

# Appendix 4D

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

## Half-Year Ended 31 December 2020

(Previous corresponding period – Half-Year Ended 31 December 2019)

Revenue from ordinary activities	down	5%	to	\$6,842,163
Profit from ordinary activities before tax attributable to members	up	3%	to	\$1,233,416
Profit from ordinary activities after tax attributable to members	up	0.2%	to	\$865,010

Dividends per share	Amount per security	Franked amount per security
Interim Dividend – FY21 (proposed)	1.00 cent	1.00 cent
Final Dividend – FY20 (paid)	1.00 cent	1.00 cent

Record date for determining entitlements to the interim dividend is **2 March 2021**

### Explanation of Revenue and Net Profit

Please refer to the Directors' Report included in the interim financial statements for the half-year ended 31 December 2020 for further explanations.

### Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share before tax	\$0.12	\$0.17
Net tangible asset backing per ordinary share after tax	\$0.12	\$0.16

### Dividends

Details of dividends/distributions declared or paid during or subsequent to the six months ended 31 December 2020 are as follows:

Record Date	Payment Date	Type	Amount per security	Total Dividend \$000's	Franked amount per security	Foreign sourced dividend amount per security
18 September 2020	2 October 2020	Final	1.00 cent	657	1.00 cent	-
2 March 2021	12 March 2021	Interim	1.00 cent	651	1.00 cent	-

### Dividend/Distribution Reinvestment Plans

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

### Review

This report is based on accounts that have been reviewed. The unqualified review report is attached on page 25 of the attached Interim Financial Report.



# Clime Investment Management Limited

and Controlled Entities

## Interim Financial Report 31 December 2020

Clime Investment Management Limited

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# General Purpose Interim Financial Report

**31 December 2020**

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# Director's Report

The directors of Clime Investment Management Limited submit herewith the financial report of Clime Investment Management Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2020 ("HY 2020"). In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

## Directors

The names of the directors of the company during or since the end of the half-year are:

Neil Schafer  
Non-Executive Chairman  
John Abernethy  
Non-Independent Director  
Brett Spork  
Independent Director (appointed 23 October 2020)  
Peter Beaumont  
Independent Director (appointed 19 October 2020)  
Donald McLay  
Non-Executive Chairman (resigned 1 October 2020)  
Allyn Chant  
Independent Director (resigned 19 October 2020)

## Financial Results

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 Limited, WealthPortal Pty Limited and Proactive Portfolios Pty Limited (together, the MFG Entities).

MFG Entities provide licensing, compliance, technology and support to approximately 90 Authorised Representatives licensed under its Australian Financial Services License (AFSL). These advisers collectively have around \$3.7 billion in funds under advice and total in-force insurance premiums of \$70 million, with total estimated annual revenue around \$4 million.

Acquisition of MFG Entities was 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 acquisition, whereas the previous reporting period does not include the results of MFG Entities. To that extent the numbers are not strictly comparable.

## Key Highlights

The directors are pleased to report a strong result for the first half of the financial year. For HY 2020 the Group recorded a net profit before tax of \$1,233,416 compared with \$1,202,116 in HY 2019. Net profit after tax attributable to members was \$865,010 for HY 2020 compared with \$862,864 in HY 2019.

Basic earnings per share for the six-month period to 31 December 2020 were 1.3 cents per share compared with 1.6 cents per share as at 31 December 2019.

## Review of Operations

Gross balances of FUM as at 31 December 2020 were \$1,040 million compared to \$982 million as at 30 June 2020, an increase of 6%.

