

CBG Capital Limited

ABN 83 168 936 249

**Annual Report
for the year ended 30 June 2019**

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CBG Capital Limited is a listed investment company and is a reporting entity. It is primarily an investor in securities listed on the Australian Securities Exchange.

Directors	Ronni Chalmers (Chairman) James Beecher (Non-Executive Director) Peter Velez (Non-Executive Director)
Secretary	Biju Vikraman
Registered office	Level 13 20 Hunter Street Sydney NSW 2000 +61 2 8917 2100
Administration and Custodian	Link Fund Solutions Pty Limited Level 12, 680 George Street Sydney NSW 2000 Phone: +61 2 8280 7100
Share registrar	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Phone: 1300 653 459 Fax: 1300 653 459
Investment Manager	CBG Asset Management Limited ABN 12 098 327 809
Auditors	KPMG Level 30, International Towers Three 300 Barangaroo Avenue Sydney NSW 2000 +61 2 9335 7000
Stock exchange	Australian Securities Exchange ASX code: CBC
Website	www.cbcapital.com.au

Chairman's Review

Dear Shareholder,

The fiscal year 2019 was a pleasing year for the shareholders in the Company. Despite a sharp fall in global equities in the six months to 31 December 2018, the Company recorded a solid profit of \$2.15m for the year ended 30 June 2019.

The Company declared a 1 for 25 bonus issue to all shareholders during the year increasing our share count by 4%. Additionally, we declared and paid a record high half year dividend in May 2019 of 1.70c (equivalent to 1.77c per share cum the bonus issue).

The portfolio generated a solid net pretax return over the year of 8.8% but over the six months to 30 June 2019, this was a 20.7% net pretax return.

In recent months as global equity markets including here in Australia have risen to record highs, we have cautiously raised the cash weightings in the Company to 13%. This robust rise has been fueled by a continued fall in Central Bank's cash rates to ultra- low or record low levels. Further, compounding this phenomenon is the sharp fall in long (ten year) government bond yield. As an example, Australian Government 10-year bonds are currently yielding a mere 0.9% compared to an "attractive" 2.6% a year ago.

Perhaps the most pleasing news that we announced in June 2019 was the merger between our Company and Clime Capital Limited ("CAM").

While not strictly required by the Corporations Act 2001, given I am associated with the CBG Investment Manager, the CAM Investment Manager and their parent entity, Clime Investment Management Limited, the Independent Directors determined that it was appropriate that CBG Shareholders receive the benefit of a report on the Offer from an independent expert and engaged Deloitte Corporate Finance Pty Limited. The Independent Expert has concluded that the Offer is fair and reasonable and therefore in the best interests of CBG Shareholders.

All Directors have accepted their personal holdings.

Please consider the merits of this offer but you should also consider seeking your own advice before accepting this bid.

Finally, it is worth noting that over the life of the Company including the bonus issue of last year, the portfolio has generated an approximate 30% returning including eight fully franked dividends worth 12c in aggregate.



Ronni Chalmers
Chairman

Sydney
16 August 2019

Corporate Governance Statement

As an ASX-listed company, CBG Capital ("CBC") is committed to responsible financial and business practices. The Company's corporate governance practices are based on the ASX Corporate Governance Principles and Recommendations. The Board has adopted the ASX principles and recommendations where appropriate. The corporate governance policies and practices adopted by the Board are outlined in CBG's Corporate Governance section <http://www.cbcapital.com.au/corporate-governance/>.

Directors' Report

Your Directors present their report together with the financial report of CBG Capital Limited (the "Company") for the year ended 30 June 2019.

Directors

The following persons held office as Directors of CBG Capital Limited during the financial year:

Ronni Chalmers (Chairman)
James Beecher (Non-Executive Director)
John Abernethy (Non-Executive Director) (resigned 24 August 2018)
Peter Velez (Non-Executive Director) (appointed 24 August 2018)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

During the year, the principal activities of the Company included primarily investing in securities listed on the Australian Securities Exchange for the medium to long term.

There was no significant change in the nature of the activity of the Company during the year.

Dividends

The Directors have not yet determined whether to pay a final dividend in respect of the financial year ended 30 June 2019. The Company has received an off-market takeover bid from Clime Capital Limited. The Offer contains a condition that permits the bidder to withdraw its offer if the Directors make, declare or announce an intention to make or declare a dividend or other distribution. Any decision regarding payment of a final dividend will be made recognising the consequences of that decision for the proposed takeover offer.

