exercise of options	Other changes during the year	Balance as at Date
	No.	No.	No.	No.
Mr. Donald McLay	7,320,680	-	-	7,320,680
Mr. John Abernethy	3,961,350*	-	122,500	4,083,850*
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Allyn Chant	-	-	50,000	50,000

* Includes 200,000 issued under EIS.

Remuneration report - Audited (Continued)

F. Related party transactions

1. Clime Capital Limited

- i. Mr. John Abernethy is a Director and Chairman of Clime Capital Limited. The Group received \$65,924 (2017: \$59,000) as management fees for the services rendered by two directors and company secretary to Clime Capital Limited. The Group directly owns 6.31% (2017: 6.24%) of the fully paid ordinary shares of Clime Capital Limited as at 30 June 2018. Clime Investment Management Limited through Clime Asset Management Pty Limited (a wholly owned subsidiary) has the indirect power to dispose 6.14% (2017: 6.34%) of Clime Capital Limited's shares held by the Investment Managers discretionary share portfolio clients as at 30 June 2018.
- ii. Clime Asset Management Pty Limited during the year earned \$715,813 (2017: \$620,894) as remuneration for managing Clime Capital Limited's investment portfolio.
- iii. 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 Australian Income Fund

- i. Clime Asset Management Pty Limited (a wholly owned subsidiary), during the year received \$114,817 (2017: \$15,909) as remuneration for managing the investment portfolios and acting as trustee of Clime Australian Income Fund.

3. Clime Smaller Companies Fund

- i. Clime Asset Management Pty Limited (a wholly owned subsidiary), during the year received \$277,548 (2017: \$2,852) as remuneration for managing the investment portfolios and acting as trustee of Clime Smaller Companies Fund.

4. CBG Capital Limited

- i. Mr. John Abernethy is a Director of CBG Capital Limited. The Group received \$26,708 (2017: \$Nil) as management fees for the services rendered by two directors and company secretary to CBG Capital Limited. The Group directly owns 0.63% (2017: Nil) of fully paid ordinary shares in CBG Capital Limited as at 30 June 2018.
- ii. CBG Asset Management Limited (a wholly owned subsidiary) during the year earned \$311,806 (2017: \$Nil) as remuneration for managing CBG Capital Limited's investment portfolio.
- iii. All dividends paid and payable by CBG Capital Limited to its Directors and Directors' related entities are on the same basis as to other shareholders.

5. Clime CBG Australian Equities Fund (Wholesale)

- i. CBG Asset Management Limited (a wholly owned subsidiary), during the year received \$934,325 (2017: \$Nil) as remuneration for managing the investment portfolios and acting as trustee of Clime CBG Australian Equities Fund (wholesale).

Remuneration report - Audited (Continued)

F. Related party transactions (Continued)

6. Amigo Consulting Pty Limited

Mr. Alyn Chant, a director of Clime, is also a director and a minority shareholder of Amigo Consulting Pty Limited ("Amigo"). The Group during the year paid \$50,000 (2017: \$188,390) to Amigo as consultancy fees.

On 27th October 2016, shareholders approved issuing 1,000,000 options to Amigo to acquire ordinary shares in the Company. Amigo has been engaged to provide strategic and outcome driven corporate advisory services.

These options will expire on 1 October 2019 and may be exercised at any time upon vesting and prior to the expiry date. The amount payable on exercise of each option is 50 cents, subject to adjustment in accordance with certain conditions as follows:

- i. 333,333 options vest on the date, if it occurs prior to 30 September 2017 that the Company's securities trade on the Australian Securities Exchange ("ASX") at or above 75 cents. As this condition was not met the vesting period has been extended to 30 September 2019 and vesting will occur if the Company's securities trade on the ASX at or above \$1.00 by that extended date;
- ii. 333,333 options vest on the date that the Company completes the purchase or build of a retail platform (defined as a flexible service that enables investors to buy and hold their investments online all in one place, tracking transactions for tax purposes and allowing advisor and/or client direction) for client's monies if this occurs before the expiry date;
- iii. 333,334 options vest if the Company's Funds under Management attains or exceeds \$1 billion prior to the expiry date.

Expenses arising from the share based payment transactions recognised during the period was \$36,333 (2017: \$21,402).

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 2018	30 June 2017	30 June 2018	30 June 2017
	(\$)	(\$)	(\$)	(\$)
Clime Capital Limited	73,406	54,837	-	-
Clime Australian Income Fund	-	4,596	-	-
Clime Smaller Companies Fund	-	3,137	-	-
Subsidiaries of Clime Investment Management Limited	902,562	460,796	16,102,083	12,478,294
Joint Venture of Clime Investment Management Limited	22,330	-	-	-
CBG Capital Limited	6,600	-	-	-
Amigo Consulting Pty Ltd	-	-	11,000	22,000

Remuneration report - Audited (Continued)

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 2018:

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	
Revenue	10,864,250	8,672,692	9,114,230	9,653,739	8,746,240	-
Net profit before tax and amortisation	1,937,078	1,239,961	1,808,353	4,532,188	4,702,482	-
Net profit before tax	1,367,296	766,739	1,335,130	4,226,840	4,397,134	-
Net profit after tax	1,064,259	2,561,130	1,065,330	3,288,651	3,203,014	-
Cash dividends paid	1,699,113	2,263,053	3,013,290	3,002,690	1,243,621	-
Interim dividend - Fully franked ¹	1.5cps	-	3.0cps	3.0cps	2.5cps	10.0cps
Interim dividend - Partially franked ²	-	1.5cps	-	-	-	1.5cps
Final dividend ^{1,3}	1.5cps	1.5cps	3.0cps	3.0cps	3.0cps	12.0cps
Capital return ⁴	-	1 CPL for 1 CIW	-	-	8.0cps	23.0cps
Share price at start of year	\$0.50	\$0.65	\$0.75	\$0.80	\$0.70	-
Share price at end of year	\$0.48	\$0.50	\$0.65*	\$0.75*	\$0.80*	-
Basic EPS	1.9cps	5.2cps	2.2cps	6.9cps	6.8cps	-
Diluted EPS	1.9cps	5.1cps	2.1cps	6.6cps	6.4cps	-

¹ 100% franked dividends (franked to 100% at 27.5% (prior to FY2018: 30%) corporate tax rate)

² 50% franked dividends (franked to 50% at 30% corporate tax rate)

³ Declared after each respective balance date and not reflected in the financial statements

⁴ In-specie distribution of 1 ordinary Clime Private Limited (CPL) share for each Clime Investment Management Limited ("CIW") ordinary share held worth 15cps.

* Price pre-Jasco demerger

Furthermore, during the five years to 30 June 2018, Clime Investment Management Limited bought back 1,411,279 (2017: 1,636,497) fully paid ordinary shares for total consideration of \$882,343 (2017: \$1,005,643). These shares were repurchased at the prevailing market prices on the dates of the respective transactions in accordance with the economic entity's on-market buy-back scheme (within the 10/12 limit 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");
- Retention and renewal rates for Funds Management clients;
- Investment returns and performance generated by the Funds Management team in respect of its managed investment products; and
- Investment returns generated by the Group's direct investments.

End of audited remuneration report

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.

The Company was not a party to any such proceedings during the year.

Non-audit services

The Group may decide to employ the auditor for assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor Pitcher Partners for audit and non-audit services provided during the year are set out in note 23 of the attached Financial Statements.

The Board of Directors have considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services, as set out in note 23 of the attached Financial Statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 29.

Signed in accordance with a resolution of the Directors.



Donald McLay
Chairman

Sydney, 21 August 2018



John Abernethy
Managing Director

Auditor's Independence Declaration



**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 2018, I declare that 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.

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

Mark Godlewski
Partner

PITCHER PARTNERS
Sydney

21 August 2018

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FINANCIAL STATEMENTS

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These Financial Statements cover the consolidated entity consisting of Clime Investment Management Limited and its controlled entities.