Clime had positive fund inflows from new and existing investors as well as strong investment performance across all portfolios for the 6-month period to 31 December 2020. In terms of the FUM growth, Individually Managed Accounts grew 7%, the listed investment company (LIC) Clime Capital Limited grew 11%, Managed Funds and mandates grew 1%, and Separately Managed Accounts grew 11% during the December half-year as follows:

Gross Funds under Management (FUM)	31 December 2020 millions	30 June 2020 millions
Clime Individually Managed Accounts	\$505	\$471
Listed Investment company (Clime Capital - ASX: CAM)	\$133	\$120
Managed Funds and Mandates	\$310	\$308
Separately Managed Accounts	\$92	\$83
Sub-Total Funds Under Management	\$1,040	\$982
Funds Under Advice - Wealth Portal	\$837	\$749
Funds Under Advice - Other investment platforms	\$2,875	\$2,796
Insurance Premiums Under Advice	\$70	\$74
Sub-Total Funds and Insurance Premiums Under Advice	\$3,782	\$3,618
TOTAL FUMA	\$4,822	\$4,600

It should be noted that Clime Individually Managed Accounts have funds invested in some of the Clime Managed Funds.



To complement Clime's strategy, the Group has initiated "Project Streamline" which includes a number of actions designed to reduce costs, better support our people, allow real focus on our key products, ensure best practice governance and compliance, support improved client service and promote revenue growth.

As a result, the Group is in the process of replacing seven of the Clime Separately Managed Funds (SMAs) with ProActive's SMA portfolios and has taken steps to eliminate a number of duplicated supplier arrangements, expand our investment product availability on investment platforms, and update our website.

Additionally, during the current period, Clime closed two small retail fund offerings which were deemed uneconomical and offered those investors direct access to Clime Capital Limited (ASX CAM). Investors who took up the offer have benefitted from a strong market performance of CAM.

During the current financial period, the Group continued its strategy of moving from an Australian equity manager to an integrated wealth management business by expanding its financial services offering for clients.

## Financial Highlights

The Group recorded an after-tax profit attributable to members of \$865,010 for the half-year to 31 December 2020 (HY 2019: \$862,864). The operating result is reported after amortisation of intangibles of \$257,546 compared with \$224,137 during half-year to 31 December 2019.

To further explain the results, it's useful to understand how the Group'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 the Group's balance sheet.

## Operating Earnings

Operating earnings for the 6 months ended 31 December 2020 were \$1,399,825 (HY 2019: \$232,227), an increase of \$1,167,598.

Although funds management fees of \$4,474,854 decreased from \$4,563,553 earned in HY 2019, MFG Entities contributed \$1,998,112 of revenues during the current period. Additionally, the Group received \$397,000 in government subsidies.

Software revenue from the Clime Direct (formerly StocksInValue) business was \$161,820 compared to \$180,239 in HY 2019 as a result of a drop in membership levels. Clime has been focusing on enhancing the user experience and improving functionality to grow the subscriber base.

Administrative and occupancy expenses rose to \$4,954,010 in HY 2020 from \$3,840,039 incurred in HY 2019 as a result of Madison Entities joining the Group. Third party custody, management & funds administration services costs have increased in the half-year to \$521,478 from \$478,648 incurred in HY 2019 mainly due to additional fees from service providers.

## Performance Fees

The Group earned performance fees of \$10,929 in HY 2020 compared with \$2,312,533 in HY 2019. Domestic and international share markets have recovered and a number of Clime's investment products are performing well, although have not exceeded their respective performance benchmarks.

## Financial Assets Held at Fair Value

Direct investment income comprises dividends, trust distributions, interest income, realised gains as well as mark-to-market of our investments. For the 6 months to 31 December 2020, this represented \$162,580 (HY 2019: \$171,314) of income and \$734,105 (HY 2019: \$70,162) mark-to-market movements of financial assets.

## Other expenses - net

Other expenses of \$493,587 includes \$282,809 (HY 2019: \$194,069) consisting of legal cost for closing down sub-scale funds and recruitment costs and \$244,645 towards redundancy costs.

## Depreciation, amortisation and finance costs

Increase in depreciation of right-of-use assets of \$214,722 (HY 2019: \$106,682) was due to the increase in office rental space which is accounted in accordance with AASB 16 Leases.