Review of operations

The profit from ordinary activities after income tax expense amounted to \$2,150,000 (2018: \$2,384,000).

As at 30 June 2019, the pre-tax asset backing was 107.98c per share (2018: 106.47c per share) and this has risen to 108.18c per share as at 31 July 2019 (2018: 109.93c per share).

The CBG Capital Limited portfolio is invested in 30 ASX listed securities (2018: 32).

Further information on the operating and financial position of the Company and its business strategies and prospects is set out in the Chairman's Review on page 2 of this Annual Report.

Earnings per share

	2019	2018
Basic and diluted earnings (cents per share)	8.22	9.15

Significant changes in the state of affairs

On 23 July 2018, the Company declared a 1 for 25 bonus issue of ordinary shares with record date of 4 September 2018. The shareholders received their additional shares on 17 September 2018.

On 24 August 2018, John Abernethy resigned as a Director of CBG Capital Limited. On the same date, Peter Velez was appointed as a Director of CBG Capital Limited.

On 11 January 2019, the Company announced its intention to implement a share buy-back within the 10/12 limit by the *Corporation Act 2001*.

On 18 June 2019, the Company received a proposal from Clime Capital Limited (ASX:CAM) under which it is proposed that CAM will merge with CBG. The proposed merger would be effected by a scrip-for-scrip off-market conditional takeover bid for all of the issued shares of CBG that CAM does not presently own. Under the offer, the shareholders would receive 0.8441 fully paid CAM ordinary shares (CAM shares) plus 0.2740 listed convertible notes issued by CAM (ASX: CAMG) for each CBG share held. The Independent Directors unanimously recommended that CBG shareholders accept the offer in the absence of a superior proposal and subject to receipt of an independent expert's report acceptable to Independent Directors.

There have been no other significant changes in the state of affairs of the Company during the year.

Events since the end of the financial year

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely developments and expected results of operations

The Company will continue to pursue its investment objectives for the medium to long term benefit of the shareholders. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to generate attractive returns.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

Information on directors

The following information is current as at the date of this report.

Ronni Chalmers Chairman

B.Com, FFINSIA **Appointed 4 April 2014**

Mr Chalmers is a director of CBG Asset Management Limited which is a subsidiary of ASX listed Clime Investment Management Ltd. Mr Chalmers has over 35 years of Australian equities investment management experience. He began his career as a graduate at Bankers Trust Australia rising to being an Associate Director during its rapid growth in the 1980s. After a decade at Bankers Trust he left and subsequently held senior Portfolio Manager / Investment Manager roles with several funds management and insurance companies before founding CBG Asset Management in 2001. Mr Chalmers has a Bachelor of Commerce degree from the University of New South Wales and is a Fellow of the Financial Services Institute of Australasia.

There were no other directorships held by Mr Chalmers in Australian listed companies at any time in the 3 years immediately before the end of the financial year.

Information on directors (continued)

James Beecher Non-Executive Director

B. Com, MBA, FCPA, FAICD
Appointed 4 April 2014

Mr Beecher has more than 40 years' experience in senior finance, accounting and secretarial positions in resources, financial services and services companies. He has been Chief Financial Officer or Finance Director of NRMA Limited, Savage Resources Limited and Austen & Butta Limited. At the Commonwealth Bank in the role of Deputy CFO he held senior positions including Group Financial Controller and Group Chief Accountant. He has recently been a director of ASX listed Lefroy Exploration Ltd, Realm Resources Ltd and NuCoal Resources Ltd. He has been a Non-Executive Director of Findlay Securities Ltd and MIL Resources Ltd, the Company Secretary of Gloucester Coal Limited and a Compliance Committee Member of Abacus Funds Management Ltd. He has been a member of the Australian Institute of Company Director's Reporting Committee for 20 years including being Deputy Chair for a majority of that period.

There were no other directorships held by Mr Beecher in Australian listed companies at any time in the 3 years immediately before the end of the financial year.

John Abernethy, Non-Executive Director

B. Com LLB
Appointed 2 February 2018
Resigned 24 August 2018

Mr Abernethy is the founder of Clime Investment Limited (ex Loftus Capital Partners). He has over 35 years' funds management experience in Australia having been General Manager Investments of the NRMA. Mr Abernethy is currently a Director of Clime Investment Management Limited, Chairman of Clime Capital Limited and a Non-Executive Director of WAM Research Limited, Australian Leaders Fund Limited, Jasco Holdings Limited and Clime Private Limited. Mr Abernethy holds a B.Com (Economics) LLB from the University of NSW.