Clime Investment Management Limited is a company limited by shares, incorporated, domiciled in Australia and listed on the Australian Securities Exchange. Its registered office and principal place of business is:

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

A description of the nature of the consolidated entity's operations and its principal activities is included in Note 26 on pages 66 and 67 of these financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and accessible at minimum cost to the Company.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018	2017
		(\$)	(\$)
Revenue	5	10,864,250	8,672,692
Net realised and unrealised gains on financial assets at fair value through profit or loss		89,225	569,110
Occupancy expenses		(302,839)	(248,564)
Depreciation and amortisation expense	6	(603,418)	(520,265)
Administrative expenses		(8,682,730)	(7,706,724)
Share of profit of joint venture/associate	13(c)	2,808	490
Profit before income tax	6	1,367,296	766,739
Income tax expense attributable to operating profit	8	(303,037)	(146,794)
Income tax benefit arising from de-recognition of deferred tax liability	20	-	1,941,185
Total income tax (expense)/benefit	8(a)	(303,037)	1,794,391
Profit for the year		1,064,259	2,561,130
Other comprehensive (loss) / income, net of income tax			
Net movement in reserves	22(a)	-	(142,506)
Other comprehensive income for the year, net of tax		-	(142,506)
Total comprehensive income for the year		1,064,259	2,418,624
Profit attributable to members of Clime Investment Management Limited		1,064,259	2,561,130
Total comprehensive income attributable to members of Clime Investment Management Limited		1,064,259	2,418,624
Earnings per share			
Basic - cents per share	24(a)	1.9	5.2
Diluted - cents per share	24(b)	1.9	5.1

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 2018

	Notes	2018 (\$)	2017 (\$)
ASSETS			
Current Assets			
Cash and cash equivalents	7(a)	4,735,297	4,370,278
Trade and other receivables	10	2,030,348	552,974
Other current assets	11	175,907	121,971
Financial assets at fair value through profit or loss	12	5,021,646	6,017,217
Current tax assets		-	303,732
Total Current Assets		11,963,198	11,366,172
Non-Current Assets			
Investments accounted for using equity method	13	3,408	-
Property, plant and equipment	15	89,777	51,206
Deferred tax assets	16	610,260	341,134
Intangible assets	17	8,805,501	6,500,963
Total Non-Current Assets		9,508,946	6,893,303
Total Assets		21,472,144	18,259,475
LIABILITIES			
Current Liabilities			
Trade and other payables	18	2,084,165	1,556,080
Current tax liabilities		43,067	-
Unearned revenue		645,961	786,523
Provisions	19	306,314	172,055
Total Current Liabilities		3,079,507	2,514,658
Non-Current Liabilities			
Deferred tax liabilities	20	64,701	43,794
Total Non-Current Liabilities		64,701	43,794
Total Liabilities		3,144,208	2,558,452
Net Assets		18,327,936	15,701,023
EQUITY			
Issued Capital	21	17,006,379	13,822,370
Reserves	22(a)	233,556	155,798
Retained earnings	22(b)	1,088,001	1,722,855
Total Equity		18,327,936	15,701,023

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 2018

Consolidated	Notes	Issued capital	Share-based payments reserve	Other Reserves	Retained earnings	Total
		(\$)	(\$)	(\$)	(\$)	(\$)
Balance as at 1 July 2016		21,860,316	91,812	142,506	1,424,778	23,519,412
Profit for the year		-	-	-	2,561,130	2,561,130
Other comprehensive income for the year net of tax		-	-	(142,506)	-	(142,506)
Total comprehensive income for the year net of tax		-	-	(142,506)	2,561,130	2,418,624
Transactions with equity holders in their capacity as equity holders:						
- On-market buy-back including transaction costs	21(b)	(235,140)	-	-	-	(235,140)
- Recognition of share-based payments	22(a)	-	63,986	-	-	63,986
- In-specie distribution of equity accounted investment	21(b)	(7,802,806)	-	-	-	(7,802,806)
- Dividends paid or provided for	9(a)	-	-	-	(2,263,053)	(2,263,053)
Balance as at 30 June 2017		13,822,370	155,798	-	1,722,855	15,701,023
Profit for the year		-	-	-	1,064,259	1,064,259
Other comprehensive income for the year net of tax		-	-	-	-	-
Total comprehensive income for the year net of tax		-	-	-	1,064,259	1,064,259
Transactions with equity holders in their capacity as equity holders:						
- Issue of ordinary shares for acquisition of CBG Asset Management Limited	21(b)	3,250,000	-	-	-	3,250,000
- On-market buy-back including transaction costs	21(b)	(65,991)	-	-	-	(65,991)
- Recognition of share-based payments	22(a)	-	77,758	-	-	77,758
- Dividends paid or provided for	9(a)	-	-	-	(1,699,113)	(1,699,113)
Balance as at 30 June 2018		17,006,379	233,556	-	1,088,001	18,327,936

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

Consolidated Statement of Cashflows

For the year ended 30 June 2018

	Notes	2018	2017
		(\$)	(\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees received in the course of operations		10,368,106	8,549,009
Expense payments in the course of operations		(10,366,732)	(8,442,566)
Dividends received from associate		-	47,594
Other dividends and distributions received		285,395	289,165
Interest received		76,704	85,208
Income taxes refunded/(paid)		18,052	(352,675)
		381,525	175,735
Proceeds from disposal of financial assets at fair value through profit or loss		2,552,622	3,896,241
Payments for financial assets at fair value through profit or loss		(1,458,842)	(2,209,678)
		1,093,780	1,686,563
Net cash provided by operating activities	7(b)	1,475,305	1,862,298
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of equity accounted investments		-	900,000
Net cash inflow on acquisition of subsidiary	32	725,944	-
Payments for property, plant and equipment	15	(70,526)	(7,889)
Payment for investment in Joint Venture – Clime Super Pty Limited		(600)	-
Net cash provided by investing activities		654,818	892,111
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares bought back (including transaction costs)	21(b)	(65,991)	(235,140)
Dividends paid to company's shareholders	9(a)	(1,699,113)	(2,263,053)
Net cash used in financing activities		(1,765,104)	(2,498,193)
Net increase in cash and cash equivalents		365,019	256,216
Cash and cash equivalents at beginning of the year		4,370,278	4,114,062
Cash and cash equivalents at end of the year	7(a)	4,735,297	4,370,278

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 2018

1. Corporate information

Clime Investment Management Limited (the Company) is a limited company incorporated in Australia. The address of its registered office and principal place of business is Level 7, 1 Market 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 2018 were authorised for issue in accordance with a resolution of the directors on 21 August 2018 and covers the consolidated entity consisting of Clime Investment Management Limited and its subsidiaries as required by the *Corporations Act 2001*.

2. Summary of significant accounting policies

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

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

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

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

The consolidated entity has adopted all of 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 Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- i. AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses. The consolidated entity has adopted AASB 2016-1 from 1 July 2017. The amendments to AASB 112 'Income Taxes' clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.
- ii. 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107. The consolidated entity has adopted AASB 2016-2 from 1 July 2017. The amendments to AASB 107 'Statement of Cash Flows' require the disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

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

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

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

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in the statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from associates in the consolidated financial statements reduce the carrying amount of the investment.

2. Summary of significant accounting policies (Continued)

(b) Principles of consolidation (Continued)

(ii) Associates (Continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are stated net of the amounts of goods and services tax paid. Revenue is recognised for the major business activities as follows:

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

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

(ii) Services income

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

(iii) Investment education and software

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

(iv) Interest income

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

(d) Income tax

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

(e) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

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

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

(f) Business combinations

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

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

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

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2. Summary of significant accounting policies (Continued)

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the statement of financial position.