## 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 business and the direct investment components.

	31 December 2020 \$	31 December 2019 \$
Funds management and related activities revenue	4,474,854	4,563,553
Revenues from the MFG Entities	1,998,112	-
Investment software revenue	161,820	180,239
Government subsidy	397,000	-
Administrative and occupancy expenses	(4,954,010)	(3,840,039)
Third party custody, management & funds administration services	(521,478)	(478,648)
Selling and marketing expenses	(156,473)	(192,878)
<b>Operating Earnings</b>	<b>1,399,825</b>	<b>232,227</b>
Performance Fees	10,929	2,312,533
Short term incentives - Performance related	-	(969,913)
<b>Net Performance fees</b>	<b>10,929</b>	<b>1,342,620</b>
Direct investment income	162,580	171,314
Realised and unrealised gains	734,105	70,162
<b>Income generated by financial assets Held at Fair Value</b>	<b>896,685</b>	<b>241,476</b>
Other non-recurring income	33,867	-
Redundancy costs	(244,645)	(4,676)
Expenses incurred for closing down sub-scale funds	(206,209)	-
Other non-recurring expenses	(76,600)	(194,069)
Short term incentives	-	(24,709)
<b>Total Other expenses -net</b>	<b>(493,587)</b>	<b>(223,454)</b>
Depreciation of property, plant and equipment	(27,854)	(23,123)
Depreciation of right-of-use assets	(214,722)	(106,682)
Finance costs on lease liabilities	(52,234)	(36,811)
Amortisation of contract costs	(28,080)	-
Amortisation of intangible assets	(257,546)	(224,137)
<b>Total Depreciation, amortisation and finance costs</b>	<b>(580,436)</b>	<b>(390,753)</b>
Statutory profit before income tax	1,233,416	1,202,116
Income tax expense	(368,406)	(339,252)
<b>Statutory profit after income tax</b>	<b>865,010</b>	<b>862,864</b>

## Summary of Total Equity

The Total Equity at balance date comprised the following:

	31 December 2020 \$	30 June 2020 \$
Cash and cash equivalents	5,829,481	6,276,531
Other financial asset at amortised cost	289,806	230,639
Trade and other receivables less payables	(2,228,296)	(2,799,759)
Listed investment – Clime Capital Limited	5,459,018	4,770,017
Unlisted investments – Managed funds	616,896	945,387
Other tangible assets less liabilities	(2,400,503)	(1,567,930)
Net tangible assets	7,566,402	7,854,885
Intangible assets, right-of-use assets and contract costs	14,159,239	13,621,707
Deferred tax assets (Gross)	586,557	590,139
Total Equity	22,312,198	22,066,731
No. of Ordinary Shares on Issue (Excluding shares issued under EIS)	64,708,505	64,657,505
Equity per Share	34.5 cents	34.1 cents
Net Tangible Assets per Share	11.7 cents	12.1 cents

## Dividend

During the six months to 31 December 2020, shareholders received 1.0 cent per share fully franked dividend amounting to \$657,075 which was paid on 2 October 2020.

## Subsequent Events

An interim dividend of 1.0 cent per share (100% franked) (HY 2019: 1.0 cent), totalling \$650,585 (HY 2019: \$559,249) has been declared by the Directors. This dividend has not been reflected in these financial statements.

On 8 February 2021, the Company announced its intention to refresh its ability to implement an on-market buy back (within the 10/12 limit) for a further 12-month period which will commence from 23 February 2021 and end on 22 February 2022. During this period, the Company has the ability to buy a maximum of 6,505,850 fully paid ordinary shares.

On 7 January 2021, 700,000 EIS 'in-substance' options on issue were bought back and subsequently cancelled in accordance with the terms of the EIS following the departure of employees, resulting in their forfeiture. The consideration offered for the shares was the balance of each shareholder's outstanding loan to the Company in respect of those shares and as a result, there is no impact on the Company's cash positions.

No other matters or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the future financial periods.

## COVID-19 impact

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets.

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of estimation uncertainty, management cannot reasonably assess or quantify the potential short- or longer-term financial impact on the Group.

## Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included on page 9 of the half-year report.

## Rounding off of amounts

In accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016, and in accordance with that Corporations Instrument amounts in this Directors' Report and in the financial statements are rounded to the nearest dollar, unless otherwise stated.