Mr Abernethy was a former director of WAM Active Limited, Watermark Market Neutral Fund and Watermark Global Leaders Fund Limited. There were no other directorships held by Mr Abernethy in Australian listed companies at any time in the 3 years immediately before the end of the financial year.

Peter Velez, Non-Executive Director

LLB MA MSc
Appointed 24 August 2018

Mr Velez is a corporate lawyer specialising in equity capital markets, mergers and acquisitions and funds management. Peter has also advised extensively on ASX compliance, corporate governance and activist corporate activity. Peter has been a practising lawyer since 1989 having worked at the national firm Freehill Hollingdale and Page and Sydney boutique corporate firm Watson Mangioni from 1995 to 2016. He played a key role in the development of externally-managed Listed Investment Companies (LIC) having been involved in the IPO of over 25 LICs.

Mr Velez is currently a Non-executive director of ASX listed Sandon Capital Investments Limited.

Company Secretary

The Company Secretary is Mr Biju Vikraman. Mr Vikraman was appointed to the position of Company Secretary on 4 October 2017. Mr Vikraman is the Chief Financial Officer and Company Secretary of Clime Investment Management Limited, Clime Capital Limited and Clime Private Limited.

Meetings of directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

	Full meetings of directors	
	A	B
Ronni Chalmers	5	5
James Beecher	4	5
John Abernethy	2	2
Peter Velez	3	3

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Remuneration report (audited)

This report details the nature and amount of remuneration for each Director and Key Management Personnel of CBG Capital Limited in accordance with the *Corporations Act 2001*.

Directors and key management personnel disclosed in this report

Name	Position
<i>Non-Executive Directors - see pages 5 to 6</i>	
<i>Other key management personnel</i>	
None	

Remuneration policy and framework

The Board from time to time determines remuneration of Directors within the maximum amount approved by shareholders. The current approved maximum remuneration paid to Directors is \$100,000 per annum to be divided among the Directors as they see fit.

The Company's Chairman (Mr Ronni Chalmers) and Company Secretary (Mr Biju Vikraman) are employed by Clime Investment Management Limited (CIW), the parent company of the Investment Manager. CIW receives fees from the Company designed to cover the cost of provision of those services. The Company has no staff or any other key management personnel.

Under the ASX Listing Rules, the maximum fees paid to non-executive Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate. All remuneration paid to Directors is valued at the cost to the Company and expensed. At present, no employee share or option arrangements are in existence for CBG Capital Limited's Directors. As the Company does not pay performance based fees to the Directors, nor provide share or option schemes to Directors, remuneration is not explicitly linked to the Company's performance.

For the financial year ended 30 June 2019 the Directors were entitled to the following full year remuneration:

Name of Director	Full year remuneration
Ronni Chalmers	\$13,750
James Beecher	\$27,500
Peter Velez	\$21,360

The remuneration for Directors will be reviewed by the Board on a periodic basis as the Company develops its business and, subject to the Listing Rules, may be increased.

Remuneration report (audited) (continued)

Details of remuneration

The following table shows details of the remuneration expense recognised for the Company's key management personnel for the current financial period measured in accordance with the requirements of the accounting standards.

2019		Short-term employee benefits	
Name	Cash salary and fees	Total	
	\$	\$	
Ronni Chalmers*	13,750	13,750	
James Beecher	27,500	27,500	
John Abernethy*	2,072	2,072	
Peter Velez	21,360	21,360	
Total key management personnel compensation	64,682	64,682	

2018		Short-term employee benefits	
Name	Cash salary and fees	Total	
	\$	\$	
Ronni Chalmers*	13,750	13,750	
James Beecher	27,500	27,500	
Robert Swil**	16,041	16,041	
John Abernethy*	5,729	5,729	
Total key management personnel compensation	63,020	63,020	

*Paid/payable to Clime Investment Management Limited and not to Mr Ronni Chalmers and Mr John Abernethy. Mr. John Abernethy resigned on 24 August 2018.

**Resigned on 2 February 2018.

Equity instrument disclosures relating to key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each Director of CBG Capital Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2019	Balance at the start of the year	Net movement	Other changes	Balance at the end of the year
Name				
Directors of CBG Capital Limited				
Ordinary shares				
Ronni Chalmers	821,535	42,062	-	863,597
James Beecher	50,000	2,000	-	52,000
John Abernethy*	10,000	-	-	10,000
Peter Velez	-	41,678	-	41,678
	881,535	85,740	-	967,275

*Resigned on 24 August 2018.