(i) Trade receivables

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

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

(j) Investments and other financial assets

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

2. Summary of significant accounting policies (Continued)

(j) Investments and other financial assets (Continued)

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

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

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

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

(k) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using alternative valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are 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) Property, plant and equipment

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

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

2. Summary of significant accounting policies (Continued)

(l) Property, plant and equipment (Continued)

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

- Plant and equipment 3-20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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

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

(m) Intangible assets

(i) Goodwill

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

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

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

(iii) Intangible assets acquired in a business combination

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

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

(iv) Investment Management contracts and relationships

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

2. Summary of significant accounting policies (Continued)

(m) Intangible assets (Continued)

(v) Software licence, customer relationship and customer list

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

(n) Trade and other payables

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

(o) Employee benefits

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

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

(ii) Bonus plans

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

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

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

(iii) Superannuation

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

(iv) Employee benefit on-costs

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

(v) Share-based payments

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

Employee Incentive Scheme (EIS)

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

2. Summary of significant accounting policies (Continued)

(o) Employee benefits (Continued)

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

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

The fair value of the 'in-substance options' at grant date is determined using a binomial distribution to statistically estimate the value of the benefits granted. The valuation model takes into account the share issue price, the term of the loan, the current price and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the loan.

In order to recognise the impact of employee departures and the resultant early termination of their respective loan agreements, at each balance date the Company revises its estimate of the number of shares that may ultimately become unconditional. The employee benefit expense recognised each period takes into account the most recent estimate.

Following the expiration of the term of the loan, any repayment received from employees in respect of the amortised loan balance is recognised in contributed equity in the statement of financial position. The balance of the share-based payments reserve relating to those shares is also transferred to contributed equity.

To the extent that an employee chooses not to repay the amortised loan balance at the completion of the loan term (i.e. where the value of the shares is less than the amortised loan balance), then the Company will buy back those shares and the balance of the share-based payments reserve relating to those shares is transferred to a lapsed option reserve.

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

(p) Provisions

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

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

(q) Financial liabilities and equity instruments

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

Ordinary shares are classified as equity.

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.

2. Summary of significant accounting policies (Continued)

(q) Financial liabilities and equity instruments (Continued)

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.

(r) Dividends

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

(s) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(t) Goods and service tax

Revenues, expenses, 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.

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

The AASB has issued certain new and amended Accounting Standards and Interpretations that are not mandatory for 30 June 2018 reporting period and hence have not been early adopted by the Group. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

2. Summary of significant accounting policies (Continued)

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

(i) AASB 9: Financial Instruments and its consequential amendments

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

The directors are still in the process of assessing the full impact of the application of AASB 9 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. However, the directors do not anticipate significant impact of the application of AASB 9. The directors do not intend to early adopt the standard.

(ii) AASB 15 Revenue from Contracts with Customers

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

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 directors are still in the process of assessing the full impact of the application of AASB 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. However, the directors do not anticipate significant impact of the application of AASB 15. The directors do not intend to early adopt the standard.

(iii) AASB 16 Leases

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

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

AASB 16 applies to annual periods beginning on or after 1 January 2019. As at 30 June 2018, the Group has non-cancellable operating lease commitment of \$330,307 (note 28). A preliminary assessment indicates that these arrangement 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 directors currently anticipate that the adoption of AASB 16 is unlikely to have a significant impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

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.

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

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

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

4. Financial risk management

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

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

(a) Market risk

The Group's activities expose it primarily to other price risks (see (i) below) and interest 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.

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

4. Financial risk management (Continued)

(a) Market risk (Continued)

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 2018		30 June 2017	
	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)	\$682,217	(\$682,217)	\$615,888	(\$615,888)

(ii) Interest rate risk management

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

Interest Rate Risk Sensitivity Analysis

The table below summarises the pre-tax impact on the Group's profits due to both a decrease and increase in interest rates by 100 basis points (one percentage point) 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 (1.69% weighted average interest rate in 2018 and 1.80% weighted average interest rate in 2017).

	30 June 2018		30 June 2017	
	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)	\$45,518	(\$45,518)	\$45,672	(\$45,672)

(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.

(ii) Trade and other receivables

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

4. Financial risk management (Continued)

(c) Liquidity risk

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

(i) Maturities of financial assets and liabilities

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

Maturity analysis – Group 2018	Carrying amount	Contractual cash flows	Less than 6 months	6 – 12 months	1-3 years
Financial liabilities	\$	\$	\$	\$	\$
Trade and other payables	1,629,211	1,629,211	1,629,211	-	-
Total financial liabilities	1,629,211	1,629,211	1,629,211	-	-
Financial assets					
Cash and cash equivalents	4,735,297	4,735,297	4,479,811	-	255,486
Trade and other receivables – current	2,030,348	2,030,348	2,030,348	-	-
Total financial assets	6,765,645	6,765,645	6,510,159	-	255,486

Maturity analysis – Group 2017	Carrying amount	Contractual cash flows	Less than 6 months	6 – 12 months	1-3 years
Financial liabilities	\$	\$	\$	\$	\$
Trade and other payables	1,337,085	1,337,085	1,337,085	-	-
Total financial liabilities	1,337,085	1,337,085	1,337,085	-	-
Financial assets					
Cash and cash equivalents	4,370,278	4,370,278	4,114,792	-	255,486
Trade and other receivables – current	552,974	552,974	552,974	-	-
Total financial assets	4,923,252	4,923,252	4,667,766	-	255,486

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.

4. Financial risk management (Continued)

(d) Fair value risk

(i) Fair value measurements recognised in the consolidated statement of financial position

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

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

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

At 30 June 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

At 30 June 2017	Level 1	Level 2	Level 3	Total
	(\$)	(\$)	(\$)	(\$)
Financial assets at fair value through profit or loss				
- Listed equities and funds	4,858,417	-	-	4,858,417
- Unlisted funds	-	1,158,800	-	1,158,800
	4,858,417	1,158,800	-	6,017,217

(ii) Valuation technique

Listed Investment in equity and preference securities and managed funds

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

Unlisted managed funds

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

Unlisted equity investments

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

4. Financial risk management (Continued)

(d) Fair value risk (Continued)

Financial liabilities

The carrying value of financial liabilities approximate their fair values.

5. Revenue

	2018 \$	2017 \$
Management fees	8,601,434	7,202,514
Performance fees	1,081,205	115,887
Director fees and Company Secretary fees	74,924	79,000
Dividends and distributions received	294,379	330,818
Interest received	76,704	85,208
Investment software and education	546,830	718,142
Other income	188,774	141,123
Total revenue	10,864,250	8,672,692

See note 26(b) for an analysis of revenue by segment.

6. Expenses

	2018 \$	2017 \$
Profit before income tax includes the following specific expenses:		
Employee benefits expense (excluding superannuation)	5,133,646	4,453,659
Defined contribution superannuation expense	371,008	327,733
Share-based payment expense recognised	77,758	63,986
Rental expense relating to operating leases - Minimum lease payments	263,935	223,008
Depreciation of plant and equipment	33,636	47,043
Amortisation of investment management contracts	356,908	260,348
Amortisation of software licences, customer relationships and customer lists	212,874	212,874

7. Statement of Cashflows

(a) Reconciliation of cash	2018 \$	2017 \$
For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise:		
Cash and bank balances	4,735,297	4,370,278

Cash at bank is interest bearing. Cash at bank and deposits at call bear floating interest rates between 1.0% and 1.8% (2017: 1.4% and 1.8%).

Cash and bank balances above includes deposits of \$256,615 (2017: \$256,559) that has been pledged as security for the currently occupied office space in Sydney.