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



Neil Schafer  
Chairman



John Abernethy  
Director

Sydney, 23 February 2021





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## Auditor's Independence Declaration

### To the Directors of Clime Investment Management Limited

ABN 37 067 185 899

In relation to the independent auditor's review for the half year ended 31 December 2020, to the best of my knowledge and belief there have been:

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

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

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

**M Godlewski**  
Partner

**Pitcher Partners**  
Sydney

23 February 2021

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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# Interim Financial Statements

31 December 2020

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2020 and any public announcements made by Clime Investment Management Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



	Note	Half-Year	
		31 December 2020 \$	31 December 2019 \$
Revenue	5	6,842,163	7,227,639
Net realised and unrealised gains on financial assets at fair value through profit or loss		734,105	70,162
Government subsidy		397,000	-
Occupancy expenses		(46,047)	(112,289)
Depreciation and amortisation expense		(528,202)	(353,942)
Administrative expenses		(6,111,194)	(5,592,643)
Finance costs		(54,409)	(36,811)
<b>Profit before income tax</b>		<b>1,233,416</b>	<b>1,202,116</b>
Income tax expense attributable to operating profit		(368,406)	(339,252)
<b>Profit for the period</b>		<b>865,010</b>	<b>862,864</b>
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive income for the period</b>		<b>865,010</b>	<b>862,864</b>
<b>Profit attributable to members of Clime Investment Management Limited</b>		<b>865,010</b>	<b>862,864</b>
<b>Total comprehensive income attributable to members of Clime Investment Management Limited</b>		<b>865,010</b>	<b>862,864</b>
Earnings per share			
Basic - cents per share		1.3 cents	1.6 cents
Diluted - cents per share		1.3 cents	1.5 cents

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

	Notes	31 December 2020 \$	30 June 2020 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		5,829,481	6,276,531
Other financial asset at amortised cost		-	230,639
Trade and other receivables		1,101,925	1,351,134
Other current assets		463,600	405,176
Financial assets at fair value through profit or loss	9	6,075,913	5,715,404
<b>Total Current Assets</b>		<b>13,470,919</b>	<b>13,978,884</b>
<b>Non-Current Assets</b>			
Other financial asset at amortised cost		289,806	-
Property, plant and equipment		155,238	112,191
Right-of-use assets		1,932,500	1,045,485
Deferred tax assets - net		474,367	590,139
Contract costs	2	505,440	-
Intangible assets		11,721,299	12,576,222
<b>Total Non-Current Assets</b>		<b>15,078,650</b>	<b>14,324,037</b>
<b>Total Assets</b>		<b>28,549,569</b>	<b>28,302,921</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		3,038,595	3,934,503
Lease Liabilities		355,324	218,973
Current tax liabilities		291,624	216,390
Contract liabilities		296,775	381,844
Provisions		496,903	474,191
<b>Total Current Liabilities</b>		<b>4,479,221</b>	<b>5,225,901</b>
<b>Non-Current Liabilities</b>			
Lease liabilities		1,627,326	885,251
Provisions		130,824	125,038
<b>Total Non-Current Liabilities</b>		<b>1,758,150</b>	<b>1,010,289</b>
<b>Total Liabilities</b>		<b>6,237,371</b>	<b>6,236,190</b>
<b>Net Assets</b>		<b>22,312,198</b>	<b>22,066,731</b>
<b>EQUITY</b>			
Issued capital		21,539,410	21,508,300
Reserves		292,729	286,307
Retained earnings		480,059	272,124
<b>Total Equity</b>		<b>22,312,198</b>	<b>22,066,731</b>

