



# Clime Investment Management Limited

---

## 2020 Annual Report

---

Clime Investment Management Limited

Level 12, 20 Hunter Street Sydney NSW 2000 Australia | PO Box H90 Australia Square NSW 1215  
ACN 067 185 899 ABN 37 067 185 899 P +61 2 8917 2100 F +61 2 8917 2155

[www.clime.com.au](http://www.clime.com.au)







Clime Investment  
Management Limited

# 2020 Annual Report

## Contents

Chairman's Report	4
CEO Report	6
Report from the Board	16
Directors' Report	20
Auditor's Independence Declaration	34
Financial Statements	36
Directors' Declaration	92
Independent Auditor's Report to the Members	94
Shareholder Information	99

# Chairman's Report

Donald McLay  
Chairman



In quite an extraordinary year, management have delivered a robust operating result and implemented further strategic initiatives.

Some of these initiatives are related to expanding our core capability; and some relate to diversifying income streams as well as widening the revenue base.

Last year I talked about disruption within the financial advice industry as a result of the Hayne Royal Commission. This year, disruption presented in a different form, with the onset of the COVID-19 pandemic. Clime's management team responded quickly and decisively to the COVID-19 crisis, maintaining a stable operating business while identifying strategic opportunities to expand the service offering and grow revenues.

Our CEO, Rod Bristow, discusses the year's performance in greater detail in his following report.

2019-20 (FY20) was the second year in our three-year planning cycles initiated by the CEO following his appointment in September 2018. This second year has been about consolidating the changes made in FY19, strengthening the investment process and laying a solid foundation for continued business expansion.

In June, Clime acquired Madison Financial Group, a national wealth management business that provides AFSL licensing and associated services, for \$4.4 million plus a small working capital adjustment. The acquisition fits neatly into our strategy to become an integrated wealth management business. Clime now offers investor education, advice and investment solutions for self-directed, retail and wholesale clients. We welcome the Madison Financial Group financial advisers and staff to the Clime group and look forward to a long and rewarding relationship.

We expect to see accelerated growth in revenue, operating earnings and assets under management as the integration benefits are realised.

This year the Board put in place an appropriate long-term incentive scheme to align the interests of shareholders and senior management. Following shareholder approval at the FY19 Annual General Meeting, the Board has implemented the scheme which we expect to deliver enhanced shareholder outcomes from this alignment.



Somewhat uniquely, Clime is an investment Group that is prepared to invest time and resources seeking redress for our investment clients who have lost money in ASX listed companies as a result of alleged corporate misbehaviour.

I'm pleased to advise that this year, Clime Capital Limited, as applicant, resolved a class action with UGL Limited.

Cash from the settlement has now been distributed to investors who chose to become part of the class action process. We continue to support the use of class actions by shareholders in appropriate circumstances.

In recognition of the continued improvement in our operating business, Directors are proposing a fully franked final dividend of 1.0 cent per share to be paid on 2 October 2020. Together with the fully franked interim dividend of 1.0 cent, makes a total of 2.0 cents per share (FY19 2.25 cents).

I would like to thank Rod and his team for the very strong foundations that they are laying for the future growth of our business. Our staff have clarity and direction in their roles and understand the outputs they need to deliver to achieve the corporate objectives. Thank you.

Finally, thank you to my fellow directors. Change has been persistent, evolutionary and is now demonstrating tangible results. This change would not have been possible without the focus, guidance and support of my fellow directors; John Abernethy, Allyn Chant and Neil Schafer.



Donald McLay  
Chairman

# CEO Report

Rod Bristow  
Chief Executive Officer



2020 has been a year of two halves, with a record first half following strong equity market performance followed by the onset of the COVID-19 pandemic negatively impacting markets with a sharp correction in March. Despite the challenges, Clime has maintained focus on our core business, delivering comparable revenues to the prior corresponding period (PCP) while lowering expenses as we introduce efficiencies into the business during this strategic plan period. Supplemented with consolidating the group's product range to enhance efficiency and a strategic acquisition in June to diversify the group's revenue streams, Clime is well placed to deliver future growth for shareholders.

## Financial Highlights

Statutory profit before income tax for FY20 was \$534,654, down \$1,561,493 on PCP. Statutory profit after income tax was \$397,428, down \$1,064,016 on PCP.

To further explain the results, it is useful to understand how Clime's margins are derived. These are a function of three sources: operating earnings, performance fees and return on financial assets held at fair value on Clime's balance sheet.

**After a strong first half, COVID-19 has impacted the full year result. Profit before tax attributable to members was \$0.53M, down from \$2.10M in the prior corresponding period. Importantly, positive contributions from operating earnings and performance fees show the improving quality of the underlying operating business.**



### Operating Earnings

Total operating earnings for the year were \$1.05M, up \$0.49M on the PCP. This result is pleasing in a challenging year.

Funds Management and Investment Software revenue was down 0.9% and direct operating expenses down 2.4% on PCP. In addition, a total of \$0.32M of one-off costs were incurred during FY20 associated with strategic and growth initiatives that are expected to deliver improved results in coming years. This was offset by the receipt of \$0.36M in Government support as revenues deteriorated in the second half.

### Performance Fees

While performance fees were a material contributor in the first half, there was no contribution in the second half given the March market correction. Domestic and international share markets have recovered some of the March losses and a number of Clime's investment products are performing well, although not at the point where performance fees were accrued in the second half. Net performance fees (after team incentives) for the year were \$1.76M, down 6% on the PCP. It is important to note that all of

these performance fees were generated in the first half of the year.

### Financial Assets Held at Fair Value

The market correction in March also had a significant negative impact on Clime's balance sheet holding of shares in Clime Capital Limited (ASX: CAM). The total contribution to group results from balance sheet investments during the year was (\$0.82M), down 172% from \$1.14M in the PCP.

With more robust returns from the operating business now being achieved, management has put in place a strategy to deploy balance sheet capital to deliver more predictable returns for shareholders over time.

In summary, excluding performance from financial assets held at fair value, management is comfortable with strategy execution and the results generated during the year.

## 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 direct investment components.

	2020 (\$)	2019 (\$)
Funds management and related activities revenue	8,914,357	8,900,938
Investment software revenue	353,324	448,269
Government subsidy	355,500	-
Administrative and occupancy expenses	(7,299,715)	(7,208,067)
Third party custody, management & funds administration services	(972,460)	(1,154,474)
Selling and marketing expenses	(297,106)	(418,707)
Operating earnings	1,053,900	567,959
Performance fees	2,347,871	2,727,511
Short-term incentives - performance related	(586,499)	(844,964)
Net Performance Fees	1,761,372	1,882,547
Direct investment income	336,670	370,921
Realised and unrealised (losses)/gains	(1,156,990)	759,272
Income from joint venture	-	13,130
(Loss)/Income generated by Financial Assets Held at Fair Value	(820,320)	1,143,323
Redundancy costs	(65,731)	(283,537)
Other non-recurring expenses	(318,732)	(348,880)
Short term incentives	(272,801)	(375,679)
Total Other expenses	(657,264)	(1,008,096)
Depreciation of property plant and equipment	(41,481)	(42,826)
Depreciation of right-of-use assets	(234,701)	-
Finance costs on lease liabilities	(77,885)	-
Amortisation of intangibles	(448,967)	(446,760)
Total Depreciation, amortisation and finance costs	(803,034)	(489,586)
Statutory profit before income tax	534,654	2,096,147
Income tax expense attributable to operating profit	(137,226)	(634,703)
Statutory profit after income tax	397,428	1,461,444







# CEO Report

(continued)

## Strategic Highlights

As outlined in the Chairman's report, FY20 is the second year in our current 3-year strategic planning period. The ramifications of the Royal Commission into Banking and Financial Services continue to be felt, resulting in change to the competitive landscape across the markets in which Clime operates as a result of a tightening regulatory cycle. We expect these trends to continue in the coming years, creating both challenges and opportunities for our business.

The first half results for the group were strong, driven by performance fees from above benchmark investment performance across most of Clime's suite of investment solutions and sound mark-to-market performance of Clime's balance sheet investments. Clime's investment portfolios are managed reflecting our style of investing in quality stocks using a strong valuation discipline. Our objective is to achieve strong returns for clients in excess of the relevant benchmark for lower levels of risk.

The major feature of the second half was, of course, the business disruption caused by the onset of COVID-19. Clime adjusted quickly to the onset of the virus, rapidly transitioning to remote working in March and lowering both our fixed and variable cost base in response. This included Clime staff and Directors operating at reduced salaries for several months. It is a credit to the team at Clime for the way in which they embraced these changes as part of a shared responsibility for the organisation's success.

In the face of these challenges, management remained focused on executing on our strategy of building on our heritage and capability as an asset manager and repositioning Clime to become an integrated wealth management business.

**Clime has a unique position as a values-led organisation and trusted provider of investor education, advice and investment solutions for self-directed, retail and wholesale clients. We look forward to the coming year with a sense of optimism and excitement about what the future holds.**

A key part of strategy execution was the acquisition of Madison Financial Group (MFG) in June. MFG is a national wealth management group who license around 100 financial advisers to provide retail financial advice for their clients. The acquisition, funded via a placement of shares issued at a premium to our then market price, means Clime now has over \$4.5Bn in funds under management and advice.

Clime also achieved sound performance in our non-financial metrics this year, encompassing compliance, client Net Promoter Score and employee feedback. Based on our values of Integrity, Transparency and Conviction, appropriately weighting financial and non-financial outcomes is key to shaping the culture necessary for developing and sustaining the trust our clients have in the financial services we provide.

Expanding Clime's existing operations and investing in new opportunities has been a notable feature of FY20. Clime's senior executive team have delivered a sound uplift in underlying business performance for the year. This is facilitating the strategic transition of our business to an integrated wealth management business offering investor education, advice and investment solutions for self-directed, retail and wholesale clients.





**With the acquisition of Madison Financial Group, Clime has over \$4.5Bn in funds under management and advice. This provides a strong platform for future growth across all of Clime's operating segments.**

#### Looking Ahead

While much remains uncertain, the outlook for 2021 is positive. Clime is optimistic about the future and how we access growth opportunities via executing on our strategy. Our focus remains on generating sustainable, self-funded growth and expanding profitability while implementing mergers and acquisitions that deliver operating leverage for the business.

I would like to thank each of the Clime team who have managed well through a difficult period this year, particularly the senior management team; and the Clime Board for their ongoing advice and support.

Rod Bristow  
Chief Executive Officer  
Clime Investment Management Limited

# Key Statistics



**1500**

Clime Direct Engagements



**300**

Third Party Adviser Engagements



**1250**

Wholesale Investor Engagements



**30**

Investor Education Events



**1100**

Investor Education Participants



**111**

Articles in the Press



**15**

Television Appearances



**150**

Marketing Campaigns



**88,000**

Email Click Throughs



**70,000**

Website Visits



**108**

Fund Reports



**15**

Client & Adviser Publications



**50**

Investor Video Updates

## Fund Ratings



Clime Smaller Companies Fund

SUPERIOR



Clime Australian Income Fund

SUPERIOR



Clime International Fund

SUPERIOR







# Clime & Madison Financial Group:

Clime Investment Management acquired Madison Financial Group (MFG) in June 2020. The acquisition enables Clime to offer wealth management solutions for self-directed, retail and wholesale clients.

Madison was established in 1983 by financial advisers who wanted to grow a community where they could influence the outcome to benefit the advice they provided their clients. Over time, Madison has grown into a community of entrepreneurial business owners who align with the Madison values and ethos:

- Lead and foster a community of professional, qualified business owners/advisers who provide quality advice with great care to their clients;
- Pre-eminent licensee of choice for high quality adviser firms;
- The home for the next generation of professional advisers to support succession; and
- Licensee value proposition that embeds a culture of ownership, self-governance and business development and growth.



## COMMUNITY

We believe in the power of the Madison adviser community. That's why it's important to us that we partner with the right business and advice leaders.



## REGULATORY COMPLIANCE

Our experienced team provide advisers with prudent risk and compliance advice underpinned by sound commercial reasoning.