Remuneration report (audited) (continued)

Equity instrument disclosures relating to key management personnel (continued)

2018	Balance at the start of the year	Net movement	Other changes	Balance at the end of the year
Name				
Directors of CBG Capital Limited				
Ordinary shares				
Ronni Chalmers	716,535	105,000	-	821,535
James Beecher	50,000	-	-	50,000
Robert Swil**	50,691	2,743	-	53,434
John Abernethy	-	10,000	-	10,000
	817,226	117,743	-	934,969

**Resigned on 2 February 2018.

Other transactions with key management personnel

There are no other transactions with key management personnel during the reporting period.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(b) Indemnity of auditors

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

Details of the amounts paid to the auditors and their related parties are disclosed in Note 18 to the Financial Statements.

The Board of Directors is satisfied that the provision of the non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 18 did not compromise the external auditor's independence for the following reasons:

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Rounding of amounts

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

This report is made in accordance with a resolution of Directors.



Ronni Chalmers
Chairman

Sydney
16 August 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of CBG Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of CBG Capital Limited for the financial year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Andrew Reeves
Partner

Sydney
16 August 2019

CBG Capital Limited
Statement of Comprehensive Income
For the year ended 30 June 2019

		Year ended	
		2019	2018
	Notes	\$'000	\$'000
Investment income from ordinary activities			
Realised gains on investments		1,631	135
Unrealised gains on investments		684	2,568
Other revenue from ordinary activities	7	997	970
		3,312	3,673
Expenses			
Management and performance fees		(415)	(329)
Transaction costs		(42)	(95)
Accounting fees		(69)	(68)
Share registry fees		(23)	(14)
Custody fees		(21)	(17)
Tax fees	18	(6)	(6)
Directors' fees	17	(65)	(63)
ASX fees		(38)	(35)
Audit fees	18	(21)	(23)
Other expenses		(83)	(56)
		(783)	(706)
Profit before income tax		2,529	2,967
Income tax expense	8	(379)	(583)
Net profit for the year		2,150	2,384
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		2,150	2,384
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	22(a)	8.22	9.15
Diluted earnings per share	22(b)	8.22	9.15

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CBG Capital Limited
Statement of Financial Position
As at 30 June 2019

		As at	
	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	4,382	297
Trade and other receivables	10	214	151
Financial assets at fair value through profit or loss	11	23,686	25,863
Other current assets		15	51
Total current assets		<u>28,297</u>	<u>26,362</u>
Non-current assets			
Deferred tax assets	12	436	640
Total non-current assets		<u>436</u>	<u>640</u>
Total assets		<u>28,733</u>	<u>27,002</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	400	187
Total current liabilities		<u>400</u>	<u>187</u>
Non-current liabilities			
Deferred tax liabilities	14	976	800
Total non-current liabilities		<u>976</u>	<u>800</u>
Total liabilities		<u>1,376</u>	<u>987</u>
Net assets		<u>27,357</u>	<u>26,015</u>
EQUITY			
Issued capital	15	24,762	24,707
Profits reserve		3,855	2,568
Accumulated losses		(1,260)	(1,260)
Total equity		<u>27,357</u>	<u>26,015</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CBG Capital Limited
Statement of Changes in Equity
For the year ended 30 June 2019

	Notes	Issued capital \$'000	Profits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017		24,592	948	(1,260)	24,280
Net profit for the year		-	-	2,384	2,384
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	2,384	2,384
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	15	115	-	-	115
Dividends provided for or paid	16	-	(764)	-	(764)
Transfer to profits reserve (net of tax)		-	2,384	(2,384)	-
		115	1,620	(2,384)	(649)
Balance at 30 June 2018		24,707	2,568	(1,260)	26,015
Balance at 1 July 2018		24,707	2,568	(1,260)	26,015
Net profit for the year		-	-	2,150	2,150
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	2,150	2,150
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	15	78	-	-	78
Share buy-back	15	(23)	-	-	(23)
Dividends provided for or paid	16	-	(863)	-	(863)
Transfer to profits reserve (net of tax)		-	2,150	(2,150)	-
		55	1,287	(2,150)	(808)
Balance at 30 June 2019		24,762	3,855	(1,260)	27,357