(b) Reconciliation of profit for the year to net cash flows from operating activities:	2018 \$	2017 \$
Profit for the year	1,064,259	2,561,130
Depreciation and amortisation	603,418	520,265
Non-cash share-based payment expense	77,758	63,986
Share of profit of associate	(2,808)	(490)
Dividends received from associate	-	47,594
Deferred consideration written back	(187,500)	-

Change in operating assets and liabilities

Trade and other receivables and other assets	(1,388,176)	(150,204)
Financial assets at fair value through profit or loss	995,571	1,075,801
Trade and sundry creditors	(57,634)	69,532
Current tax liability	387,186	(228,738)
Movement in other reserve recycled to profit or loss	-	(140,750)
Deferred tax assets and liabilities	(66,097)	(1,918,327)
Provisions	49,328	(37,501)
Net cash provided by operating activities	1,475,305	1,862,298

8. Income tax expense

(a) Income tax expenses / (credit)	2018 \$	2017 \$
Current tax expense	369,134	124,688
Deferred tax credit	(66,097)	(1,919,079)
	303,037	(1,794,391)

Deferred income tax credit included in income tax expense comprises:

(Increase)/decrease in deferred tax assets (note 16)	(87,004)	381,013
Increase/(decrease) in deferred tax liabilities (note 20)	20,907	(2,300,092)
	(66,097)	(1,919,079)

8. Income tax expense (Continued)

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

	2018 \$	2017 \$
Profit before income tax expense	1,367,296	766,739
Tax at the Australian tax rate of 27.5% (2017: 30%)	376,006	230,022
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Amortisation of intangibles	144,083	128,213
Share-based payment expense	21,383	19,196
Tax rate changes	22,049	-
Franking credits on dividends	(88,949)	(100,160)
Utilisation of losses not previously recognised	(63,722)	-
Deferred tax liability movement due to demerger of Jasco	-	(1,941,185)
Movement in other reserves	-	(148,038)
(Over) / under provision of prior year tax	(47,233)	10,215
Non-taxable income	(51,563)	-
Sundry items	(9,017)	7,346
Income tax expense / (credit)	303,037	(1,794,391)

9. Dividends

(a) Dividends provided for or paid during the year

	2018 \$	2017 \$
Final dividend in respect of the previous financial year – 1.5 cents per share fully franked (2017: 3 cents per share fully franked)	849,739	1,511,883
Interim dividend in respect of the current financial year – 1.5 cents per share fully franked (2017: 1.5 cents per share 50% franked)	849,374	751,170
	1,699,113	2,263,053
Fully franked portion	1,699,113	1,511,883

(b) Dividends not recognised at year end

Proposed fully franked dividend – 1.5 cents per share (2017: 1.5 cents fully franked)	852,725	849,739
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(c) Franking account balance

Amount of franking credits available for subsequent financial years are:

Franking account balance brought forward	2,046	315,201
Franking credits arising from income tax paid	271,139	697,894
Franking credits arising from acquisition of CBG Asset Management Limited	766,046	-
Franking credits from dividends received	122,690	143,086
Franking debits from payment of dividends	(644,491)	(808,915)
Franking debits from income tax refund	(289,192)	(345,220)
Balance of franking account at year end	228,238	2,046

Impact on franking account of proposed dividend not recognised at year end at 27.5% corporate tax rate (2017: 27.5%)	323,447	333,826
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10. Trade and other receivables - Current

	2018 \$	2017 \$
Trade receivables	1,808,528	530,441
Other receivables	221,820	22,533
	2,030,348	552,974

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

11. Other current assets

	2018 \$	2017 \$
Prepayments and deposits	175,907	121,971

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

	2018 \$	2017 \$
Shares in corporations listed on a prescribed stock exchange	5,021,646	4,858,417
Investment in unlisted, unregistered managed investment scheme	-	1,158,800
	5,021,646	6,017,217

13. Investments accounted for using the equity method

	2018 \$	2017 \$
Investment in joint venture	3,408	-

(a) Carrying amounts

Information relating to joint venture is set out below.

Carrying amounts					
Name of companies	Principal activity	2018 %	2017 %	2018 \$	2017 \$
<i>Unlisted</i>					
Clime Super Pty Ltd (i)	Provision of administration services to self-managed super funds	50%	-	3,408	-

The above joint venture is incorporated in Australia

13. Investments accounted for using the equity method (Continued)

(a) Carrying amounts (Continued)

(i) Clime Super Pty Ltd

On 1 July 2017, the Group entered into a 50:50 Joint Venture with HLB Mann Judd (Wollongong) an experienced firm of accountants and business advisors to provide self-managed super fund administration services.

(b) Movements of carrying amounts of associate - JASCO

	2018 \$	2017 \$
Carrying amount at the beginning of the financial year	-	8,752,418
Share of profit after income tax	-	490
Share of decrease in reserves	-	(2,508)
Dividends received/receivable	-	(47,594)
Disposal of equity accounted investments	-	(900,000)
De-recognition of equity accounted investments on demerger of Jasco	-	(7,802,806)
Carrying amount at the end of the financial year	-	-

Joint Venture - Clime Super Pty Ltd (2017: Associate - JASCO)

Net profit of Associate before income tax	3,873	700
Income tax expenses	(1,065)	(210)
Profit after income tax	2,808	490

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

	2018 \$	2017 \$
Share of net profit of Joint Venture / Associate	2,808	490

(d) Summarised financial information of investments accounted for using the equity method

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

Group's share of

	Assets \$	Liabilities \$	Revenues \$	Profit after tax \$
2018				
Clime Super Pty Ltd	25,831	22,423	89,630	2,808
2017				
Jasco Holdings Limited - up to 31 October 2016	-	-	3,233,230	490

14. Investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2018 %	2017 %
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	-

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

^ Incorporated on 7 February 2017.

^^ Clime acquired 100% shareholding in CBG Asset Management Limited on 14 July 2017.

15. Property, plant and equipment

	2018 \$	2017 \$
Plant and equipment - at cost	516,940	436,645
Accumulated depreciation and impairment	(427,163)	(385,439)
Written down value of property, plant and equipment	89,777	51,206

Reconciliation

Carrying value at beginning	51,206	90,360
Additions during the year	70,526	7,889
Acquisition through business combination (note 32)	1,681	-
Depreciation charge for the year	(33,636)	(47,043)
Carrying amount at end	89,777	51,206

16. Deferred tax assets

	2018 \$	2017 \$
The balance comprises temporary differences attributable to:		
Unearned revenue	177,639	-
Employee benefits	84,236	51,616
Accrued expenses	18,580	23,664
Tax losses carried forward revenue	86,106	-
Tax losses carried forward capital	243,699	265,854
Deferred tax assets	610,260	341,134

Movements

Opening balance at 1 July	341,134	722,147
Acquisition through business combination (note 32)	182,122	-
Credited/(charged) to profit or loss (note 8(a))	87,004	(381,013)
Closing balance at 30 June	610,260	341,134

17. Intangible assets

	2018 \$	2017 \$
Goodwill at cost	5,321,884	3,351,564
Investment management contracts and relationships:		
At cost	5,694,000	4,790,000
Accumulated amortisation	(2,798,083)	(2,441,175)
	2,895,917	2,348,825
Software licences:		
At cost	576,300	576,300
Accumulated amortisation	(185,535)	(123,690)
	390,765	452,610
Customer relationship and customer list:		
At cost	650,023	650,023
Accumulated amortisation	(453,088)	(302,059)
	196,935	347,964
Closing balance at 30 June	8,805,501	6,500,963

(a) Reconciliations

2018 Consolidated	Goodwill	Investment management contracts & relationships	Software licences	Customer relationships & customer lists	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Carrying amount at beginning of year	3,351,564	2,348,825	452,610	347,964	6,500,963
Acquisition (note 32)	1,970,320	904,000	-	-	2,874,320
Amortisation expense ¹	-	(356,908)	(61,845)	(151,029)	(569,782)
Carrying amount at end of year	5,321,884	2,895,917	390,765	196,935	8,805,501

2017 Consolidated	Goodwill	Investment management contracts & relationships	Software licences	Customer relationships & customer lists	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Carrying amount at beginning of year	3,351,564	2,609,173	514,455	498,993	6,974,185
Amortisation expense ¹	-	(260,348)	(61,845)	(151,029)	(473,222)
Carrying amount at end of year	3,351,564	2,348,825	452,610	347,964	6,500,963

¹ Amortisation of \$569,782 (2017: \$473,222) is included in the consolidated statement of profit or loss and other comprehensive income.