## STRATEGIC CONSULTING

We focus on increasing advisers' entrepreneurial, technical and professional capability through innovative and informative education programs – supplemented with the hands-on support of experienced industry leaders.



## FOREFRONT TECHNOLOGY

We provide operational and technology solutions that enable advisers to run their businesses efficiently and dynamically, taking advantage of fast moving technology developments.

## How we engage

### PRINCIPAL BRIEFINGS

Collaborating with the business owner about strategic objectives

### GOOD GOVERNANCE SUMMITS

Providing risk & compliance guidance to Practices & Advisers

### ADVICE COACHING

Helping advisers provide quality advice to their clients

### SPECIALIST WORKING GROUPS & FORUMS

Communities of practice in niche areas of advice

### CONTINUING EDUCATION

Bespoke & tailored







# 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 2020 (FY20).

The comparison with the prior year needs consideration of the impact of the acquisition of all of the issued share capital of each of Madison Financial Group Pty Limited, AdviceNet Pty Ltd, WealthPortal Pty Ltd and Proactive Portfolios Pty Ltd (together, the MFG Entities).

MFG Entities provide licensing, compliance, technology and support to approximately 100 Authorised representatives licensed under its Australian Financial Services License (AFSL). MFG Entities have around \$3.5Bn in funds under advice and total in-force insurance premiums of \$65m, with total gross annual revenue around \$34m.

Acquisition of MFG Entities were completed on 26 June 2020 with the Group acquiring 100% equity interest. The results of MFG Entities have been included in the Group consolidation from the date of acquisition to 30 June 2020. As the acquisition was completed close to the financial year end, their contribution was insignificant to the overall Group result.

## Key Highlights

For FY20, the Group recorded a net profit before tax of \$534,654 compared with \$2,096,147 in FY19. Net profit after tax attributable to members was \$397,428 for FY20 compared with \$1,461,444 in FY19.

Group revenue decreased by 4%, from \$12.4 million in FY19 to \$12.0 million in FY20. The Group's Gross Funds Under Management (FUM) was \$982 million as at 30 June 2020, compared with \$924 million as at 30 June 2019.

**“Directors are proposing a fully franked final dividend of 1.0 cent, making a total of 2.0 cents per share for the year.”**

The Group received performance fees during the year of \$2,347,871 (FY19:\$2,727,511) while revenue from Investment Software was \$0.4 million compared to \$0.4 million in FY19 in Stocks In Value Pty Ltd.

Interest and dividend income were \$337,000 this year (FY19: \$371,000). The Group's interest income declined in line with lower average interest rates.

Depreciation and amortisation expense increased from \$490,000 in FY19 to \$725,000 in FY20. The increase was mainly on account of the adoption of the new accounting standard AASB 16 Leases from 1 July 2019.

Administration expenses were \$9.6 million (compared to \$10.2 million in FY19).



## Summary of Total Equity

The Total Equity at balance date comprised the following:

	30 JUNE 2020 (\$)	30 JUNE 2019 (\$)
Cash and cash equivalents	6,276,531	4,199,534
Other financial asset at amortised cost	230,639	-
Trade and other receivables less payables	(2,799,759)	394,756
Listed investment - Clime Capital Limited	4,770,017	5,856,758
Unlisted investments - Managed funds	945,387	10,000
Equity accounted investment - Clime Super Pty Ltd	-	13,730
Other tangible assets less liabilities	(1,567,930)	(833,196)
<b>Net tangible assets</b>	<b>7,854,885</b>	<b>9,641,582</b>
Intangible and right-of-use assets	13,621,707	8,371,147
Deferred tax assets	590,139	494,306
<b>Total Equity</b>	<b>22,066,731</b>	<b>18,507,035</b>
No. of ordinary shares on issue	64,657,505	54,737,771
Equity per share	34.1 cents	33.8 cents
Net tangible assets per share	12.1 cents	17.6 cents

## Cashflow

Operating cash flow (pre-impact of financial asset transactions) was positive \$4.3 million (\$1.1 million in FY19). This was primarily a function of the following:

- An increase in cash receipts from operating activities of \$4.3 million;
- An increase in cash payments on operating activities of \$1.4 million;
- Government grants received of \$0.2 million; and
- A decrease in tax paid by \$0.1 million.

The Group used net cash of \$1.0 million to purchase short term financial assets in FY20 compared to \$0.1 million net cash used to purchase short term financial assets in FY19.

Thus, the net cash inflow from operating activities was \$3.3 million, an increase of \$2.3 million in comparison with the prior corresponding period.

In FY20, net cash used in investing activities was \$3.9 million mainly arising from the MFG acquisition which resulted in a net cash outflow of \$3.3 million. In FY20, \$231k was paid for the security deposit on the office lease and a further increase in payments for property, plant and equipment of \$44.4k and intangible assets of \$241.6k.

Net cash inflow from financing activities in FY20 was \$2.7 million, an increase of \$4.2 million in comparison with prior corresponding year. This was mainly due to placement of shares to institutional investors of \$4.5 million and a decline in the number of shares bought back by \$0.2 million. The increase was offset by lease payments of \$0.3 million and higher dividends paid by \$0.1 million in FY20.

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 \$1.4 million.

## Outlook for 2021 Financial Year

Directors and management expect 2021 to be a year of further growth resulting from delivery of Clime's strategy. The Group integrated service offering encompasses investor education, advice and investment solutions for self-directed, retail and wholesale clients. Consolidation of the Madison Financial acquisition in June 2020 will be a high priority to ensure effective integration and synergies realization. We also anticipate continued expansion during 2021 via growing funds under management and advice; expanding the retail and wholesale advice footprint of the Group through adding financial advisers who share our values of Integrity, Transparency and Conviction; growing investment services provided to third-party licensed financial advisers/planners; and seeking above benchmark investment returns across all portfolios.

On behalf of the Board



Donald McLay  
Chairman



Allyn Chant  
Independent Director





# Directors' Report



Your Directors present their report on the consolidated entities ("the Group" or "economic entity"), consisting of Clime Investment Management Limited and its controlled entities for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is 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  
Non-Independent Director

N Schafer  
Independent Director

A Chant  
Independent Director

**Mr. Donald McLay** BCom, CA, FFin, ACIS, AGIA  
Non-Executive Chairman

**Experience and expertise**  
Mr. Donald McLay has more than 40 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). Mr. McLay holds a Bachelor of Commerce degree, is a Chartered Accountant, a Chartered Secretary, Associate Member of Governance Institute of Australia and Senior Fellow of the Financial Services Institute of Australasia (FINSIA).

**Former directorships in last 3 years**  
None

**Special responsibilities**  
Member of Remuneration Committee  
Member of Audit Committee

**Interests in shares and options**  
7,470,576 ordinary shares

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

**Experience and expertise**  
Mr. 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, WAM Research Limited and Australian Leaders Fund Limited.

**Former directorships in last 3 years**  
WAM Active Limited, Watermark Market Neutral Fund Limited, Watermark Global Limited and CBG Capital Limited

**Special responsibilities**  
None

**Interests in shares and options**  
4,293,850 ordinary shares



**Mr. Neil Schafer** BApp Econ  
Independent Director

**Experience and expertise**

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

**Other current directorships**

Mr. Schafer is also a director of Imperial Pacific Limited and London City Equities Limited.

**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

**Mr. Allyn Chant** BCom, CA, FFin  
Independent Director

**Experience and expertise**

Mr. Chant was appointed as a Director in 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.

**Other current directorships**

None

**Former directorships in last 3 years**

None

**Special responsibilities**

Member of Remuneration Committee  
Chairman of Audit Committee

**Interests in shares and options**

50,000 ordinary shares

**Mr. Biju Vikraman** Bcom, ACA, AGIA, ACIS  
Company Secretary

**Experience and expertise**

Mr. Vikraman was appointed to the position of Company Secretary in 2015.

Mr. Vikraman holds a Bachelor of Commerce from the University of Mumbai, India and is an Australian and Indian Chartered Accountant. Mr. Vikraman has 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.

## 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 2020, and the numbers of meetings attended by each Director were:

DIRECTORS	BOARD OF DIRECTORS		AUDIT COMMITTEE		RENUMERATION COMMITTEE	
	A	B	A	B	A	B
Mr. Donald McLay	20	20	2	2	6	5
Mr. Neil Schafer	20	18	2	2	6	6
Mr. John Abernethy	20	20	-	-	-	-
Mr. Allyn Chant	20	20	2	2	6	6

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. Neil Schafer and Mr. Allyn Chant retire by rotation and, being eligible, offer themselves 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.

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

- Operating an Individually Managed Accounts Service for wholesale clients and Separately Managed accounts through wholly owned subsidiary Clime Asset Management Pty Limited;
- Providing exclusive wealth advice to wholesale and sophisticated clients through wholly owned subsidiary Clime Private Wealth Pty Limited;
- Acting as investment managers for listed company Clime Capital Limited (ASX: CAM) and unlisted public company CBG Capital Limited through wholly owned subsidiaries Clime Asset Management Pty Limited and CBG Asset Management Limited;
- Acting as investment managers for the managed funds Clime Australian Income Fund, Clime Smaller Companies Fund, Clime International Fund, Clime Australian Value Fund, Clime Fixed Interest Fund, Clime All Cap Australian Equities Fund (Wholesale) (formerly Clime CBG Australian Equities Fund (Wholesale)) and CBG Australian Equities Fund through wholly owned subsidiaries Clime Asset Management Pty Limited and CBG Asset Management Limited;
- Providing an online equity research and valuation tool for Australian investors to research and value Australian and international listed companies and investment markets through wholly owned subsidiary Stocks in Value Pty Limited (trading as Clime Direct);
- Providing administration services to Self-Managed Super Funds through joint venture company Clime Super Pty Limited;
- Providing Dealer Group services to licensed financial advisers/planners through Madison Financial Group Pty Limited; and
- Providing financial product advice and dealing in various financial products to retail and wholesale clients through Advicenet Pty Limited.



## Operating result

The consolidated net profit after providing for tax amounted to \$397,428 (2019: \$1,461,444).

## Dividends paid or recommended

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

	2020 (\$)	2019 (\$)
1.5 cents per share (2019: 1.5 cents per share) franked to 100% at 27.5% (2019: franked to 100% at 27.5%) corporate income tax rate, final ordinary dividend paid during the year on 3 October 2019 in respect of the prior financial year	841,061	852,726
1.0 cent per share (2019: 0.75 cents per share) franked to 100% at 27.5% (2019: franked to 100% at 27.5%) corporate income tax rate, interim ordinary dividend paid during the year on 15 April 2020 in respect of the current financial year	559,249	421,713
<b>Total dividends paid</b>	<b>1,400,310</b>	<b>1,274,439</b>

## 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 16.

## Significant changes in state of affairs

The Group acquired all the issued share capital in the MFG Entities on 26 June 2020. The aggregate consideration of \$4.76 million was funded by raising \$4.5 million by way of institutional placement of 9,782,609 new fully paid ordinary shares at an issue price of \$0.46 per share.

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 2020 of 1.0 cent per share, totaling \$657,075 has been declared by the Directors subsequent to year end. This provision has not been reflected in the financial statements.

The Group entered into a five-year office lease agreement commencing on 15 July 2020 and up to 14 July 2025. This resulted in lease commitments of \$2,175,038 discounted at the current incremental borrowing rate.

The Parent Entity has provided share-based compensation benefits to its executive team and management since 2007, under the Clime Investment Management Employee Incentive Scheme (EIS). From 1 July 2020, a new Equity Incentive Plan (EIP), has replaced the EIS. The EIP was approved at the 2019 AGM held on 14 November 2019.

Under the EIP, rights to shares are granted for \$nil consideration. Rights are granted in accordance with the plan at the sole discretion of the Parent Entity's Board. Rights vest and convert to shares in the Parent Entity (or cash equivalent) following the satisfaction of the relevant performance and service conditions. Performance and service conditions applicable to each issue of rights are determined by the Board at the time of granting. Rights granted under the plan carry no dividend or voting rights until that have vested and have been converted into shares of the Parent Entity.

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 of:

- primarily investing in equities listed on the Australian and international securities exchanges
- providing wholesale and retail advice to clients.