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

Consolidated	Notes	Issued capital	Share-based payments reserve	Retained earnings	Total
		\$	\$	\$	\$
<b>Balance as at 1 July 2019</b>		16,933,128	298,901	1,275,006	18,507,035
Profit for the period		-	-	862,864	862,864
Other comprehensive income for the period, net of tax		-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	862,864	862,864
<b>Transactions with equity holders in their capacity as equity holders:</b>					
• On-market buy-back, including transaction costs	4	(19,322)	-	-	(19,322)
• Transfer of loan repayment to issued capital on completion of EIS loan term	4	102,700	-	-	102,700
• Transfer from share-based payments reserve to issued capital on completion of EIS loan term		17,350	(17,350)	-	-
• Recognition of share-based payments		-	13,643	-	13,643
• Dividends paid or provided for	3	-	-	(841,061)	(841,061)
<b>Balance as at 31 December 2019</b>		17,033,856	295,194	1,296,809	18,625,859
Loss for the period		-	-	(465,436)	(465,436)
Other comprehensive income for the period, net of tax		-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	(465,436)	(465,436)
<b>Transactions with equity holders in their capacity as equity holders:</b>					
• Issue of ordinary shares by way of placements		4,500,000	-	-	4,500,000
• Cost of issuing capital-net of tax		(72,979)	-	-	(72,979)
• On market buy-back, including transaction costs		(74,717)	-	-	(74,717)
• Transfer of loan repayment to issued capital on completion of EIS loan term		100,000	-	-	100,000
• Transfer from share-based payments reserve to issued capital on completion of EIS loan term		22,140	(22,140)	-	-
• Recognition of share-based payments		-	13,253	-	13,253
• Dividend paid or provided for		-	-	(559,249)	(559,249)
<b>Balance as at 30 June 2020</b>		21,508,300	286,307	272,124	22,066,731
Profit for the period		-	-	865,010	865,010
Other comprehensive income for the period, net of tax		-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	865,010	865,010
<b>Transactions with equity holders in their capacity as equity holders:</b>					
• Issue of ordinary shares under CIW Employee Share Plan	4	31,110	-	-	31,110
• Recognition of share-based payments		-	6,422	-	6,422
• Dividends paid or provided for	3	-	-	(657,075)	(657,075)
<b>Balance as at 31 December 2020</b>		21,539,410	292,729	480,059	22,312,198

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



	Half-Year	
	31 December 2020	31 December 2019
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Fees received in the course of operations	7,605,243	7,808,562
Expense payments in the course of operations	(8,210,455)	(6,474,241)
Dividends and distributions received	139,701	160,301
Government subsidy received	510,500	-
Interest received	8,598	24,110
Income taxes paid	(177,399)	(114,026)
	<b>(123,812)</b>	<b>1,404,706</b>
Proceeds from disposal of financial assets at fair value through profit or loss	526,000	50,000
Payments for financial assets at fair value through profit or loss	(138,124)	(400,000)
	<b>387,876</b>	<b>(350,000)</b>
<b>Net cash provided by operating activities</b>	<b>264,064</b>	<b>1,054,706</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Refund received for working capital adjustments on acquisition of Madison Entities	338,977	-
Payment for other financial asset at amortised cost	(59,167)	(230,809)
Payments for property, plant & equipment	(70,901)	(90,038)
Payments for intangible assets	(46,142)	(148,163)
Payments for contract costs	(533,520)	-
Proceeds on termination of investment management agreement	533,520	-
<b>Net cash provided by (used in) investing activities</b>	<b>162,767</b>	<b>(469,010)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for shares bought back (including transaction costs)	-	(19,322)
Principal elements of lease payments	(164,572)	(78,574)
Finance costs paid	(52,234)	(36,811)
Dividends paid to Company's shareholders	(657,075)	(841,061)
<b>Net cash used in financing activities</b>	<b>(873,881)</b>	<b>(975,768)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(447,050)</b>	<b>(390,072)</b>
Cash and cash equivalents at beginning of the period	6,276,531	4,199,534
<b>Cash and cash equivalents at end of the period</b>	<b>5,829,481</b>	<b>3,809,462</b>
<b>Non-cash investing activities</b>		
Exchange of investments via scrip for scrip consideration	-	250,041

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

NOTE 1

## Basis of Preparation of the Interim Financial Report

### (a) Basis of accounting

These consolidated general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*.