17. Intangible assets (Continued)

(b) Impairment testing of goodwill

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

Cash-generating unit	Funds Management	Investment Software and Education	Total
	(\$)	(\$)	(\$)
2018 - Consolidated			
Balance at the beginning of the year	3,026,564	325,000	3,351,564
Acquisition of CBG Asset Management Limited (note 32)	1,970,320	-	1,970,320
Balance at end of year	4,996,884	325,000	5,321,884
2017 - Consolidated			
Balance at the beginning of the year	3,026,564	325,000	3,351,564
Movements during the year	-	-	-
Balance at end of year	3,026,564	325,000	3,351,564

The recoverable amounts of all cash generating units have been determined based on fair value less costs to sell. The fair values of cash generating units have been determined in accordance with the Directors' assessments of their values based on arms' length transactions between knowledgeable and willing parties on the basis of the best information available. In determining these amounts, the Directors have considered the outcomes of recent transactions for similar assets and businesses.

18. Trade and other payables

	2018 \$	2017 \$
Unsecured:		
Trade payables	397,653	370,558
Dividends on shares issued under the Employee Incentive Scheme	131,250	234,750
Accruals	1,055,423	725,843
Deferred consideration payable	187,500	-
Other payables	312,339	224,929
	2,084,165	1,556,080

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

19. Provisions

	2018 \$	2017 \$
Employee benefits	306,314	172,055

The provision for employee benefits represents annual leave and long service leave entitlements accrued.

20. Deferred tax liabilities

	2018 \$	2017 \$
The balance comprises temporary differences attributable to:		
Financial assets at fair value through profit or loss	22,241	43,794
Equity accounted investments	771	-
Prepayments	41,689	-
Deferred tax liabilities	64,701	43,794
Movements:		
Opening balance at 1 July	43,794	2,343,886
Charged/(credited) to the profit or loss (note 8)		
- Deferred tax liability movement due to demerger of Jasco	-	(1,941,185)
- Other	20,907	(358,907)
Closing balance at 30 June	64,701	43,794

21. Issued capital

(a) Share Capital

	Parent Equity		Parent Equity	
	2018 Shares	2017 Shares	2018 \$	2017 \$
Ordinary shares				
Fully paid	54,933,362	48,574,243	17,006,379	13,822,370

¹ Note that the number of shares on issue above will differ from the number of shares on issue as notified to the Australian Securities and Investments Commission and the Australian Securities Exchange. This is due to the application of AASB 2 Share-based Payment which treats the shares issued under the Employee Incentive Scheme as 'in-substance options' for statutory reporting purposes. Refer to note 2(o) (v) for further information.

(b) Movements in ordinary share capital

Dates	Details	Notes	Number of shares	\$
1 July 2016	Balance		49,021,093	21,860,316
July 2016 to June 2017	Shares bought back on-market and cancelled	(d)	(446,850)	(234,972)
July 2016 to June 2017	Transaction costs arising from on-market buy-back		-	(168)
11 November 2016	Capital reduction on account of in-specie distribution of equity accounted investment		-	(7,802,806)
30 June 2017	Balance		48,574,243	13,822,370
14 July 2017	Shares issued for acquisition of CBG Asset Management Limited (note 32)		6,500,000	3,250,000
July 2017 to June 2018	Shares bought back on-market and cancelled	(d)	(140,881)	(65,841)
July 2017 to June 2018	Transaction costs arising from on-market buy-back		-	(150)
30 June 2018	Balance		54,933,362	17,006,379

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) On-market share buy-back

During the financial year ended 30 June 2018, Clime Investment Management Limited, in accordance with its on-market share buy-back scheme, bought back 140,881 (2017: 446,850) 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 46.84 cents per share (2017: 52.58 cents per share). The total cost of \$65,991 (2017: \$235,140), including \$150 (2017: \$168) of transaction costs, was deducted from contributed equity. The shares bought back in the current year were cancelled immediately.

(e) Employee Incentive Scheme ("EIS")

As at 30 June 2018, there are 1,575,000 (2017: 1,575,000) EIS 'in-substance' options on issue. Share options granted under the Company's employee incentive scheme carry no rights to dividends and no voting rights. Refer to note 25(a) for a schedule of the movements in EIS options on issue during the year.

(f) Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders, to maintain an optimal capital structure and to minimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares from time to time or buy back its own shares.

The Group's strategy is unchanged from 2017.

22. Reserves and retained earnings

(a) Reserves

	2018 \$	2017 \$
Share-based payments reserve	233,556	155,798

Movements

Share-based payments reserve		
Balance 1 July	155,798	91,812
Share-based payment expense recognised	77,758	63,986
Transfer to issued capital on completion of EIS loan term	-	-
Balance 30 June	233,556	155,798

Other reserves		
Balance 1 July	-	142,506
Movements during the year	-	(203,580)
Credit to profit or loss	-	61,074
Balance 30 June	-	-

(b) Retained earnings

	2018 \$	2017 \$
Movements in retained profits were as follows:		
Balance 1 July	1,722,855	1,424,778
Net profit for the year	1,064,259	2,561,130
Dividends (note 9)	(1,699,113)	(2,263,053)
Balance 30 June	1,088,001	1,722,855

(c) Nature and purpose of reserves

Share-based payments reserve

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

Other reserves

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

23. Remuneration of auditors

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

	2018 \$	2017 \$
Audit and review of financial statements - Pitcher Partners	76,947	76,867
Taxation matters - Pitcher Partners	18,105	17,255
Other matters - Pitcher Partners	19,300	39,700
Audit of a subsidiary – unrelated firm	14,244	-
	128,596	133,822

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

24. Earnings per share

	2018 Cents	2017 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Group	1.9	5.2

(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Group	1.9	5.1

	2018 \$	2017 \$
(c) Reconciliations of earnings used in calculating earnings per share		

Basic and diluted earnings per share

Profit for the year attributable to owners of the Group	1,064,259	2,561,130
Profit attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share	1,064,259	2,561,130

	2018 Number	2017 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculation of basic earnings per share	54,942,217	48,804,416
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	56,517,217	50,379,416

24. Earnings per share (Continued)

	2018 Number	2017 Number
(e) Reconciliations of weighted average number of shares:		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	54,942,217	48,804,416
Shares deemed to be issued for no consideration in respect of - Employee Incentive Scheme	1,575,000	1,575,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	56,517,217	50,379,416

(f) Options issued under Employee Incentive Scheme

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

25. Share-based payments

(a) Employee Incentive Scheme (EIS)

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

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

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

25. Share-based payments (Continued)

(a) Employee Incentive Scheme (EIS) (Continued)

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
			Number	Number	Number	Number	Number	Number
22/08/2013	04/11/2018	\$0.800	100,000	-	-	-	100,000	100,000
25/10/2013	04/11/2018	\$0.829	250,000	-	-	-	250,000	250,000
19/08/2014	19/08/2019	\$0.850	200,000	-	-	-	200,000	200,000
25/02/2015	25/02/2019	\$0.750	50,000	-	-	-	50,000	50,000
11/09/2015	11/09/2018	\$0.700	275,000	-	-	-	275,000	-
20/07/2016	20/07/2019	\$0.630	350,000	-	-	-	350,000	-
23/06/2017	23/06/2020	\$0.500	350,000	-	-	-	350,000*	-
Total			1,575,000	-	-	-	1,575,000	600,000
Weighted average exercise price			\$0.649					

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
			Number	Number	Number	Number	Number	Number
22/08/2013	04/11/2018	\$0.800	100,000	-	-	-	100,000	100,000
25/10/2013	04/11/2018	\$0.829	300,000	-	-	(50,000)	250,000	250,000
19/08/2014	19/08/2017	\$0.850	200,000	-	-	-	200,000	-
25/02/2015	25/02/2018	\$0.750	75,000	-	-	(25,000)	50,000	-
11/09/2015	11/09/2018	\$0.700	375,000	-	-	(100,000)	275,000	-
20/07/2016	20/07/2019	\$0.630	-	400,000	-	(50,000)	350,000	-
23/06/2017	23/06/2020	\$0.500	-	350,000*	-	-	350,000	-
Total			1,050,000	750,000	-	(225,000)	1,575,000	350,000
Weighted average exercise price			\$0.649					

* Includes 200,000 (2017: 200,000) in-substance options granted to the Managing Director approved by shareholders on 27th October 2017.