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, COVID-19 pandemic impact, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to predict the future performance of the 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	25 October 2013	3 January 2022	\$0.829	100,000
Employee Incentive Scheme	11 September 2015	3 January 2022	\$0.700	150,000
Employee Incentive Scheme	20 July 2016	3 January 2022	\$0.630	150,000
Employee Incentive Scheme	21 August 2018	21 August 2021	\$0.485	400,000
Employee Incentive Scheme	2 January 2019	2 January 2022	\$0.470	200,000
Employee Incentive Scheme	4 October 2019	3 January 2022	\$0.494	50,000
			<b>Total</b>	<b>1,050,000</b>

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

## Environmental issues

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

## Rounding off amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar 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 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](http://www.clime.com.au).

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

Throughout the reporting period, and as at the date of signing of this Annual Report, the Company was in compliance with the 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 2020. 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	Non-Independent Director
Neil Schafer	Independent Director
Allyn Chant	Independent Director

### Other key management personnel

Rod Bristow	Chief Executive Officer
-------------	-------------------------

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). Equity-based remuneration can be made via the options issued to the executives under the Employee Incentive Scheme ("EIS") and Equity Incentive Plan (EIP).

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

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

#### Directors

Fees and payments to Directors reflect the demands which are made on, and the responsibilities of, the Directors. Remuneration of Independent Directors is determined by the 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 and EIP.

## 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.

## Chief Executive Officers' remuneration

The executive remuneration framework has five components:

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

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

## Base pay

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

## Short-term incentives (STI)

Key management personnel and senior management have the ability to earn short-term incentives 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.

## Long-term incentives

From 1 July 2020, a new Equity Incentive Plan (EIP), has replaced the EIS. The EIP was approved at the 2019 AGM held on 14 November 2019.

Under the EIP, rights to shares are granted for \$nil consideration. Rights are granted in accordance with the plan at the sole discretion of the Parent Entity's Board. Rights vest and convert to shares in the Parent Entity (or cash equivalent) following the satisfaction of the relevant performance and service conditions. Performance and service conditions applicable to each issue of rights are determined by the Board at the time of granting. Rights granted under the plan carry no dividend or voting rights until that have vested and have been converted into shares of the Parent Entity.

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 26 on pages 79 to 82.



## 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 2020 and 30 June 2019 are set out in the following tables. 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 other key management personnel of Clime Investment Management Limited

2020	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	
NAME	CASH SALARY AND FEES (\$)	SHORT-TERM INCENTIVES (\$)	SUPERANNUATION (\$)	OPTIONS (\$)	TOTAL (\$)
Donald McLay	67,667	-	-	-	<b>67,667</b>
John Abernethy*	242,292	685	4,259	7,238	<b>254,474</b>
Neil Schafer	51,300	-	-	-	<b>51,300</b>
Allyn Chant	46,072	-	4,362	-	<b>50,434</b>
Rod Bristow	382,040	150,685	21,003	19,267	<b>572,995</b>
<b>Total</b>	<b>789,371</b>	<b>151,370</b>	<b>29,624</b>	<b>26,505</b>	<b>996,870</b>

\* Includes \$49,476 in his capacity as Director and \$197,760 paid as consultancy fees.

2019	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	
NAME	CASH SALARY AND FEES (\$)	SHORT-TERM INCENTIVES (\$)	SUPERANNUATION (\$)	OPTIONS (\$)	TOTAL (\$)
Donald McLay	70,000	-	-	-	<b>70,000</b>
John Abernethy*	286,199	18,721	12,435	7,380	<b>324,735</b>
Neil Schafer	54,000	-	-	-	<b>54,000</b>
Allyn Chant	47,489	-	4,511	-	<b>52,000</b>
Rod Bristow**	286,918	193,177	16,683	14,498	<b>511,276</b>
<b>Total</b>	<b>744,606</b>	<b>211,898</b>	<b>33,629</b>	<b>21,878</b>	<b>1,012,011</b>

\* Includes \$190,062 paid to Mr. John Abernethy in his capacity as Managing Director from 1 July 2018 to 31 December 2018, \$25,000 in his capacity as Director and \$102,293 paid as consultancy fees from 1 January 2019 to 30 June 2019.

\*\* Remuneration paid from the date of commencement being 17 September 2018.

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

NAME	FIXED REMUNERATION		REMUNERATION LINKED TO PERFORMANCE	
	2020	2019	2020	2019
Donald McLay	100%	100%	-	-
John Abernethy	99.7%	94.2%	0.3%	5.8%
Neil Schafer	100%	100%	-	-
Allyn Chant	100%	100%	-	-
Rod Bristow	73.7%	62.2%	26.3%	37.8%

#### Short-term incentives

\$151,370 (2019: \$211,898) short-term incentives were paid to Directors and other key management personnel in respect of the year ended 30 June 2020. The short-term incentives were paid at the discretion of the Remuneration Committee based on the Company exceeding its targets for the financial year.

The short-term incentives therefore vested 100% during the financial year ended 30 June 2020.

## 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 are set out below.

### Mr. John Abernethy *Non-Independent Director*

From 1 January 2019:

- Term of consultancy agreement – 3 years commencing 1 January 2019
- Estimated rate of effort – 4 days per week
- \$50,000 per annum plus GST as director's fee
- \$204,585 per annum plus GST as consultancy fee for a three-year mutually agreeable renewable contract for delivering agreed outcomes. \$180,000 per annum plus GST with effect from 1 August 2020
- Continued directorship of the Company

### Mr. Rod Bristow *Chief Executive Officer*

- Base salary – \$403,043 per annum (inclusive of superannuation)
- Short and long-term incentive – to be negotiated subject to satisfactory achievement of key performance indicators set by the Board
- Notice period for termination by employee – 3 months
- Notice period for termination by Company – 3 months

## E. Share-Based Compensation

### (i) Shares provided on exercise of remuneration options

200,000 ordinary shares in the Company were provided as a result of the exercise of options via the EIS during the year (2019: 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 2019	GRANTED AS COMPENSATION / RECEIVED ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AS AT DATE
Donald McLay	7,470,576	-	-	7,470,576
John Abernethy	4,232,850*	-	61,000	4,293,850
Neil Schafer	548,007	-	-	548,007
Allyn Chant	50,000	-	-	50,000
Rod Bristow	610,000*	-	-	610,000

\* Includes 200,000 and 600,000 shares issued in prior periods under Employee Incentive Scheme to Mr. John Abernethy and Mr. Rod Bristow, respectively.

For prior year information, refer to Note 30.



## F. Related party transactions

### 1. Clime Capital Limited

- i. Mr. John Abernethy is a director of Clime Capital Limited. The Group received \$90,233 (2019: \$84,000) as management fees for the services rendered by two Directors and Company Secretary to Clime Capital Limited and reimbursement of marketing fees. The Group directly owns 5.29% (2019: 6.28%) of the fully paid ordinary shares of Clime Capital Limited as at 30 June 2020. Clime Investment Management Limited through Clime Asset Management Pty Limited (a wholly owned subsidiary) has the indirect power to dispose 3.55% (2019: 5.26%) of Clime Capital Limited's shares held by the Investment Manager's individually managed accounts as at 30 June 2020.
- ii. Clime Asset Management Pty Limited (a wholly owned subsidiary), during the year earned \$777,887 (2019: \$795,006) 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, during the year received \$320,995 (2019: \$204,619) as remuneration for managing the investment portfolios and acting as trustee of Clime Australian Income Fund. An external responsible entity was appointed on 3 May 2019.

### 3. Clime Smaller Companies Fund

- i. Clime Asset Management Pty Limited during the year received \$1,000,036 (2019: \$772,044) as remuneration for managing the investment portfolios and acting as trustee of Clime Smaller Companies Fund. An external responsible entity was appointed on 3 May 2019.

### 4. Clime Fixed Interest Fund

- i. Clime Asset Management Pty Limited during the year received \$60,011 (2019: \$1,853) as remuneration for managing the investment portfolios and acting as trustee of Clime Fixed Interest Fund.

### 5. CBG Capital Limited

- i. Mr. John Abernethy was a director of CBG Capital Limited until 24 August 2018. The Group received \$16,167 (2019: \$26,383) as management fees for the services rendered by a Director and Company Secretary to CBG Capital Limited. As a result of Clime Capital Limited's acquisition of CBG Capital Limited during the year, the Group does not own any fully paid ordinary shares in CBG Capital Limited (2019: 1.03%).
- ii. CBG Asset Management Limited (a wholly owned subsidiary) during the year earned \$374,640 (2019: \$405,099) as remuneration for managing CBG Capital Limited's investment portfolio.
- iii. All dividends paid and payable by CBG Capital Limited to its directors and related entities are on the same basis as to other shareholders.

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

- i. CBG Asset Management Limited, during the year received \$932,736 (2019: \$1,167,882) as remuneration for managing the investment portfolios and acting as trustee of Clime All Cap Australian Equities Fund (Wholesale).

### 7. Amigo Consulting Pty Limited

Mr. Allyn Chant, a Director of the Company, is also a director and a minority shareholder of Amigo Consulting Pty Limited ("Amigo"). No consultancy fees were paid by the Group to Amigo during the year (2019: \$nil). On 27th October 2016, shareholders approved issuing 1,000,000 options to Amigo to acquire ordinary shares in the Company. Amigo was engaged to provide strategic and outcome driven corporate advisory services.

These options expired on 1 October 2019 without being vested due to option vesting conditions not met.

No expense arising from the share-based payment transactions was recognised during the year (2019: \$36,333).

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 2020 (\$)	30 JUNE 2019 (\$)	30 JUNE 2020 (\$)	30 JUNE 2019 (\$)
Clime Capital Limited	84,039	76,233	-	-
Subsidiaries of Clime Investment Management Limited	4,377,001	2,511,604	19,671,718	18,697,101

## 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 2020:

	30 JUNE 2020 \$	30 JUNE 2019 \$	30 JUNE 2018 \$	30 JUNE 2017 \$	30 JUNE 2016 \$	TOTAL
Revenue	11,952,222	12,447,639	10,864,250	8,672,692	9,114,230	-
Net profit before tax and amortisation	983,621	2,542,907	1,937,078	1,239,961	1,808,353	-
Net profit before tax	534,654	2,096,147	1,367,296	766,739	1,335,130	-
Net profit after tax	397,428	1,461,444	1,064,259	2,561,130	1,065,330	-
Cash dividends paid	1,400,310	1,274,439	1,699,113	2,263,053	3,013,290	\$9,650,205
Interim dividend - Fully franked <sup>1</sup>	1.0cps	0.75cps	1.5cps	-	3.0cps	6.0cps
Interim dividend - Partially franked <sup>2</sup>	-	-	-	1.5cps	-	1.5cps
Final dividend <sup>1,3</sup>	1.0cps	1.5cps	1.5cps	1.5cps	3.0cps	8.5cps
Capital return <sup>4</sup>	-	-	-	1CPL for 1	-	15cps
Share price at start of year	0.48	\$0.48	\$0.50	CIW	\$0.75	-
Share price at end of year	0.50	\$0.50	\$0.48	\$0.65	\$0.65*	-
Basic EPS	0.7cps	2.6cps	1.9cps	\$0.50	2.2cps	-
Diluted EPS	0.7cps	2.6cps	1.9cps	5.2cps	2.1cps	-

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

<sup>2</sup> 50% franked dividends (franked to 50% at 30% corporate tax rate)

<sup>3</sup> Declared after each respective balance date and not reflected in the financial statements

<sup>4</sup> 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 2020, Clime Investment Management Limited bought back 1,519,939 (2019: 1,322,064) fully paid ordinary shares for total consideration of \$768,023 (2019: \$673,983). 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");
- Investment returns and performance generated by the Funds Management team in respect of its managed investment products;
- Active compliance and risk management based on regulatory requirements;
- Adviser satisfaction and retention;
- Employee satisfaction above a threshold approved by the Remuneration Committee; and
- Client satisfaction (Net Promoter Score).

## Proceedings on behalf of the Group

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

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 24 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 24 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 (including Independence Standards).

## 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 34.

Signed in accordance with a resolution of the Directors.