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

These interim half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2020 and any public announcements made by the Group during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### *Details of Reporting Period*

The current reporting period is the half-year ended 31 December 2020. For the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows, the previous corresponding period is the half-year ended 31 December 2019. For the Statement of Financial Position, the previous corresponding date is 30 June 2020.

### (b) Accounting policies

The accounting policies applied in these interim financial statements have been applied consistently throughout the period. Except as disclosed below, the accounting policies in these half-year financial statements are the same as those applied in the Company's financial statements for the year ended 30 June 2020.

#### i. *Authorised representative fees*

On a bi-monthly basis, the financial advisers are billed for AFSL licensing fees in line with the contract between the Group and the advisers. The Group's obligations under this contract is to provide support to advisers and access to one of the Group's AFSLs to enable them to provide financial advice. The fees charged to the adviser are based on a fee structure outlined in the contract with the advisers. Revenue is recognised on a bi-monthly basis as services are provided to the advisers.

#### ii. *Contract costs*

Contract costs represent payments made by the Group to obtain an Investment Management Agreement.

These costs are amortised on a straight-line basis over the period of the Investment Management Agreement as this reflects the period over which the Investment Management Services will be provided.

#### iii. *Useful life of customer/adviser lists from acquisition of MFG Entities*

Amortisation is calculated using the straight-line method to allocate the customer/advisor list over their useful life of 15 years.

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

There are no new and revised accounting requirements that significantly affect the half year financial report.

### (c) Significant judgements

#### **Revenue from Madison Financial Group Pty Limited (Madison) – Principal versus agent considerations**

Revenue from the Madison includes revenues collected for services performed by authorised representatives of Madison. Madison is considered to be acting as agent under the requirements of *AASB 15 Revenue from Contracts with Customers*. Accordingly, payments made to advisers are deducted from the gross revenue to arrive at the reported net revenue figure as disclosed in Note 5 of the financial statements.

### (d) Rounding off of amounts

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

NOTE 2

## Contract Costs

	31 December 2020 \$	30 June 2020 \$
Cost to obtain contract net of amortisation	505,440	-

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

In HY 2020, amortisation amounting to \$28,080 (HY 2019: \$nil) was recognised in the consolidated statement of profit or loss. There was no impairment loss during the period (HY2019:\$nil).

NOTE 3

## Dividends

	Half-Year	
	2020 \$	2019 \$
<b>Fully Paid Ordinary Shares</b>		
1.0 cent per share (HY 2019: 1.5 cents) fully franked dividends were paid during the period in respect of the previous financial period	657,075	841,061

NOTE 4

## Issuing and repurchases of equity securities

	Half - Year		Half - Year	
	2020 No. of shares	2019 No. of shares	2020 \$	2019 \$
<b>Issuing and repurchases of ordinary shares during the half-year</b>				
On-market buy-back of ordinary shares during the half year	-	42,084	-	19,322
Transfer of loan repayment to issued capital on completion of EIS loan term	-	125,000	-	102,700
Shares issued under CIW Employee Share Plan	51,000	-	31,110	-

### Employee Incentive Scheme ("EIS")

As at 31 December 2020, there are 1,050,000 (December 2019: 1,250,000) EIS 'in-substance' options on issue. During the period, no new in-substance options were granted, exercised nor transferred/forfeited.

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

### Employee Share Plan ("ESP")

On 16 December 2020, the Company issued 51,000 shares under the Clime Employee Share Plan for nil consideration. These shares were issued to all Clime Group employees (excluding directors). The participants under the ESP are entitled to dividends and are subject to a 3-year lock-in-period in accordance with the plan rules.

NOTE 5

## Revenue

	Half-Year	
	31 Dec 2020 \$	31 Dec 2019 \$
<b>Revenue from contract with customers</b>		
Management fees <sup>1,2</sup>	4,137,557	4,102,987
Advice and other fees <sup>1,2</sup>	169,574	298,815
Performance fees <sup>2</sup>	10,929	2,312,533
Other fees <sup>2</sup>	201,591	161,751
	<b>4,519,651</b>	<b>6,876,086</b>
Subscription fees <sup>1</sup>	161,820	180,239
Dealership, portfolio management and other fees <sup>1,2</sup>	1,998,112	-
<b>Other revenue</b>		
Dividends and distributions	153,982	147,204
Interest income	8,598	24,110
	<b>162,580</b>	<b>171,314</b>
<b>TOTAL REVENUE</b>	<b>6,842,163</b>	<b>7,227,639</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 6 for an analysis of revenue by segment.