The weighted average contractual life of in-substance options outstanding at the end of the period was 1.05 years (2017 – 1.57 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.

25. Share-based payments (Continued)

(a) Employee Incentive Scheme (EIS) (Continued)

No options were issued during the year ended 30 June 2018. For model inputs of previously issued options, please refer to prior annual reports.

The resulting fair values per in-substance option are:

Number of Options	Grant Date	Exercise Price	Value per option at grant date	Vesting / Expiry Date
100,000	22/08/2013	\$0.800	\$0.140	04/11/2018
250,000	25/10/2013	\$0.829	\$0.140	04/11/2018
200,000	19/08/2014	\$0.850	\$0.140	19/08/2019
50,000	25/02/2015	\$0.750	\$0.134	25/02/2019
275,000	11/09/2015	\$0.700	\$0.121	11/09/2018
350,000	20/07/2016	\$0.630	\$0.107	20/07/2019
350,000	23/06/2017	\$0.500	\$0.111	23/06/2020

Refer to the Remuneration Report on pages 20 to 27, for additional information in relation to the EIS.

(b) Options issued to Amigo Consulting Pty Limited

On 27th October 2016 shareholders approved issuing 1,000,000 options to acquire ordinary shares to Amigo Consulting Pty Limited. Amigo Consulting Pty Limited has been engaged to provide strategic and outcome driven corporate advisory services. Mr. Allyn Chant, a director of Clime, is also a director and a minority shareholder of Amigo.

These options will expire on 1 October 2019 and may be exercised at any time upon vesting and prior to the expiry date. The amount payable on exercise of each option is 50 cents, subject to adjustment in accordance with certain conditions.

Vesting conditions:

- i. 333,333 options vest on the date, if it occurs prior to 30 September 2017, that the Company's securities trade on the Australian Securities Exchange ("ASX") at or above 75 cents. As this condition was not met the vesting period has been extended to 30 September 2019 and vesting will occur if the Company's securities trade on the ASX at or above \$1.00 by that extended date;
- ii. 333,333 options vest on the date that the Company completes the purchase or build of a retail platform (defined as a flexible service that enables investors to buy and hold their investments online all in one place, tracking transactions for tax purposes and allowing advisor and/or client direction) for client's monies if this occurs before the expiry date;
- iii. 333,334 options vest if the Company's funds under management attains or exceeds \$1 billion prior to the expiry date.

25. Share-based payments (Continued)

(c) Expenses arising from share-based payment transactions

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

	2018 \$	2017 \$
Option expense		
Employee Incentive Scheme	41,425	42,584
Amigo Consulting Pty Limited	36,333	21,402
	77,758	63,986

Refer to the Remuneration Report on pages 20 to 27, for additional information in relation to the Employee Incentive 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 Executive Directors, whom are responsible for assessing the performance of various components of the business and making resource allocation decisions as our Chief Operating Decision Makers (CODM), evaluate business activities in a number of different ways. The Group's reportable segments under AASB 8 are as follows:

- Funds management
- Investment software
- Direct investments

Funds Management

The Group's Funds Management businesses, Clime Asset Management Pty Ltd and CBG Asset Management Limited 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.

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 basis of segmentation or basis of segmental profit or loss since the previous financial report.

26. Segment information (Continued)

(b) Reportable Segments

2018	Funds Management	Investment Software	Direct Investments	Inter Segment / unallocated	Consolidated
	(\$)	(\$)	(\$)	(\$)	(\$)
Segment revenue					
Sales to external customers	9,683,474	546,830		82,569	10,312,873
Share of profits from investments in joint venture	-	-	2,808	-	2,808
Investment income	-	-	640,602	-	640,602
Total segment revenue	9,683,474	546,830	643,410	82,569	10,956,283
Net group result					
Net group result before tax	2,451,607	204,381	643,410	(1,932,102)	1,367,296
Income tax expense					(303,037)
Profit for the year					1,064,259
Depreciation and amortisation expense	382,928	104,622	-	115,868	603,418

2017	Funds Management	Investment Software	Direct Investments	Inter Segment / unallocated	Consolidated
	(\$)	(\$)	(\$)	(\$)	(\$)
Segment revenue					
Sales to external customers	7,318,774	718,142	-	79,000	8,115,916
Share of profits from investments in associate	-	-	490	-	490
Investment income	-	-	1,125,886	-	1,125,886
Total segment revenue	7,318,774	718,142	1,126,376	79,000	9,242,292
Net group result					
Net group result before tax	871,184	137,279	1,126,376	(1,368,100)	766,739
Income tax expense					1,794,391
Profit for the year					2,561,130
Depreciation and amortisation expense	296,630	105,202	-	118,433	520,265

(c) Segment assets and liabilities

Information about the segment assets and liabilities are not regularly reviewed by the CODM. As a result information relating to segment assets and liabilities are not presented.

(d) Information about major customers

Included in revenues arising from the funds management business of \$9.7 million (2017: \$7.3 million) (see 26 (b) above) are revenues of approximately \$1.5 million (2017: \$1.6 million) which arose from services provided to the Group's largest customer.

27. Subsequent Events

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

A final fully franked dividend for the year ended 30 June 2018 of 1.5 cents per share, totalling \$852,725 has been declared by the directors. This provision has not been reflected in the financial statements.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

28. Contingent liabilities, contingent assets and commitments

The Group has no material contingent liabilities or contingent assets as at 30 June 2018 (2017: Nil)

Commitments for Expenditure

Capital expenditure commitments

The Group has no material capital expenditure commitments to acquire property, plant and equipment as at 30 June 2018 (2017: Nil).

Operating lease commitments

Towards the end of the 2014 financial year, the Company entered into an operating lease agreement for office premises for a period of 5 years, terminating on 31 August 2019.

The expenditure commitments with respect to rent payable under various lease agreements are as follows.

	2018 \$	2017 \$
Not later than 1 year	296,082	231,414
Later than 1 year and not later than 5 years	34,225	237,835
	330,307	469,249

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
	(\$)	(\$)	(\$)	(\$)	(\$)
2018					
Remuneration of Directors and other key management personnel	476,440	24,560	7,380	-	508,380
2017					
Remuneration of Directors and other key management personnel	462,144	24,257	142	-	486,543

29. Key management personnel disclosures (Continued)

(a) Remuneration of Directors and Other Key Management Personnel (Continued)

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 20 to 27 of this annual report.

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

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 20 to 27.

(ii) Share holdings

The numbers of shares 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.

Directors' holding of ordinary shares in Clime Investment Management Limited

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
2018	No.	No.	No.	No.
Mr. Donald McLay	7,320,680	-	-	7,320,680
Mr. John Abernethy	3,961,350*	-	122,500	4,083,850*
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Allyn Chant	-	-	50,000	50,000

* Includes 200,000 issued under EIS.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
2017	No.	No.	No.	No.
Mr. Donald McLay	6,241,000	-	1,079,680	7,320,680
Mr. John Abernethy (note a)	3,610,000	200,000	151,350	3,961,350
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Allyn Chant	883,600	-	(883,600)	-

Note a: During FY17 200,000 'in-substance' options were issued under Clime Employee Incentive Scheme that was approved by shareholders on 27 October 2016.