Donald McLay  
Chairman



Allyn Chant  
Independent Director

Sydney, 26 August 2020





Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

**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 2020, I declare that to the best of my knowledge and belief there have been:

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

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

A handwritten signature in black ink that reads 'Mark Godlewski'.

**Mark Godlewski**  
Partner

**Pitcher Partners**  
Sydney

26 August 2020

Adelaide Brisbane Melbourne Newcastle Perth Sydney

**Pitcher Partners is an association of independent firms.**

An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.  
[pitcher.com.au](http://pitcher.com.au)







# Financial Statements



## Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income	37
Consolidated Statement of Financial Position	38
Consolidated Statement of Changes in Equity	39
Consolidated Statement of Cash Flows	40
Notes to the Financial Statements	41

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 12, 20 Hunter Street  
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in Note 27 on pages 82 and 83 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 2020

	Notes	2020 \$	2019 \$
Revenue	5	11,952,222	12,447,639
Net realised and unrealised gains on financial assets at fair value through profit or loss		(1,156,990)	759,272
Government subsidy		355,500	-
Occupancy expenses		(197,731)	(415,457)
Depreciation and amortisation expense	6	(725,149)	(489,586)
Administrative expenses		(9,615,313)	(10,218,851)
Finance costs	16	(77,885)	-
Share of profit from joint venture	13(c)	-	13,130
Profit before income tax	6	534,654	2,096,147
Income tax expense attributable to operating profit	8(a)	(137,226)	(634,703)
Profit for the year		397,428	1,461,444
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		397,428	1,461,444
Profit attributable to members of Clime Investment Management Limited		397,428	1,461,444
Total comprehensive income attributable to members of Clime Investment Management Limited		397,428	1,461,444
<b>Earnings per share</b>			
Basic - cents per share	25(a)	0.7	2.6
Diluted - cents per share	25(b)	0.7	2.6

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7(a)	6,276,531	4,199,534
Other financial asset at amortised cost	32(c)	230,639	-
Trade and other receivables	10	1,351,134	3,124,338
Other current assets	11	405,176	141,894
Financial assets at fair value through profit or loss	12	5,715,404	5,866,758
<b>Total Current Assets</b>		<b>13,978,884</b>	<b>13,332,524</b>
<b>Non-Current Assets</b>			
Investments accounted for using equity method	13	-	13,730
Property, plant and equipment	15	112,191	79,128
Right-of-use assets	16	1,045,485	-
Deferred tax assets	17	590,139	494,306
Intangible assets	18	12,576,222	8,371,147
<b>Total Non-Current Assets</b>		<b>14,324,037</b>	<b>8,958,311</b>
<b>Total Assets</b>		<b>28,302,921</b>	<b>22,290,835</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	19	3,934,503	2,691,380
Lease liabilities	16	218,973	-
Current tax liabilities		216,390	38,202
Contract liabilities		381,844	472,024
Provisions	20	474,191	252,410
<b>Total Current Liabilities</b>		<b>5,225,901</b>	<b>3,454,016</b>
<b>Non-Current Liabilities</b>			
Lease liabilities	16	885,251	-
Deferred tax liabilities	21	-	232,536
Provisions	20	125,038	97,248
<b>Total Non-Current Liabilities</b>		<b>1,010,289</b>	<b>329,784</b>
<b>Total Liabilities</b>		<b>6,236,190</b>	<b>3,783,800</b>
<b>Net Assets</b>		<b>22,066,731</b>	<b>18,507,035</b>
<b>EQUITY</b>			
Issued capital	22	21,508,300	16,933,128
Reserves	23(a)	286,307	298,901
Retained earnings	23(b)	272,124	1,275,006
<b>Total Equity</b>		<b>22,066,731</b>	<b>18,507,035</b>

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 2020

Consolidated	Notes	Issued capital \$	Share-based payments reserve \$	Retained earnings \$	Total \$
Balance as at 1 July 2018		17,006,379	233,556	1,088,001	18,327,936
Profit for the year		-	-	1,461,444	1,461,444
Other comprehensive income for the year net of tax		-	-	-	-
<b>Total comprehensive income for the year net of tax</b>		-	-	1,461,444	1,461,444
<b>Transactions with equity holders in their capacity as equity holders:</b>					
• Issue of ordinary shares for acquisition of CBG Asset Management Limited	22(b)	187,500	-	-	187,500
• On-market buy-back including transaction costs	22(d)	(260,751)	-	-	(260,751)
• Recognition of share-based payments	23(a)	-	65,345	-	65,345
• Dividends paid or provided for	9(a)	-	-	(1,274,439)	(1,274,439)
<b>Balance as at 30 June 2019</b>		<b>16,933,128</b>	<b>298,901</b>	<b>1,275,006</b>	<b>18,507,035</b>
Profit for the year		-	-	397,428	397,428
Other comprehensive income for the year net of tax		-	-	-	-
<b>Total comprehensive income for the year net of tax</b>		-	-	397,428	397,428
<b>Transactions with equity holders in their capacity as equity holders:</b>					
• Issue of ordinary shares by way of placements	33	4,500,000	-	-	4,500,000
• Cost of issuing capital - net of tax		(72,979)	-	-	(72,979)
• On-market buy-back including transaction costs	22(d)	(94,039)	-	-	(94,039)
• Transfer from share-based payments reserve to issued capital on completion of EIS loan term	23(a)	39,490	(39,490)	-	-
• Transfer of loan repayments to issued capital on completion of EIS loan term		202,700	-	-	202,700
• Recognition of share-based payments	23(a)	-	26,896	-	26,896
• Dividends paid or provided for	9(a)	-	-	(1,400,310)	(1,400,310)
<b>Balance as at 30 June 2020</b>		<b>21,508,300</b>	<b>286,307</b>	<b>272,124</b>	<b>22,066,731</b>

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 2020

	Notes	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Fees received in the course of operations		16,019,377	11,702,920
Expense payments in the course of operations		(12,019,712)	(10,590,070)
Dividends and distributions received		307,882	302,428
Government grants received		242,000	-
Interest received		38,247	71,301
Income taxes paid		(259,725)	(355,780)
		4,327,869	1,130,799
Proceeds from disposal of financial assets at fair value through profit or loss		758,716	1,421,152
Payments for financial assets at fair value through profit or loss		(1,759,880)	(1,507,043)
		(1,001,164)	(85,891)
<b>Net cash provided by operating activities</b>	7(b)	3,326,705	1,044,908
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for other financial asset at amortised cost		(230,639)	-
Net cash outflow on acquisition of Madison Entities	33	(3,338,738)	-
Payments for property, plant and equipment	15	(77,431)	(33,075)
Payments for intangible assets	18	(254,042)	(12,406)
<b>Net cash used in investing activities</b>		(3,900,850)	(45,481)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for shares bought back (including transaction costs)	22(d)	(94,039)	(260,751)
Principal elements of lease payments		(175,963)	-
Finance costs paid for lease liabilities		(77,885)	-
Proceeds from issue of shares to institutional investors		4,500,000	-
Costs of issue of shares to institutional investors		(100,661)	-
Dividends paid to Company's shareholders	9(a)	(1,400,310)	(1,274,439)
<b>Net cash provided by/(used) in financing activities</b>		2,651,142	(1,535,190)
<b>Net increase /(decrease) in cash and cash equivalents</b>		2,076,997	(535,763)
<b>Cash and cash equivalents at beginning of the year</b>		4,199,534	4,735,297
<b>Cash and cash equivalents at end of the year</b>	7(a)	6,276,531	4,199,534
<b>Non-cash financing activities</b>	7(c)	250,041	187,500

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 2020

### 1. Corporate information

Clime Investment Management Limited (the Company) is a publicly listed company incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 12, 20 Hunter Street, Sydney NSW 2000 Australia. The principal activities of the Company and its subsidiaries ("the Group") are described in Note 27(a).

The financial statements of Clime Investment Management Limited for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 26 August 2020 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.

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

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

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

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

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

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

#### (i) AASB 16: Leases

The Group adopted AASB 16 Leases from 1 July 2019, but has not restated comparatives for the 30 June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from AASB 16 are therefore recognised as an opening balance adjustment on 1 July 2019.

#### i. Adjustments recognised on adoption to AASB 16 Leases

On adoption of AASB 16 Leases, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.07%.

The Group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	30 June 2020 \$
Operating lease commitments disclosed as at 30 June 2019	1,658,137
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,403,959
Less: Amounts relating to short-term leases recognised on a straight-line basis as expense	(123,773)
Operating lease amounts subject to AASB 16	1,280,186
Rental expense relating to operating leases - Minimum lease payments	
Lease liability recognised as at 1 July 2019 of which are:	
- Current lease liabilities	175,963
- Non-current lease liabilities	1,104,223
	1,280,186

These right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the Statement of Financial Position on 1 July 2019:

- Right-of-use assets – increase by \$1,280,186
- Lease liabilities – increase by \$1,280,186

#### **(a) Basis of preparation**

These consolidated financial statements are general purpose financial statements prepared in accordance with applicable Accounting Standards, the Corporations Act 2001 and other authoritative pronouncements issued by the Australian Accounting Standards Board.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these consolidated financial statements are presented below and have been consistently applied unless stated otherwise.

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

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

#### **Critical accounting estimates**

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

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

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 2(f)).

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

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

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

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



**(c) Revenue recognition**

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

**(i) Dividend 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) Management fees and services income**

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

Performance fees are recognised at a point in time as income at the end of the relevant period to which the performance fee relates and when the Group's entitlement to the fee becomes established. As performance fees are contingent upon performance determined at a future date, they are not recognised over time as they are not able to be measured reliably, and it is probable that there could be a reversal of revenue.

**(iv) Investment education and software**

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

**(v) 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.

**(vi) Government subsidies**

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

**(d) Income tax**

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

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

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

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

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





**(e) Leases**

The Group leases its offices in Sydney, Melbourne, Brisbane and Perth. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 30 June 2019 financial year, leases of the offices were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense

on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

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

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

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

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

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

**(f) Business combinations**

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future 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 non-financial assets**

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

**(h) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(i) Trade and other receivables**

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

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

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

**(j) Investments****(i) Classification**

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

The Group classifies its assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Group's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is to evaluate the information about these financial assets on a fair value basis together with other related financial information.

**(ii) Recognition/derecognition**

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

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



(iii) Measurement

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

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

(iv) Offsetting financial instruments

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

(k) Fair value estimation

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

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

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

The nominal value less estimated credit adjustments of trade receivables 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.

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 separately**

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.

**(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) Contract liabilities**

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

**(p) Employee benefits**

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

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

**(ii) Bonus plans**

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

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

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







**(p) Employee benefits (continued)****(iii) Superannuation**

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

**(iv) Employee benefit on-costs**

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

**(v) Share-based payments**

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

**Employee Incentive Scheme (EIS)**

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

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

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

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.

**(q) Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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).

**(r) Financial liabilities and equity instruments**

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

Ordinary shares are classified as equity.

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

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

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

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

**(s) Dividends**

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

**(t) Earnings per share**

**(i) Basic earnings per share**

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

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to 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.

**(u) Goods and services tax**

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

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

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

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

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

The AASB has issued certain new and amended Accounting Standards and Interpretations that are not mandatory for 30 June 2020 reporting period and hence have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**(w) Rounding of amounts**

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

### 3. Critical accounting estimates and assumptions

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

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

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

#### *Carrying value assessment of goodwill, investment management contracts and customer relationships*

The Group tests annually whether goodwill, investment management contracts 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.

#### *Business combinations*

As discussed in Note 33, business combinations are initially accounted for on a provisional basis.

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

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

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

### 4. Financial risk management

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

#### *(a) Market risk*

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

##### *(i) Other price risk*

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

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



**(a) Market risk (continued)**

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

**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 2020		30 JUNE 2019	
	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)	\$811,232	(\$811,232)	\$805,730	(\$805,730)

**(ii) Interest rate risk management**

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

**INTEREST RATE RISK SENSITIVITY ANALYSIS**

The table below summarises the pre-tax impact on the Group's profits due to both a decrease and increase in interest rates by 100 basis points (one percentage point) at the end of the reporting period. The analysis is based on the assumption that the change is based on the weighted average rate of interest on cash at bank and cash on deposit for the year (0.78% weighted average interest rate in 2020 and 1.66% weighted average interest rate in 2019).