NOTE 6

## Segment Information

Our internal reporting system produces reports in which business activities are presented in a variety of ways. Based on these reports, the Directors, who are responsible for assessing the performance of various components of the business and making resource allocation decisions as 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
- Madison Entities
- Private Wealth
- Investment software
- Direct investments

### Funds Management

The Group's Funds Management businesses, primarily consisting of Clime Asset Management Pty Limited and CBG Asset Management Limited, which 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.

### Madison Entities

Towards end of June 2020, the Group acquired all of the issued share capital of each of Madison Financial Group Pty Limited, AdviceNet Pty Limited, WealthPortal Pty Limited and Proactive Portfolios Pty Limited (together, "the Madison Entities or MFG Entities"). These entities generate operating revenue in the form of AFSL licensing fees and portfolio management fees from advisers.

### Private Wealth

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

### Investment Software

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

### Direct Investments

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

During the current period, the segment reporting structure has been modified to apportion on a reasonable basis, the fees earned from Individually Managed Accounts (IMA) included in Fund management to Private Wealth. These represents the value-added services provided by Private Wealth advisers to IMA clients. The comparative disclosures have also been restated.

Other than creation of a new Madison Entities segment and the CPW recharge for value added services stated above, there have been no other changes in the basis of segmentation or the basis of segment profit or loss since the previous financial report.



NOTE 6

## Segment Information (continued)

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

Half-year ended 31 December 2020	Funds Management	Madison Entities	Private Wealth	Investment Software	Direct Investments	Unallocated	Consolidated
	\$	\$	\$	\$	\$	\$	\$
<b>Segment revenue</b>							
Sales to external customers	3,714,758	1,998,112	704,741	161,820	-	100,152	6,679,583
Investment income	-	-	-	-	162,580	-	162,580
Government subsidy	-	-	-	-	-	397,000	397,000
<b>Total segment revenue</b>	<b>3,714,758</b>	<b>1,998,112</b>	<b>704,741</b>	<b>161,820</b>	<b>162,580</b>	<b>497,152</b>	<b>7,239,163</b>
Net realised and unrealised gains on financial assets at fair value through profit or loss	-	(1,163)	-	-	735,268	-	734,105
<b>Net group result</b>							
Net group result before tax	1,203,883	419,788	(137,736)	42,502	897,819	(1,192,840)	1,233,416
Income tax expense							(368,406)
<b>Profit for the year</b>							<b>865,010</b>
Depreciation and amortisation expense	433,337	-	-	32,501	-	62,364	528,202
<b>Half-year ended 31 December 2019</b>							
<b>Segment revenue (Restated)</b>							
Sales to external customers	5,545,521	-	1,152,301	180,239	-	178,264	7,056,325
Investment income	-	-	-	-	171,314	-	171,314
<b>Total segment revenue</b>	<b>5,545,521</b>	<b>-</b>	<b>1,152,301</b>	<b>180,239</b>	<b>171,314</b>	<b>178,264</b>	<b>7,227,639</b>
Net realised and unrealised gains on financial assets at fair value through profit or loss	-	-	-	-	70,162	-	70,162
<b>Net group result</b>							
Net group result before tax	1,924,632	-	273,713	74,076	241,476	(1,311,781)	1,202,116
Income tax expense							(339,252)
<b>Profit for the year</b>							<b>862,864</b>
Depreciation and amortisation expense	282,298	-	-	31,835	-	39,809	353,942

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.

NOTE 7

## Events Occurring After the Reporting Date

An interim dividend of 1.0 cent (fully franked) (2019: 1.0 cent fully franked) per share, totalling \$650,585 (2019: \$559,249) has been declared by the Directors subsequent to period end. This dividend has not been reflected in the financial statements.