29. Key management personnel disclosures (Continued)

(c) Loans to directors and other key management personnel

\$94,000 (2017: \$100,000) loan to managing director in relation to the EIS share issued during the year under the Employee Incentive Scheme (refer note 25(a)).

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

As described in note 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 (and ultimate parent entity) within the Group is Clime Investment Management Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 14.

(c) Associates and Joint Ventures

Interest in associates and joint ventures are set out in note 13.

(d) Key Management Personnel

Disclosures relating to key management personnel are set out in note 29.

(e) Other related party transactions

1. Clime Capital Limited

- i. Mr. John Abernethy is a Director and Chairman of Clime Capital Limited. The Group received \$65,924 (2017: \$59,000) as management fees for the services rendered by two directors and the Company secretary of Clime Capital Limited. The Group directly owns 6.31% (2017: 6.24%) of the fully paid ordinary shares of Clime Capital Limited as at 30 June 2018. Clime Investment Management Limited through Clime Asset Management Pty Limited (a wholly owned subsidiary) has the indirect power to dispose 6.14% (2017: 6.34%) of Clime Capital Limited's shares held by the Investment Managers discretionary share portfolio clients as at 30 June 2018.
- ii. Clime Asset Management Pty Limited during the year received \$715,813 (2017: \$620,894) as remuneration for managing Clime Capital Limited's investment portfolio.
- iii. 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 Australian Income Fund

Clime Asset Management Pty Limited (a wholly owned subsidiary), during the year received \$114,817 (2017: \$15,909) as remuneration for managing the investment portfolios and acting as trustee of Clime Australian Income Fund.

30. Related party transactions (Continued)

(e) Other related party transactions (Continued)

3. Clime Smaller Companies Fund

- i. Clime Asset Management Pty Limited (a wholly owned subsidiary), during the year received \$277,548 (2017: \$2,852) as remuneration for managing the investment portfolios and acting as trustee of Clime Smaller Companies Fund.

4. CBG Capital Limited

- i. Mr. John Abernethy is a Director of CBG Capital Limited. The Group received \$26,708 (2017: \$Nil) as management fees for the services rendered by two directors and company secretary to CBG Capital Limited. The Group directly owns 0.6% (2017: Nil%) of the fully paid ordinary shares in CBG Capital Limited as at 30 June 2018.
- ii. CBG Asset Management Limited (a wholly owned subsidiary) during the year earned \$311,806 (2017: \$Nil) as remuneration for managing CBG Capital Limited's investment portfolio.
- iii. All dividends paid and payable by CBG Capital Limited to its Directors and Directors' related entities are on the same basis as to other shareholders.

5. Clime CBG Australian Equities Fund (Wholesale)

- i. CBG Asset Management Limited (a wholly owned subsidiary), during the year received \$934,325 (2017: \$Nil) as remuneration for managing the investment portfolios and acting as trustee of Clime CBG Australian Equities Fund (wholesale).

6. Amigo Consulting Pty Limited

Mr. Allyn Chant, a director of Clime, is also a director and a minority shareholder of Amigo Consulting Pty Limited ("Amigo"). The Group during the year paid \$50,000 (2017: \$188,390) to Amigo as consultancy fees.

On 27th October 2016, shareholders approved issuing 1,000,000 options to Amigo to acquire ordinary shares in the Company. Amigo has been engaged to provide strategic and outcome driven corporate advisory services

These options will expire on 1 October 2019 and may be exercised at any time upon vesting and prior to the expiry date. The amount payable on exercise of each option is 50 cents, subject to adjustment in accordance with certain conditions as follows:

- i. 333,333 options vest on the date, if it occurs prior to 30 September 2017 that the Company's securities trade on the ASX at or above 75 cents. As this condition was not met the vesting period has been extended to 30 September 2019 and vesting will occur if the Company's securities trade on the ASX at or above \$1.00 by that extended date;
- ii. 333,333 options vest on the date that the Company completes the purchase or build of a retail platform (defined as a flexible service that enables investors to buy and hold their investments online all in one place, tracking transactions for tax purposes and allowing advisor and/or client direction) for client's monies if this occurs before the expiry date;
- iii. 333,334 options vest if the Company's Funds Under Management attains or exceeds \$1 billion prior to the expiry date.

Expenses arising from the share based payment transactions recognised during the period was \$36,333 (2017: \$21,402).

30. Related party transactions (Continued)

(f) 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 2018	30 June 2017	30 June 2018	30 June 2017
	(\$)	(\$)	(\$)	(\$)
Clime Capital Limited	73,406	54,837	-	-
Clime Australian Income Fund	-	4,596	-	-
Clime Smaller Companies Fund	-	3,137	-	-
Subsidiaries of Clime Investment Management Limited	902,562	460,796	16,102,083	12,478,294
Joint Venture of Clime Investment Management Limited	22,330	-	-	-
CBG Capital Limited	6,600	-	-	-
Amigo Consulting Pty Ltd	-	-	11,000	22,000

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

	2018 \$	2017 \$
Assets		
Current assets	6,443,162	6,812,262
Non-current assets	16,604,124	12,775,735
Total Assets	23,047,286	19,587,997
Liabilities		
Current liabilities	13,503,067	11,667,664
Total Liabilities	13,503,067	11,667,664
Net Assets	9,544,219	7,920,333
Equity		
Issued capital	17,006,379	13,822,370
Profit reserve	16,308,719	17,946,600
Accumulated losses	(24,004,435)	(24,004,435)
Share-based payments reserve	233,556	155,798
Total Equity	9,544,219	7,920,333

(b) Financial Performance

Profit for the year	61,232	2,727,030
Other comprehensive income / (loss)	-	(142,506)
Total comprehensive income	61,232	2,584,524

31. Parent entity disclosures (Continued)

(c) Guarantees entered into by the Parent Company

The parent company provides cash backed guarantees for the operating lease agreement of office premises. During the year these guarantees amounted to \$255,486 (2017: \$255,486).

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

The parent entity has no commitment for the acquisition of property, plant and equipment as at 30 June 2018 and 30 June 2017 and \$330,307 (2017: \$469,249) for the operating lease commitments

32. Business Combination

On 14 July 2017, Clime Investment Management Limited acquired 100% of the share capital of CBG Asset Management Limited (CBG). CBG is an Australian equities fund manager, founded in 2001.

Bringing CBG to Clime Group immediately increased FUM of the Group by \$130 million and also enhances the Clime Private Wealth offering which is being developed by the Group. CBG product range extends the investment solutions, by offering the clients with a choice between CBG's equity performance funds and Clime's risk adjusted lower volatility approach. The combined funds management team is of both significant depth and experience and offering broader research capability.

Consideration

Clime acquired 100% share capital of CBG by initial consideration of \$3,250,000 and contingent consideration of \$375,000. On 14 July 2017, initial consideration of \$3,250,000 was settled by issuance of 6,500,000 ordinary shares in the Company at 50 cents per share, being the weighted average market price, over the past 30 trading days. Contingent consideration of \$375,000 was agreed to be settled in 12 months by issuance of 750,000 shares for fulfilment of certain warranties relating to FUM retention and delivery of agreed outcomes.

Details of the purchase consideration agreed:

	Total
	(\$)
Cash paid	-
Shares issued (i)	3,250,000
Contingent (deferred) consideration (ii)	375,000
Total purchase consideration	3,625,000

- i. Shares were issued as part of the consideration at an issue price of \$0.50, which was based on the weighted average market price, over the past 30 trading days prior to acquisition date on 14 July 2017.
- ii. Contingent consideration was payable only if certain performance conditions were met as at 16 July 2018. Based on Directors' assessment as at 16 July 2018, the contingent consideration was settled by issue of 375,001 CIW shares at a deemed issue price of 50 cents per share as final settlement and has now been completed.