	30 JUNE 2020		30 JUNE 2019	
	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)	\$49,117	(\$49,117)	\$43,031	(\$43,031)

**(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.

**(c) Liquidity risk**

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

**(i) Maturities of financial liabilities**

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

MATURITY ANALYSIS - GROUP 2020	CARRYING AMOUNT \$	CONTRACTUAL CASH FLOWS \$	LESS THAN 6 MONTHS \$	6 - 12 MONTHS \$	1-3 YEARS \$
<b>Financial liabilities</b>					
Trade and other payables	3,500,204	3,500,204	3,500,204	-	-
Lease liabilities	1,104,224	1,280,516	144,457	145,656	990,403
Total financial liabilities	4,604,428	4,780,720	3,644,661	145,656	990,403

MATURITY ANALYSIS - GROUP 2019	CARRYING AMOUNT \$	CONTRACTUAL CASH FLOWS \$	LESS THAN 6 MONTHS \$	6 - 12 MONTHS \$	1-3 YEARS \$
<b>Financial liabilities</b>					
Trade and other payables	2,311,940	2,311,940	2,311,940	-	-
Total financial liabilities	2,311,940	2,311,940	2,311,940	-	-

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

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







**(d) Fair value risk**

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

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

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

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

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

AT 30 JUNE 2020	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
<b>Financial assets at fair value through profit or loss</b>				
- Listed equities	4,770,017	-	-	4,770,017
- Unlisted unit trusts	-	945,387	-	945,387
	4,770,017	945,387	-	5,715,404

AT 30 JUNE 2019	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
<b>Financial assets at fair value through profit or loss</b>				
- Listed equities	5,856,758	-	-	5,856,758
- Unlisted unit trusts	-	10,000	-	10,000
	5,856,758	10,000	-	5,866,758

**(i) Valuation technique****LISTED INVESTMENTS**

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

**UNLISTED UNIT TRUSTS**

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

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

## 5. Revenue

	2020 \$	2019 \$
<b>Revenue from contract with customers</b>		
Funds management		
Management fees <sup>1,2</sup>	8,161,363	8,148,375
Performance fees <sup>2</sup>	2,347,871	2,727,511
Other <sup>2</sup>	257,198	738,540
	<b>10,766,432</b>	<b>11,614,426</b>
Private wealth		
Advice and other fees <sup>1,2</sup>	495,796	14,023
Investment software		
Subscription fees <sup>1</sup>	353,324	448,269
	<b>11,615,552</b>	<b>12,076,718</b>
Direct investments income		
Dividends and distributions	298,423	299,620
Interest income	38,247	71,301
	<b>336,670</b>	<b>370,921</b>
<b>TOTAL REVENUE</b>	<b>11,952,222</b>	<b>12,447,639</b>

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

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

Refer to Note 27(b) for an analysis of revenue by segment.

## 6. Expenses

	2020 \$	2019 \$
<b>Profit before income tax includes the following specific expenses:</b>		
Employee benefits expense (excluding superannuation)	6,164,281	6,455,738
Defined contribution superannuation expense	378,890	354,224
Share-based payment expense recognised	26,896	65,345
Finance costs paid on lease liabilities	77,885	-
Rental expense relating to operating leases - Minimum lease payments	124,030	276,957
Depreciation of property, plant and equipment	41,481	42,826
Depreciation of right-of-use assets	234,701	-
Amortisation of investment management contracts	356,908	356,908
Amortisation of software licences, customer relationships and customer lists	92,059	89,852



## 7. Statement of cashflows

### (a) Reconciliation of cash

	2020 \$	2019 \$
For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise:		
Cash and bank balances	6,276,531	4,199,534

Cash at bank is interest bearing. Cash at bank and deposits at call bear floating interest rates between 0.25% and 0.9% (2019: 1.0% and 1.5%).

Cash and bank balances above in 2019 include deposits of \$487,589 that have been pledged as security for the occupied office space in Sydney.

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

	2020 \$	2019 \$
Profit for the year	397,428	1,461,444
<b>Adjustment for non-cash items:</b>		
Depreciation and amortisation expense and loss on asset write off	728,036	490,486
Non-cash share-based payment expense	26,896	65,345
Write off of investment in joint venture	600	-
Share of profit of joint venture	-	(13,130)
Dividends received from joint venture	13,130	2,808
Finance costs paid on lease liabilities	77,885	-
<b>Change in operating assets and liabilities</b>		
Trade and other receivables and other assets	2,093,441	(1,059,977)
Financial assets at fair value through profit or loss	151,354	(845,112)
Trade and other payables and contract liabilities	(142,978)	620,776
Current tax liability	178,188	(4,865)
Deferred tax assets and liabilities	(300,688)	283,789
Provisions	103,413	43,344
<b>Net cash provided by operating activities</b>	<b>3,326,705</b>	<b>1,044,908</b>

### (c) Non-cash investing activities

	2020 \$	2019 \$
Issue of ordinary shares for acquisition of CBG Asset Management Limited	-	187,500
Exchange of investments via scrip for scrip consideration	250,041	-

## 8. Income tax expense

*(a) Income tax expense*

	2020 \$	2019 \$
Current tax expense	437,914	350,914
Deferred tax expense	(300,688)	283,789
	137,226	634,703
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (Note 17)	(68,152)	115,954
(Decrease)/increase in deferred tax liabilities (Note 21)	(232,536)	167,835
	(300,688)	283,789

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

	2020 \$	2019 \$
Profit before income tax expense	534,654	2,096,147
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	147,030	576,440
<b>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</b>		
Amortisation of intangibles	110,166	110,166
Share-based payment expense	7,396	17,970
Franking credits on dividends	(90,270)	(91,292)
Government subsidy	(20,625)	-
(Over)/under provision of prior year tax	(18,105)	20,829
Sundry items	1,634	590
<b>Income tax expense</b>	<b>137,226</b>	<b>634,703</b>





## 9. Dividends

### (a) Dividends provided for and paid during the year

	2020 \$	2019 \$
Final dividend in respect of the previous financial year – 1.5 cents per share fully franked (2019: 1.5 cents per share fully franked)	841,061	852,726
Interim dividend in respect of the current financial year – 1.0 cent per share fully franked (2019: 0.75 cents per share fully franked)	559,249	421,713
	1,400,310	1,274,439
Fully franked portion	1,400,310	1,274,439

### (b) Dividends not recognised at year end

Proposed fully franked dividend – 1.0 cent per share (2019: 1.5 cents per share)	657,075	841,089
--	---------	---------

### (c) Franking account balance

Amount of franking credits available for subsequent financial years are:

Franking account balance brought forward	226,493	228,238
Franking credits arising from income tax paid	259,725	355,780
Franking credits from dividends received	124,511	125,883
Franking debits from payment of dividends	(531,152)	(483,408)
Balance of franking account at year end	79,577	226,493
Impact on franking account of proposed dividend not recognised at year end at 27.5% corporate tax rate (2019: 27.5%)	(249,235)	(319,034)

10. Trade and other receivables - Current

	2020 \$	2019 \$
Trade receivables	1,140,492	2,808,348
Other receivables	210,642	315,990
	<b>1,351,134</b>	<b>3,124,338</b>

- a. Trade receivables are non-interest bearing and are generally subject to 30-day terms.
- b. The Group did not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.
- c. Trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of the respective clients, 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.
- d. The carrying amounts of trade and other receivables are considered to represent a reasonable approximation of their fair values.

11. Other current assets

	2020 \$	2019 \$
Prepayments and deposits	405,176	141,894

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

	2020 \$	2019 \$
Listed equities	4,770,017	5,856,758
Unlisted unit trusts	945,387	10,000
	<b>5,715,404</b>	<b>5,866,758</b>

### 13. Investments accounted for using the equity method

	2020 \$	2019 \$
Investment in joint venture	-	13,730

#### (a) Carrying amounts

Information relating to joint venture is set out below.

NAME OF COMPANIES	PRINCIPAL ACTIVITY	CARRYING AMOUNTS			
		2020 %	2019 %	2020 \$	2019 \$
Unlisted					
Clime Super Pty Ltd (i)	Provision of administration services to self-manage super funds	-	50%	-	13,730

The above joint venture is incorporated in Australia.

#### (b) Movements of carrying amounts

	2020 \$	2019 \$
Carrying amount at the beginning of the financial year	13,730	3,408
Payment for investment in joint venture	-	-
Share of profit after income tax	-	13,130
Dividends received	(13,130)	(2,808)
Write-off	(600)	-
Carrying amount at the end of the financial year	-	13,730
Net profit of joint venture before income tax	-	18,110
Income tax expense	-	(4,980)
Profit after income tax	-	13,130

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

	2020 \$	2019 \$
Share in net profit of joint venture	-	13,130

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

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

	ASSETS \$	LIABILITIES \$	REVENUES \$	PROFIT AFTER TAX \$
2020 Clime Super Pty Ltd	-	-	-	-
2019 Clime Super Pty Ltd	28,574	14,844	124,659	13,130



## 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 *	
			2020 %	2019 %
Clime Asset Management Pty Ltd	Australia	Fully Paid Ordinary	100	100
Stocks In Value Pty Ltd	Australia	Fully Paid Ordinary	100	100
Clime Private Wealth Pty Ltd	Australia	Fully Paid Ordinary	100	100
Clime Investors Education Pty Ltd	Australia	Fully Paid Ordinary	100	100
CBG Asset Management Limited	Australia	Fully Paid Ordinary	100	100
Madison Financial Group Pty Limited**	Australia	Fully Paid Ordinary	100	-
Advicenet Pty Limited**	Australia	Fully Paid Ordinary	100	-
Proactive Portfolios Pty Limited**	Australia	Fully Paid Ordinary	100	-
WealthPortal Pty Limited**	Australia	Fully Paid Ordinary	100	-

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

\*\* Acquired on 26 June 2020 (refer Note 33).

## 15. Property, plant and equipment

	2020 %	2019 %
Plant and equipment - at cost	563,525	494,227
Accumulated depreciation and impairment	(451,334)	(415,099)
<b>Written down value of property, plant and equipment</b>	<b>112,191</b>	<b>79,128</b>
<b>Reconciliation</b>		
Carrying value at beginning of the year	79,128	89,777
Additions during the year	77,431	33,075
Written off during the year	(2,887)	(898)
Depreciation charge for the year	(41,481)	(42,826)
<b>Carrying amount at end of the year</b>	<b>112,191</b>	<b>79,128</b>

## 16. Leases

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

### Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2020 \$
<b>Right-of-use assets</b>	
Building under lease arrangement	
At cost	1,280,186
Accumulated depreciation	(234,701)
	<u>1,045,485</u>
	Building
<b>Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year:</b>	
Carrying amount at 1 July 2019	-
Restated opening balance upon adoption of AASB 16 at 1 July 2019	1,280,186
Depreciation	(234,701)
Carrying amount at 30 June 2020	<u>1,045,485</u>
	2020 \$
<b>Lease liabilities</b>	
Current	218,973
Non-current	885,251
	<u>1,104,224</u>

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

<b>Lease expenses and cashflows</b>	
Finance costs on lease liabilities	77,885
Principal elements of lease payments	175,963
Expenses relating to leases of 12-months or less (for which a lease asset and lease liability have not been recognised)	124,030
Total cash outflow in relation to leases	<u>377,878</u>
Depreciation expense on lease assets	<u>234,701</u>





## 17. Deferred tax assets

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).