On 8 February 2021, the Company announced its intention to refresh its ability to implement an on-market buy back (within the 10/12 limit) for a further 12-month period which will commence from 23 February 2021 and end on 22 February 2022. During this period, the Company has the ability to buy a maximum of 6,505,850 fully paid ordinary shares.

On 7 January 2021, 700,000 EIS 'in-substance' options on issue were bought back and subsequently cancelled in accordance with the terms of the EIS following the departure of employees. The consideration offered for the shares was the balance of each shareholder's outstanding loan to Company in respect of those shares and as a result, there is no impact on the Company's cash positions.

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

NOTE 8

## Contingent Liabilities and Commitments

Madison Financial Group Pty Limited has outstanding claim matters which management is working to close out during the financial year. The estimated costs of these outstanding claims cannot be reliably estimated.

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

NOTE 9

## Fair Value Measurement

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

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

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

### (i) Recognised fair value measurements

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

At 31 December 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Listed equities	5,459,018	-	-	5,459,018
Unlisted unit trusts	-	616,895	-	616,895
	5,459,018	616,895	-	6,075,913
At 30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Listed equities	4,770,017	-	-	4,770,017
Unlisted unit trusts	-	945,387	-	945,387

NOTE 9

## Fair Value Measurement (continued)

### (ii) Transfers between levels

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

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

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

### (iv) Valuation techniques

#### *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 period 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.

NOTE 10

## Business Combination

In the previous annual reporting period, 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 Limited, WealthPortal Pty Limited and Proactive Portfolios Pty Limited (together, the MFG Entities) effective 26 June 2020.

As the initial accounting for the business combination was incomplete as at 30 June 2020, the assets and liabilities acquired were reported at provisional amounts. During the current period, the provisional amounts were adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and if known, would have affected the measurement of the amounts recognised at the acquisition date. A refund of \$338,977 was received during the current period following the finalisation of the completion accounts. In addition, during the current period, the Company recognised an additional provision of \$110,000 towards known claims.

### Consideration

Clime acquired all the issued share capital in the MFG entities for an aggregate consideration of \$4.76 million (Share Sale Agreement). During the current period the aggregate consideration was adjusted by the refund of \$338,977 received. 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.

	December 2020 \$	June 2020 \$
Cash paid (i)	1,920,840	2,259,817
Contingent consideration (paid and held in escrow)(ii)	2,500,000	2,500,000
Total purchase consideration	4,420,840	4,759,817

(i) Included \$20,840 (June 2020: \$359,817) paid towards Net Working Capital which was 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 is 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.



## Director's Declaration

The Directors declare that:

- (a) in the Directors' opinion, the financial statements and notes set out on pages 11 to 23 are in accordance with the *Corporations Act 2001*; and
  - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*; and
  - (ii) give a true and fair view of the financial position of the Group as at 31 December 2020 and of its performance for the half year ended on that date.
- (b) In the Directors' opinion, there are reasonable grounds, at the date of this declaration, to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Neil Schafer**  
Chairman



**John Abernethy**  
Director

Sydney, 23 February 2021



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## Independent Auditor's Review Report

### To the Members of Clime Investment Management Limited

ABN 37 067 185 899

#### Report on the Half Year Financial Report

#### Conclusion

We have reviewed the accompanying half year financial report of Clime Investment Management Limited ("the Company") and its Controlled Entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Clime Investment Management Limited and its Controlled Entities does not comply with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity 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 annual 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 review report.

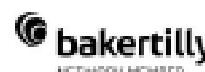
#### Responsibility of the Directors for the Financial Report

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

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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#### Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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



Mark Godlewski  
Partner



Pitcher Partners  
Sydney

23 February 2021

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# Corporate Directory

## Clime Investment Management Limited

ABN 37 067 185 899

The shares of Clime Investment Management Limited are listed on the Australian Securities Exchange under the trade symbol CIW.

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N Schafer  
J Abernethy  
B Spork  
P Beaumont

### Company Secretary

B Vikraman

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