32. Business Combination (Continued)

Assets and liabilities acquired

Assets and liabilities acquired as a result of the business combination were:

	Recognised on acquisition at fair value
Assets and liabilities acquired	(\$)
Cash and cash equivalent	725,944
Trade and other receivables	143,133
Deferred tax assets	182,122
Fixed assets	1,681
Current tax benefit	40,387
Investment management agreement	904,000
Trade and other liabilities	(342,587)
Net identifiable assets acquired	1,654,680
Add: Goodwill arising on acquisition	1,970,320
Total purchase consideration	3,625,000

The goodwill on acquisition comprises:

- Broader product range offer including rated retail products, wholesale fund and listed investment company;
- Synergies from cost-saving on operating and overhead expenses; and
- More experienced Funds Management team.

Goodwill is not deductible for tax purposes.

Contribution since acquisition

Since the acquisition date, CBG has contributed revenue of \$1,912,078 and a profit before tax of \$468,331 which is included within the consolidated profit. Had the combination occurred from the beginning of the reporting period, revenue and operating profit before tax for the consolidated entity would have been \$10,914,486 and \$1,314,367 respectively.

Transition costs

Transaction costs of \$14,379 were incurred in relation to the acquisition. These costs are included with administration expenses in the statement of profit or loss and other comprehensive income


The Directors declare that:

- a. in the directors' opinion, the attached financial statements and notes thereto, as set out on pages 31 to 74, 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 section 295A of the *Corporations Act 2001*; and
- e. the remuneration disclosures contained in the Remuneration Report comply with S300A of the *Corporations Act 2001*.

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



Donald McLay
Chairman



John Abernethy
Managing Director

Date: 21 August 2018

Independent Auditor's Report to the Members



CLIME INVESTMENT MANAGEMENT LIMITED
ABN 37 067 185 899

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CLIME INVESTMENT MANAGEMENT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the 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 2018, 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.

In our opinion:

- a) the accompanying financial report of the Group 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 2018 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a) Basis of preparation.

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

Independent Auditor's Report to the Members



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.

Key audit matter	How our audit addressed the key audit matter
<p>Accuracy of Management and Performance Fees Refer to Note 5: Revenue and Note 30: Related Party Transactions</p>	
<p>Management and performance fees account for \$9.7M of the Group's \$11.0M reported revenues in 2018.</p> <p>We focused our audit effort on the accuracy of management and performance fees given their significance to the revenues of the Group and because their calculation may require adjustments for significant events in accordance with each individual Investment Management Agreement.</p> <p>In addition to their size, as some of these transactions are made with related parties, consequently there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p> <p>We therefore identified the accuracy of management and performance fees as a key audit matter.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> • Obtaining and reviewing all current Investment Management Agreements; • Making enquiries with Management and Directors with respect to any significant events during the year that may impact the calculation of management and performance fees; • Recalculating management and performance fees in accordance with our understanding of the current Investment Management Agreements and comparing our calculations to those fees reported; and • Assessing the appropriateness of the current accounting policy in relation to management and performance fees and the adequacy of disclosures in the financial statements.

Independent Auditor's Report to the Members



Key audit matter	How our audit addressed the key audit matter
Impairment Assessment of Intangible Assets Refer to Note 17: Intangible Assets	
<p>At 30 June 2018 the Group's statement of financial position had intangible assets, including goodwill, totalling \$8.8M.</p> <p>The assessment of impairment of the Group's intangible assets incorporates significant management judgement surrounding the assumptions and estimates used in calculating the fair value less cost to sell these assets when evaluating their recoverable amount.</p> <p>We therefore identified the valuation of intangible assets as a key audit matter.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> • Evaluating management's process regarding the valuation of intangible assets to determine any asset impairments; • Challenging any assumptions or estimates used to determine the fair value of an intangible asset; • Checking the mathematical accuracy and performing sensitivity analysis on fair value calculations performed by management; and • Assessing the appropriateness of the current 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 2018, 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' Responsibilities for the Financial Report

The directors of the Company 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 control as the directors determine is 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.

Independent Auditor's Report to the Members



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 Group or to cease operations, or has 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.

Independent Auditor's Report to the Members



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 year 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 on pages 20 to 27 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Clime Investment Management Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A handwritten signature in cursive script that reads 'Mark Godlewski'.

M GODLEWSKI
Partner

A handwritten signature in cursive script that reads 'Pitcher Partners'.

PITCHER PARTNERS
Sydney

21 August 2018

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Shareholder information

The shareholder information set out below was applicable as at 7 August 2018.

A. Distribution of Equity Securities

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

Ordinary Shares		Number of holders
1	- 1,000	33
1,001	- 5,000	166
5,001	- 10,000	93
10,001	- 100,000	239
100,001	and over	55
		586

B. Equity Security Holders

Twenty largest quoted equity security holders

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

Name	Ordinary Shares	
	No. of Shares	Percentage of issued shares
HSBC Custody Nominees (Australia) Limited	11,151,319	20.175
Torres Industries Pty Limited & Nagarit Pty Limited <Nagarit Super Fund A/C>	7,320,680	13.244
Locope Pty Ltd & Savoir Superannuation Pty Ltd	6,975,001	12.619
Double Pty Limited & Abernethy SMSF Pty Ltd <Abernethy Super Fund A/C>	3,883,850	7.027
Mr David Schwartz <David Schwartz Fam Hlds A/C> & related entities	2,689,403	4.866
Capital Property Corporation Pty Limited	1,241,122	2.245
Clodene Pty Ltd	1,159,121	2.097
Robansheil Pty Limited	1,130,446	2.045
Ruminator Pty Ltd	871,419	1.577
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	850,000	1.538
Mr. Thomas Harrington Mann	717,072	1.297
Barrob Bondi Pty Ltd <The Townson Superfund A/C>	561,066	1.015
Mr Neil Edward Schafer & Mrs Molly Clark Schafer <Lodge Road Super Fund A/C>	548,007	0.991
Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman	500,000	0.905
Arcelia Pty Ltd <Round Hill Retire/Fund A/C>	485,334	0.878
Mr Robert Archer Black	400,000	0.724
Sanlam Private Wealth Pty Ltd	378,000	0.684
J P Morgan Nominees Australia Limited	342,022	0.619
John E Gill Trading Pty Ltd	300,298	0.543
Delta Asset Management Pty Ltd <Super Fund A/C>	300,000	0.543
	41,804,160	75.632

B. Equity Security Holders (Continued)

Quoted equity securities issued under Employee Incentive scheme not yet vested	Ordinary Shares	
	No. of Shares	Number of holders
Shares issued under the Employee Incentive Scheme to take up ordinary shares	1,575,000	12

C. Substantial Holders

Substantial holders in the company are set out below:

Ordinary Shares	No. of Shares	Percentage of issued shares
Wilson Management Group	11,036,319	19.967
Torres Industries Pty Ltd	7,320,680	13.244
Locope Pty Ltd & Savoir Superannuation	6,975,001	12.619
Mr. John Abernethy and related parties	3,883,850	7.027

D. Voting Rights

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

Terms and conditions

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

E. Other Information

Annual General Meeting

The Annual General Meeting of Clime Investment Management Limited is expected to be held on 11 October 2018.

Stock Exchange Listing

The shares of the Company are listed on the Australian Securities Exchange Limited 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 Limited. The home exchange is Sydney.

On-Market Buyback Scheme

As at 21 August 2018 an on-market buy-back scheme existed and continues to be in operation as at the date of this report.

Contact Details

The name of the Company Secretary is Mr. Biju Vikraman.

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

Level 7
1 Market Street
Sydney NSW 2000
Telephone: (02) 8917 2100

Clime Investment Management Limited

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