	2020 %	2019 %
<b>The balance comprises temporary differences attributable to:</b>		
Financial assets at fair value through profit or loss	92,325	-
Contract liabilities	105,007	129,806
Employee benefits	124,595	96,156
Accrued expenses	72,433	37,114
Tax losses carried forward on revenue account	-	35,451
Tax losses carried forward on capital account	195,779	195,779
<b>Deferred tax assets</b>	<b>590,139</b>	<b>494,306</b>
<b>Movements</b>		
Opening balance at 1 July	494,306	610,260
Credited/(charged) to profit or loss (Note 8(a))	68,152	(115,954)
Credited to equity	27,681	-
<b>Closing balance at 30 June</b>	<b>590,139</b>	<b>494,306</b>

## 18. Intangible assets

Goodwill:	2020 %	2019 %
Goodwill at cost	8,613,884	5,321,884
<b>Investment management contracts and relationships:</b>		
At cost	5,694,000	5,694,000
Accumulated amortisation	(3,511,899)	(3,154,991)
	2,182,101	2,539,009
<b>Software licences:</b>		
At cost	842,748	588,706
Accumulated amortisation	(312,054)	(247,691)
	530,694	341,015
<b>Customer relationship and customer list:</b>		
At cost	1,758,023	650,023
Accumulated amortisation	(508,480)	(480,784)
	1,249,543	169,239
<b>Closing balance at 30 June</b>	<b>12,576,222</b>	<b>8,371,147</b>

## 18. Intangible assets (continued)

## (a) Reconciliations

2020	GOODWILL	INVESTMENT MANAGEMENT CONTRACTS & RELATIONSHIPS	SOFTWARE LICENCES	CUSTOMER RELATIONSHIPS & CUSTOMER LISTS	TOTAL
	\$	\$	\$	\$	\$
Carrying amount at beginning of year	5,321,884	2,539,009	341,015	169,239	8,371,147
Additions	-	-	254,042	-	254,042
Business combination (Note 33)	3,292,000	-	-	1,108,000	4,400,000
Amortisation expense <sup>1</sup>	-	(356,908)	(64,363)	(27,696)	(448,967)
Carrying amount at end of year	8,613,884	2,182,101	530,694	1,249,543	12,576,222

  

2019	GOODWILL	INVESTMENT MANAGEMENT CONTRACTS & RELATIONSHIPS	SOFTWARE LICENCES	CUSTOMER RELATIONSHIPS & CUSTOMER LISTS	TOTAL
	\$	\$	\$	\$	\$
Carrying amount at beginning of year	5,321,884	2,895,917	390,765	196,935	8,805,501
Additions	-	-	12,406	-	12,406
Amortisation expense <sup>1</sup>	-	(356,908)	(62,156)	(27,696)	(446,760)
Carrying amount at end of year	5,321,884	2,539,009	341,015	169,239	8,371,147

<sup>1</sup>Amortisation of \$448,967 (2019: \$446,760) is included in the consolidated statement of profit or loss and other comprehensive income.

## (b) Impairment testing of goodwill

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

CASH-GENERATING UNIT	FUNDS MANAGEMENT	INVESTMENT SOFTWARE AND EDUCATION	DEALERSHIP BUSINESS	TOTAL
	\$	\$	\$	\$
<b>2020 - Consolidated</b>				
Balance at the beginning of the year	4,996,884	325,000	-	5,321,884
Acquisition of MFG Entities (Note 33)	-	-	3,292,000	3,292,000
Balance at end of year	4,996,884	325,000	3,292,000	8,613,884
<b>2019 - Consolidated</b>				
Balance at the beginning of the year	4,996,884	325,000	-	5,321,884
Movements during the year	-	-	-	-
Balance at end of year	4,996,884	325,000	-	5,321,884



**(b) Impairment testing of goodwill (continued)****FUNDS MANAGEMENT**

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

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

**INVESTMENT SOFTWARE AND EDUCATION**

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

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

**DEALERSHIP BUSINESS**

The recoverable amount of the cash generating unit has been determined based on fair value less costs to sell, using Directors' assessments of its values on the basis of arms' length transactions between knowledgeable and willing parties with the best information available. Due to the proximity of the acquisition to the balance date, the purchase price is considered to be the fair value of the investment.

**19. Trade and other payables**

2020 CONSOLIDATED	2020 \$	2019 \$
<b>Unsecured:</b>		
Trade payables	560,530	370,217
Dividends on shares issued under the Employee Incentive Scheme	94,375	121,687
Accruals	1,888,878	1,767,740
Advisor fees (MFG)	919,165	-
Other payables	471,555	431,736
	<b>3,934,503</b>	<b>2,691,380</b>

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

## 20. Provisions

	2020 \$	2019 \$
Employee benefits – current		
Annual leave	347,401	189,091
Long service leave	126,790	63,320
	<b>474,191</b>	<b>252,411</b>
Employee benefits - non-current		
Long service leave	125,038	97,248

## 21. Deferred tax liabilities

	2020 \$	2019 \$
The balance comprises temporary differences attributable to:		
Financial assets at fair value through profit or loss	-	228,925
Equity accounted investments	-	3,611
<b>Deferred tax liabilities</b>	-	<b>232,536</b>
Movements:		
Opening balance at 1 July	232,536	64,701
Charged to the profit or loss (Note 8(a))		
- Other	<b>(232,536)</b>	167,835
<b>Closing balance at 30 June</b>	-	<b>232,536</b>







## 22. Issued capital

### (a) Share capital

	PARENT EQUITY		PARENT EQUITY	
	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares				
Fully paid	<b>64,657,505</b>	54,737,771	<b>21,508,300</b>	16,933,128

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

### (b) Movements in ordinary share capital

DATES	DETAILS	NOTES	NUMBER OF SHARES	\$
1 July 2018	Balance		54,933,362	17,006,379
16 July 2018	Shares issued for acquisition of CBG Asset Management Limited		375,001	187,500
July 2018 to June 2019	Shares bought back on-market and cancelled	(d)	(570,592)	(260,241)
July 2018 to June 2019	Transaction costs arising from on-market buy- back		-	(510)
30 June 2019	Balance		54,737,771	16,933,128
10 June 2020	Shares issued to institutional investors	33	9,782,609	4,500,000
June 2020	Cost of issuing capital - net of tax		-	(72,979)
July 2019 to March 2020	Shares bought back on-market and cancelled	(d)	(187,875)	(93,889)
July 2019 to March 2020	Transaction costs arising from on-market buy- back		-	(150)
Oct 2019 and June 2020	Transfer from share-based payments reserve to issued capital on completion of EIS loan term		-	39,490
Oct 2019 and June 2020	Transfer of loan repayments to issued capital on completion of EIS loan term		325,000	202,700
30 June 2020	Balance		64,657,505	21,508,300

### (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.

## 22. Issued capital (continued)

*(d) On-market share buy-back*

During the financial year ended 30 June 2020, Clime Investment Management Limited, in accordance with its on-market share buy-back scheme, bought back 187,875 (2019: 570,592) 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 49.97 cents per share (2019: 45.70 cents per share). The total cost of \$94,039 (2019: \$260,751), including \$150 (2019: \$510) 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 2020, there are 1,050,000 (2019: 1,375,000) 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 26(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 2019.

## 23. Reserves and retained earnings

*(a) Reserves*

	2020 \$	2019 \$
Share-based payments reserve	286,307	298,901
<b>Movements</b>		
Share-based payments reserve		
Balance 1 July	298,901	233,556
Share-based payment expense recognised	26,896	65,345
Transfer from share-based payments reserve to issued capital on completion of EIS loan term	(39,490)	-
<b>Balance 30 June</b>	<b>286,307</b>	<b>298,901</b>

*(b) Retained earnings*

	2020 \$	2019 \$
Movements in retained earnings were as follows:		
Balance 1 July	1,275,006	1,088,001
Net profit for the year	397,428	1,461,444
Dividends (Note 9)	(1,400,310)	(1,274,439)
<b>Balance 30 June</b>	<b>272,124</b>	<b>1,275,006</b>

*(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.

## 24. 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:

	2020 \$	2019 \$
Audit and review of financial statements - Pitcher Partners	91,724	86,784
Taxation matters - Pitcher Partners	35,055	10,255
Other matters - Pitcher Partners	5,568	1,570
	<b>132,347</b>	<b>98,609</b>

## 25. Earnings per share

### (a) Basic earnings per share

	2020 CENTS	2019 CENTS
Profit attributable to the ordinary equity holders of the Group	0.7	2.6

### (b) Diluted earnings per share

Profit attributable to the ordinary equity holders of the Group	0.7	2.6
---	-----	-----

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

	2020 \$	2019 \$
<b>Basic and diluted earnings per share</b>		
Profit for the year attributable to owners of the Group	397,428	1,461,444
Profit attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share	397,428	1,461,444

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

	2020 NUMBER	2019 NUMBER
Weighted average number of ordinary shares used in calculation of basic earnings per share	55,309,449	55,222,139
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	56,359,449	56,597,139

### (e) Reconciliations of weighted average numbers of shares

	2020 NUMBER	2019 NUMBER
Weighted average number of ordinary shares used in the calculation of basic earnings per share	55,309,449	55,222,139
Shares deemed to be issued for no consideration in respect of - Employee Incentive Scheme	1,050,000	1,375,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	56,359,449	56,597,139

### (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.



## 26. 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.

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
2020								
25/10/2013	03/01/2022	\$0.829	150,000	-	(50,000)	-	100,000	100,000
19/08/2014	03/01/2022	\$0.850	50,000	-	(50,000)	-	-	-
25/02/2015	03/01/2022	\$0.750	25,000	-	(25,000)	-	-	-
11/09/2015	03/01/2022	\$0.700	150,000	-	-	-	150,000	150,000
20/07/2016	03/01/2022	\$0.630	200,000	-	-	(50,000)	150,000	150,000
23/06/2017	23/06/2020	\$0.500	200,000*	-	(200,000)	-	-	-
21/08/2018	21/08/2021	\$0.485	400,000	-	-	-	400,000	-
02/01/2019	02/01/2022	\$0.470	200,000	-	-	-	200,000	-
04/10/2019	03/01/2022	\$0.490	-	-	-	50,000	50,000	-
<b>Total</b>			<b>1,375,000</b>	<b>-</b>	<b>(325,000)</b>	<b>-</b>	<b>1,050,000</b>	<b>400,000</b>
<b>Weighted average exercise price</b>				<b>\$0.567</b>				

\* Includes 200,000 in-substance options granted to one of the Directors approved by shareholders on 27th October 2016.

\*\* In-substance options granted to the Chief Executive Officer during the 2019 financial year.

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)	-	-
25/10/2013	30/09/2019	\$0.829	250,000	-	-	(100,000)	150,000	150,000
19/08/2014	30/09/2019	\$0.850	200,000	-	-	(150,000)	50,000	50,000
25/02/2015	30/09/2019	\$0.750	50,000	-	-	(25,000)	25,000	25,000
11/09/2015	30/09/2019	\$0.700	275,000	-	-	(125,000)	150,000	150,000
20/07/2016	30/09/2019	\$0.630	350,000	-	-	(150,000)	200,000	-
23/06/2017	23/06/2020	\$0.500	350,000*	-	-	(150,000)	200,000*	-
21/08/2018	21/08/2021	\$0.485	-	400,000	-	-	400,000**	-
02/01/2019	02/01/2022	\$0.470	-	200,000	-	-	200,000**	-
<b>Total</b>			<b>1,575,000</b>	<b>600,000</b>	<b>-</b>	<b>(800,000)</b>	<b>1,375,000</b>	<b>375,000</b>
<b>Weighted average exercise price</b>				<b>\$0.585</b>				

\* Includes 200,000 in-substance options granted to the Managing Director approved by shareholders on 27th October 2016.

\*\* In-substance options granted to the Chief Executive Officer during the 2019 financial year.

The weighted average contractual life of in-substance options outstanding at the end of the period was 1.39 years (2019 – 1.06 years).

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

The model inputs for in-substance options granted during the year ended 30 June 2020 included:

- in-substance options are granted via an interest-free, non-recourse loan and vest based on the terms discussed above;

- In-substance options become unconditional on the date of their vesting following the repayment of the outstanding loan balance;
- exercise price: The forecast outstanding loan principal at the expiration of the loan term is equivalent to the exercise price variable in a standard option valuation. The forecast outstanding loan principal is \$0.49 per share (for in-substance options issued with a three-year term);
- vesting date: 3 years from the grant date;
- expected price volatility of the Company's shares: between 30% and 35%;
- risk-free interest rate: 1.0%; and
- discount rate: 12%.

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

NUMBER OF OPTIONS	GRANT DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	VESTING / EXPIRY DATE
100,000	25/10/2013	\$0.829	\$0.140	03/01/2022
150,000	11/09/2015	\$0.700	\$0.121	03/01/2022
150,000	20/07/2016	\$0.630	\$0.107	03/01/2022
400,000	21/08/2018	\$0.485	\$0.099	21/08/2021
200,000	02/01/2019	\$0.470	\$0.091	02/01/2022
50,000	04/10/2019	\$0.494	\$0.090	03/01/2022





## 26. Share-based payments (continued)

### (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 expired on 1 October 2019 and were not exercised at any time upon vesting and prior to the expiry date.

### (c) Expenses arising from share-based payment transactions

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

	2020 \$	2019 \$
Option expense		
Employee Incentive Scheme	26,896	29,012
Amigo Consulting Pty Limited	-	36,333
	<b>26,896</b>	<b>65,345</b>

Refer to the Remuneration Report on pages 26 to 32, for additional information in relation to the Employee Incentive Scheme.

## 27. Segment information

### (a) Description of segments

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

- Funds management
- Private wealth
- 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.

#### Private Wealth

The Group recently launched Private Wealth as one of its strategic initiatives to enhance client engagement and growth of assets under management. Private Wealth delivers tailored private wealth advisory services for wholesale and sophisticated investors.

#### Investment Software

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

#### Direct Investments

Includes revenue generated by the Group's direct investments in listed, unlisted securities and managed investment schemes. A significant proportion of the Group's direct investments are 'self-managed' and include material investments in the ASX listed company Clime Capital Limited. Other than the creation of a new Private Wealth segment and consequently reclassification of previous corresponding period numbers, there have been no changes in the basis of segmentation or the basis of segmental profit or loss since the previous financial report.

**(b) Reportable Segments**

2020	FUNDS MANAGEMENT	PRIVATE WEALTH	INVESTMENT SOFTWARE	DIRECT INVESTMENTS	INTER SEGMENT/ UNALLOCATED	CONSOLIDATED
	\$	\$	\$	\$	\$	\$
<b>Segment revenue</b>						
Sales to external customers	10,509,234	495,796	353,324	-	257,198	11,615,552
Investment income	-	-	-	336,670	-	336,670
Government grants	-	-	-	-	355,500	355,500
<b>Total segment revenue</b>	<b>10,509,234</b>	<b>495,796</b>	<b>353,324</b>	<b>336,670</b>	<b>612,698</b>	<b>12,307,722</b>
Net realised and unrealized gains on financial assets at fair value through profit or loss	-	-	-	(1,156,990)	-	-
Share of profits from investments in joint venture	-	-	-	-	-	-
<b>Net group result</b>						
Net group result before tax	4,939,689	(1,071,508)	136,040	(820,319)	(2,649,248)	534,654
Income tax expense						(137,226)
<b>Profit for the year</b>						<b>397,428</b>
Depreciation and amortisation expense	577,853	-	64,364	-	82,932	725,149

2019	FUNDS MANAGEMENT	PRIVATE WEALTH	INVESTMENT SOFTWARE	DIRECT INVESTMENTS	INTER SEGMENT/ UNALLOCATED	CONSOLIDATED
	\$	\$	\$	\$	\$	\$
<b>Segment revenue</b>						
Sales to external customers	11,498,939	14,000	448,269	-	115,509	12,076,718
Investment income	-	-	-	370,921	-	370,921
<b>Total segment revenue</b>	<b>11,498,939</b>	<b>14,000</b>	<b>448,269</b>	<b>370,921</b>	<b>115,509</b>	<b>12,447,639</b>
Net realised and unrealized gains on financial assets at fair value through profit or loss	-	-	-	759,272	-	759,272
Share of profits from investments in associate	-	-	-	13,130	-	13,130
<b>Net group result</b>						
Net group result before tax	5,058,567	(1,857,574)	229,080	1,143,323	(2,477,249)	2,096,147
Income tax expense						(634,703)
<b>Profit for the year</b>						<b>1,461,444</b>
Depreciation and amortisation expense	390,801	-	62,615	-	36,168	489,584

**(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 \$10.5 million (2019: \$11.5 million) (see Note 26 (d) above) are revenues of approximately \$1.6 million (2019: \$1.7 million) which arose from services provided to the Group's largest customer.

## 28. Subsequent Events

A final fully franked dividend for the year ended 30 June 2020 of 1.0 cents per share, totaling \$657,075 has been declared by the Directors. This provision has not been reflected in the financial statements.

The Group entered into a five-year office lease agreement commencing on 15 July 2020 and up to 14 July 2025. This resulted in lease commitments of \$2,175,038 discounted at the current incremental borrowing rate.

The Parent Entity has provided share-based compensation benefits to its executive team and management since 2007, under the Clime Investment Management Employee Incentive Scheme (EIS). From 1 July 2020, a new Equity Incentive Plan (EIP), has replaced the EIS. The EIP was approved at the 2019 AGM held on 14 November 2019.

Under the EIP, rights to shares are granted for \$nil consideration. Rights are granted in accordance with the plan at the sole discretion of the Parent Entity's Board. Rights vest and convert to shares in the Parent Entity (or cash equivalent) following the satisfaction of the relevant performance and service conditions. Performance and service conditions applicable to each issue of rights are determined by the Board at the time of granting. Rights granted under the plan carry no dividend or voting rights until that have vested and have been converted into shares of the Parent Entity.

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

## 29. Contingent liabilities, contingent assets and commitments

The Group has no material contingent liabilities or contingent assets as at 30 June 2020 (2019: Nil).

### Capital expenditure commitments

The Group has contracted material capital expenditure commitments of \$34,004 on fit-out works of the new office location as at 30 June 2020 (2019: Nil).

### Operating lease commitments

The Group has a number of non-cancellable operating leases expiring within twelve months to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 July 2019, the group has recognised right-of-use assets for the leases, except for short term and low-value leases, see Note 2 for further information.

The comparative information relates to non-cancellable operating lease agreements presented in accordance with the predecessor accounting standard AASB 17 Leases. The current year information relates to short term leases which have not been capitalised under the current standard AASB 16 Leases.

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

	2020 \$	2019 \$
Not later than 1 year	93,000	377,621
Later than 1 year and not later than 5 years	-	1,252,348
Later than 5 years	-	28,168
	<b>93,000</b>	<b>1,658,137</b>



30. 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
	\$	\$	\$	\$	\$
<b>2020</b>					
Remuneration of Directors and other key management personnel	<b>940,741</b>	<b>29,624</b>	<b>26,505</b>	-	<b>996,870</b>
<b>2019</b>					
Remuneration of Directors and other key management personnel	956,504	33,629	21,878	-	1,012,011

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 26 to 32 of this Annual Report.

## 30. Key management personnel disclosures (continued)

**(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 26 to 32.

**(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.

	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
2020	No.	No.	No.	No.
Mr. Donald McLay	7,470,576	-	-	7,470,576
Mr. John Abernethy	4,232,850*	-	61,000	4,293,850
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Allyn Chant	50,000	-	-	50,000
Mr. Rod Bristow	610,000*	-	-	610,000

\* Includes 200,000 and 600,000 shares issued under Employee Incentive Scheme to Mr. John Abernethy and Mr. Rod Bristow, respectively.

	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
2020	No.	No.	No.	No.
Mr. Donald McLay	7,320,680	-	149,896	7,470,576
Mr. John Abernethy	4,083,850	-	149,000	4,232,850*
Mr. Neil Schafer	548,007	-	-	548,007
Mr. Allyn Chant	50,000	-	-	50,000
Mr. Rod Bristow	-	-	610,000	610,000*

\* Includes 200,000 and 600,000 shares issued under Employee Incentive Scheme to Mr. John Abernethy and Mr. Rod Bristow, respectively.

**(c) Loans to Directors and other key management personnel**

\$262,500 (2019: \$367,000) loan to Director and other key management personnel in relation to the EIS share issued under the Employee Incentive Scheme (refer Note 26(a)).

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

As described in Note 26(a), notional non-recourse loans exist in relation to "in substance" options issued under the Employee Incentive Scheme.







### 31. 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) Joint Ventures

Interest in joint ventures is set out in Note 13.

#### (d) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 30.

#### (e) Other related party transactions

##### 1. Clime Capital Limited

- i. Mr. John Abernethy is a director of Clime Capital Limited. The Group received \$90,233 (2019: \$84,000) as management fees for the services rendered by two Directors and Company Secretary to Clime Capital Limited and reimbursement of marketing fees. The Group directly owns 5.29% (2019: 6.28%) of the fully paid ordinary shares of Clime Capital Limited as at 30 June 2020. Clime Investment Management Limited through Clime Asset Management Pty Limited (a wholly owned subsidiary) has the indirect power to dispose 3.55% (2019: 5.26%) of Clime Capital Limited's shares held by the Investment Manager's individually managed accounts as at 30 June 2020.
- ii. Clime Asset Management Pty Limited during the year received \$777,887 (2019: \$795,006) 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, during the year received \$320,995 (2019: \$204,619) as remuneration for managing the investment portfolios and acting as trustee of Clime Australian Income Fund. An external responsible entity was appointed on 3 May 2019.

##### 3. Clime Smaller Companies Fund

- i. Clime Asset Management Pty Limited during the year received \$1,000,036 (2019: \$772,044) as remuneration for managing the investment

portfolios and acting as trustee of Clime Smaller Companies Fund. An external responsible entity was appointed on 3 May 2019.

##### 4. Clime Fixed Interest Fund

- i. Clime Asset Management Pty Limited during the year received \$60,011 (2019: \$1,853) as remuneration for managing the investment portfolios and acting as trustee of Clime Fixed Interest Fund.

##### 5. CBG Capital Limited

- i. Mr. John Abernethy was a Director of CBG Capital Limited until 24 August 2018. The Group received \$16,167 (2019: \$26,383) as management fees for the services rendered by two Directors and Company Secretary to CBG Capital Limited. As a result of Clime Capital Limited's acquisition of CBG Capital Limited during the year, the Group does not own any fully paid ordinary shares in CBG Capital Limited (2019: 1.03%).
- ii. CBG Asset Management Limited (a wholly owned subsidiary) during the year earned \$374,640 (2019: \$405,099) 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.

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

- i. CBG Asset Management Limited during the year received \$932,736 (2019: \$1,167,882) as remuneration for managing the investment portfolios and acting as trustee of Clime All Cap Australian Equities Fund (Wholesale).

##### 7. 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"). No consultancy fees were paid by the Group to Amigo during the year (2019: \$nil).

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

These options expired on 1 October 2019 without being vested due to conditions not met.

No expense arising from the share-based payment transactions was recognised during the period (2019: \$36,333).

## 31. 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 2020 (\$)	30 JUNE 2019 (\$)	30 JUNE 2020 (\$)	30 JUNE 2019 (\$)
Clime Capital Limited	84,039	76,233	-	-
Subsidiaries of Clime Investment Management Limited	4,377,001	2,511,604	19,671,718	18,697,101

## 32. 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*

	2020 \$	2019 \$
<b>Assets</b>		
Current assets	10,355,780	8,674,519
Non-current assets	21,973,113	16,505,961
Total Assets	32,328,893	25,180,480
<b>Liabilities</b>		
Current liabilities	13,260,907	14,162,780
Total Liabilities	13,260,907	14,162,780
Net Assets	19,067,986	11,017,700
<b>Equity</b>		
Issued capital	21,508,301	16,933,128
Profit reserve	21,277,814	17,790,107
Accumulated losses	(24,004,435)	(24,004,435)
Share-based payments reserve	286,306	298,900
Total Equity	19,067,986	11,017,700

*(b) Financial performance*

Profit for the year	4,888,017	2,755,826
Other comprehensive income / (loss)	-	-
Total comprehensive income	4,888,017	2,755,826

*(c) Guarantees entered into by the Parent Company*

The parent company provides cash backed guarantees for the lease agreement of office premises. During the year these guarantees amounted to \$230,639 (2019: \$485,709) and is secured by a charge over other financial assets of \$230,639.

*(d) Commitments*

The Entity has contracted capital expenditure commitments of \$34,004 on fit-out works of the new office location as at 30 June 2020 (2019: Nil) and \$93,000 (2019: \$1,658,137) for the operating lease commitments.

### 33. Business Combination

The Company entered into a share sale agreement with SC Australian Holdings 1 Pty Ltd (SC) pursuant to which the Company agreed to acquire all the issued share capital of Madison Financial Group Pty Limited, AdviceNet Pty Ltd, WealthPortal Pty Ltd and Proactive Portfolios Pty Ltd (together, the MFG Entities) effective from 26 June 2020.

Clime's strategy is to transition to an integrated wealth management business by expanding its financial services offering for clients. At its most recent AGM, Clime advised it was seeking acquisitions and mergers that would deliver scale and optimise operational leverage. Acquisition of MFG is consistent with this strategy, providing the opportunity to support retail clients with Clime's investment products and services and complementing existing self-directed and wholesale investor offerings.

MFG Entities provide licensing, compliance, technology and support to approximately 100 authorised representatives licensed under its Australian Financial Services License (AFSL). MFG Entities have around \$3Bn in funds under advice and total in-force insurance premiums of \$65m, with total gross annual revenue around \$34m.

All MFG staff has transitioned with the business to Clime, including the MFG CEO. Advisors licensed with MFG will significantly benefit from the transaction by gaining access to clients from Clime's existing 45,000 subscriber database; a greater pool of quality investment opportunities for clients; and premium equities research and investment capability.

#### Consideration

Clime acquired all the issued share capital in the MFG entities for an aggregate consideration of \$4.76 million (Share Sale Agreement). The aggregate consideration was funded by a \$4.5 million institutional placement of 9,782,609 new fully paid ordinary shares at the issue price of \$0.46 per share. The issue price of \$0.46 per share represents an 8.2% premium to the closing price of CIW shares as traded on ASX on 22 May 2020, being the last trading day prior to the announcement of the placement, being \$0.425.

	Total (\$)
Cash paid (i)	2,259,817
Contingent consideration (paid and held in escrow)(ii)	2,500,000
<b>Total purchase consideration</b>	<b>4,759,817</b>

- i. Includes \$359,817 paid towards Net Working Capital which is subject to post-completion adjustment for working capital as at the date of completion.
- ii. The \$2.5 million of the contingent consideration has been paid and will be held in escrow with \$1.25 million available for release after 12 months and a further \$1.25 million being available for release after 24 months, subject in each case to payments to the Company for claims (under a limited indemnity) and adjustments related to post-completion revenues of the MFG Entities.



## Assets and liabilities acquired

\$4,759,817 purchase consideration was fully paid in cash and has been provisionally allocated as follows:

	RECOGNISED ON ACQUISITION AT FAIR VALUE
ASSETS AND LIABILITIES ACQUIRED	(\$)
Cash and cash equivalents	1,421,079
Trade and other receivables	306,190
Other current assets	277,328
Trade and other payables	(1,498,839)
Provisions	(145,941)
Net identifiable tangible assets acquired	359,817
Add: Customer /Advisor list	1,108,000
Net identifiable assets acquired	1,467,817
Add: Goodwill arising on acquisition	3,292,000
<b>Total purchase consideration</b>	<b>4,759,817</b>

## Net cash outflow on acquisition

\$4,759,817 purchase consideration was fully paid in cash and has been provisionally allocated as follows:

	(\$)
Total purchase consideration	4,759,817
Cash held on MFG	(1,421,079)
	3,338,738

The goodwill on acquisition comprises:

- Broader service range offered;
- Synergies from cost-saving on operating and overhead expenses; and
- Experienced Management team.

Goodwill is not deductible for tax purposes.

## Contribution since acquisition

Since acquisition was completed close to the financial year end, contribution of Madison entities to the Group revenue and profit before tax was insignificant. Had the combination occurred from the beginning of the reporting period, revenue and operating profit before tax for the consolidated entity would have been \$36,860,211 and \$571,243 respectively.

## Transaction costs

Transaction costs of \$109,363 were incurred in relation to the acquisition. These costs were included with administration expenses in the 2020 statement of profit or loss and other comprehensive income.

# Directors' Declaration

The Directors declare that:

- a. in the Directors' opinion, the attached financial statements and notes thereto, as set out on pages 37 to 91, 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



**Allyn Chant**  
Independent Director

Date: 26 August 2020







Level 16, Tower 2 Darling Park  
201 Sussex Street  
Sydney NSW 2000

Postal Address  
GPO Box 1615  
Sydney NSW 2001

p. +61 2 9221 2099  
e. [sydneypartners@pitcher.com.au](mailto:sydneypartners@pitcher.com.au)

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLIME INVESTMENT MANAGEMENT LIMITED

ABN 37 067 185 899

### Report on the Audit of the Financial Report

We have audited the accompanying financial report of Clime Investment Management Limited ("the Company") and its Controlled Entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

#### Opinion

In our opinion:

- a. the accompanying financial report of Clime Investment Management Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

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

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

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

Adelaide Brisbane Melbourne Newcastle Perth Sydney

Pitcher Partners is an association of independent firms.

An independent New South Wales Partnership. ABN 17 795 780 962. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

[pitcher.com.au](http://pitcher.com.au)



## 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 matter
<p>Accuracy of Management and Performance Fees  <i>Refer to Note 5: Revenue and Note 31: Related party transactions</i></p>	
<p>Management and performance fees account for \$10,509,234 of the Group's \$11,952,222 reported revenues in 2020.</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 such as payment of company dividends and income tax, capital raisings and reductions in accordance with each individual Investment Management Agreement.</p> <p>The calculation of management and performance fees includes key inputs such as portfolio movements, relevant index benchmarking and set percentages in accordance with the Investment Management Agreements.</p> <p>In addition to their quantum, as some of these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party (e.g. fees charged in excess of those mandated under the management agreement).</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"> <li>• Obtaining an understanding of and evaluating the processes and controls for calculating the management and performance fees;</li> <li>• Making enquiries with Management and the Directors with respect to any significant events during the year and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes;</li> <li>• Reviewing the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the current financial year for the Investment Administrator;</li> <li>• Testing of a sample of significant events such as company dividends, income tax payments, capital raisings, capital reductions as well as any other relevant expenses used in the calculation of management and performance fees;</li> <li>• Testing of key inputs such as portfolio movements, application of the relevant index benchmarking, set percentage used in the calculation of management and performance fees, as well as performing a recalculation in accordance with our understanding of the Investment Management Agreements; and</li> <li>• Assessing the appropriateness of the accounting policy in relation to management and performance fees and the adequacy of disclosures in the financial statements.</li> </ul>

Impairment Assessment of Intangible Assets <i>Refer to Note 18: Intangible Assets</i>	
<p>At 30 June 2020 the Group's statement of financial position has intangible assets, including goodwill, totalling \$12,576,222.</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>Key assumptions and estimates include financial and cash flow forecasts based on budgeted results.</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"> <li>• Evaluating management's process regarding the valuation of intangible assets to determine any asset impairments;</li> <li>• Challenging key assumptions and estimates (e.g. future cash flows) used to determine the fair value of intangible assets;</li> <li>• Checking the mathematical accuracy and performing sensitivity analysis on fair value calculations performed by management; and</li> <li>• Assessing the appropriateness of the accounting policy in relation to impairment and the adequacy of disclosures in the financial statements.</li> </ul>
Acquisition of Madison Financial Group <i>Refer to Note 33: Business Combination</i>	
<p>During the year the Group acquired Madison Financial Group (MFG) for an aggregate consideration of \$4.8m. This was considered a significant purchase for the Group.</p> <p>Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to goodwill and separately identifiable intangibles assets such as customer contracts and relationships.</p> <p>Judgment is also used in determining the fair value of the consideration paid as \$2.5m of the \$4.8m aggregate consideration paid is held in escrow and is subject to adjustment based on post-completion revenues.</p> <p>It is due to the relative size of the acquisition and the estimation process involved in accounting for it that this is a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining and reading the sale and purchase agreement to understand the key terms and conditions;</li> <li>• We evaluated the assumptions and methodology in management's calculations, such as forecast revenues, used to determine the value of MFG's identifiable intangible assets and consideration paid;</li> <li>• We used our Corporate Finance and valuation specialists to compare management's valuation assumptions with external benchmarks and to consider the valuation assumptions based on our knowledge of the Group and its industry; and</li> <li>• We assessed the adequacy of the Group's disclosures in respect of the business combination.</li> </ul>



### 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 2020 but does not include the financial report and our auditor's report thereon.

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

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

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

### Directors Responsibility for the Financial Report

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

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

### Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## REPORT ON THE REMUNERATION REPORT

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 32 of the Directors' Report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Clime Investment Management Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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



**M Godlewski**  
Partner

26 August 2020



**Pitcher Partners**  
Sydney

# Shareholder Information

The shareholder information set out below was applicable as at 12 August 2020.

## A. Distribution of Equity Securities

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

ORDINARY SHARES		NUMBER OF HOLDERS
1	- 1,000	35
1,001	- 5,000	154
5,001	- 10,000	81
10,001	- 100,000	210
100,001	and over	60
		540



## B. Equity Security Holders

Twenty largest quoted equity security holders

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

ORDINARY SHARES	ORDINARY SHARES	
	NO OF SHARES	PERCENTAGE OF ISSUED SHARES
HSBC Custody Nominees (Australia) Limited	10,616,632	16.157
Mr. Donald McLay, Torres Industries Pty Limited & Nagarit Pty Limited <Nagarit Super Fund A/C>	7,470,576	11.369
Mr Ronni Chalmers, LocoPe Pty Ltd & Savoie Superannuation Pty Ltd	7,050,000	10.729
One Managed Investment Funds Ltd <Primewest Property A/C>	5,434,783	8.271
PHC Investments Limited	4,546,826	6.920
Double Pty Limited & Abernethy SMSF Pty Ltd <Abernethy Super Fund A/C>	4,293,850	6.535
Mr David Schwartz <David Schwartz Fam Hlds A/C> & related entities	3,734,064	5.683
Robansheil Pty Limited	1,130,446	1.720
Ruminator Pty Ltd	871,419	1.326
Clodene Pty Ltd	813,522	1.238
Capital Property Corporation Pty Limited	745,709	1.135
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	692,951	1.055
Mr Orlando Berardino Di Iulio & Ms Catharina Maria Koopman	657,744	1.001
Mr Rod Bristow	610,000	0.928
Barrob Bondi Pty Ltd <The Townson Superfund A/C>	561,066	0.854
Lodge Road Pty Limited <Lodge Road Super Fund A/C>	548,007	0.834
Arcelia Pty Ltd <Round Hill Retire/Fund A/C>	485,334	0.739
Jetstream Holdings Pty Ltd <Jetstream Super Fund A/C>	443,395	0.675
Sanlam Private Wealth Pty Ltd	410,000	0.624
Mr Robert Archer Black	400,000	0.609
	51,516,324	78.402

## C. Equity Security Holders

Substantial holders in the Company are set out below:

ORDINARY SHARES	ORDINARY SHARES	
	NO OF SHARES	PERCENTAGE OF ISSUED SHARES
Wilson Management Group	10,616,632	16.157
Mr. Donald McLay and related parties	7,470,576	11.369
Mr. Ronni Chalmers and related parties	7,050,000	10.729
One Managed Investment Funds Ltd <Primewest Property A/C>	5,434,783	8.271
PHC Investments Limited	4,546,826	6.920
Mr. John Abernethy and related parties	4,293,850	6.535
Mr David Schwartz and related entities	3,734,064	5.683

## 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 12 November 2020.

### Stock Exchange Listing

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

### On-Market Buyback Scheme

As at 26 August 2020 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 12  
20 Hunter Street  
Sydney NSW 2000  
Telephone: (02) 8917 2100

# Clime Investment Management Limited

ABN 37 067 185 899 | ACN 067 185 899

Level 12, 20 Hunter Street Sydney NSW 2000 Australia  
PO Box H90, Australia Square NSW 1215 Australia

+61 2 8917 2100  
+61 2 8917 2155

[www.clime.com.au](http://www.clime.com.au)  
[info@clime.com.au](mailto:info@clime.com.au)







 clime

[www.clime.com.au](http://www.clime.com.au)