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CBG Capital Limited
Statement of Cash Flows
For the year ended 30 June 2019

		Year ended	
		2019	2018
	Notes	\$'000	\$'000
Cash flows from operating activities			
Proceeds from disposal of financial instruments at fair value through profit or loss		21,958	18,835
Payments for purchases of financial instruments at fair value through profit or loss		(17,456)	(20,475)
Interest received		28	10
Dividends and trust distributions received		1,047	989
Performance fees paid		(74)	-
Management fees paid		(268)	(253)
Transaction costs paid		(42)	(95)
Payments for other expenses		(300)	(260)
Net cash inflow/(outflow) from operating activities	21(a)	4,893	(1,249)
Cash flows from financing activities			
Share buy-back transaction costs		(23)	-
Dividends paid to the Company's shareholders		(785)	(647)
Costs of raising capital		-	(3)
Net cash outflow from financing activities		(808)	(650)
Net increase/(decrease) in cash and cash equivalents		4,085	(1,899)
Cash and cash equivalents at the beginning of the year		297	2,196
Cash and cash equivalents at the end of year	9	4,382	297
Non-cash financing activities			
Dividends reinvested	21(b)	78	115

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General information

CBG Capital Limited (the "Company") is a listed public company domiciled in Australia. The address of CBG Capital Limited's registered office is Level 13, 20 Hunter Street, Sydney, NSW, 2000. The financial statements of CBG Capital Limited are for the year ended 30 June 2019. The Company is primarily involved in making investments, and deriving revenue and investment income from listed securities and unit trusts in Australia.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. CBG Capital Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Directors on 16 August 2019.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of CBG Capital Limited also comply with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company

- *AASB 15 Revenue from Contracts with Customers*

AASB 15 became effective for annual periods beginning on or after 1 January 2018 which is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

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

Several other amendments and interpretations were applied for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

(v) New standards and interpretations not yet adopted

There are no standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Investment income

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the year they are incurred in accordance with the policies described in Note 2(g).

(ii) Dividends and trust distributions

Dividends and trust distributions are recognised as revenue when the right to receive payment is established.

(iii) Interest income

Interest income is recognised using the effective interest method.

(c) 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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(d) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by year end. Trades are recorded on trade date, and normally settled within two business days.

(e) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

2 Summary of significant accounting policies (continued)

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(g) Investments

Classification

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

The Company's investments are categorised at fair value through profit or loss. They comprise investments in publicly listed instruments.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures its financial assets at fair value.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

When an instrument held at fair value through profit or loss is disposed, the cumulative gain is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

Impairment

At each reporting date, the Company shall measure the loss allowance on financial assets at amortised cost (cash, due from brokers and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

Determination of Fair Value

AASB 13 defines fair value as 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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value measurements is discussed in Note 4.

Under AASB 13, if an investment has a bid price and an ask price, the price within the bid-ask spread that is more representative of fair value in the circumstances shall be used to measure fair value. Accordingly, the Company uses the last sale price as a basis of measuring fair value.

2 Summary of significant accounting policies (continued)

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(i) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(j) Profits reserve

A profits reserve has been created representing an amount allocated from retained earnings that is preserved for future dividend payments and is determined on a monthly basis.

(k) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(l) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year and adjusted for bonus elements in ordinary shares issued during the year.

As there are no dilutive potential ordinary shares, diluted EPS is calculated using the same methodology.

(m) Goods and Services Tax (GST)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(n) Rounding of amounts

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

(o) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

(p) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Price risk

Exposure

The Company is exposed to price risk on equity securities listed or quoted on recognised exchanges. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors.

Securities representing over 5 per cent of the investment portfolio at 30 June were:

	2019 (%)
BHP Billiton Limited	7.1
National Australia Bank Limited	6.4
Westpac Banking Corporation	6.2
Amcor PLC	6.2
	<u>25.9</u>
	2018 (%)
BHP Billiton Limited	8.2
National Australia Bank Limited	7.2
Wesfarmers Limited	5.7
Westpac Banking Corporation	5.2
	<u>26.3</u>

No other security represents over 5 per cent of the investment portfolio at 30 June 2019 and 30 June 2018.

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in other market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 27.5 per cent (2018: 27.5 per cent):

	Impact on total equity	
	2019	2018
S&P/ASX 200 Accumulation Index	\$'000	\$'000
Change in variable +/- 5%	859	938
Change in variable +/- 10%	1,717	1,875

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

At 30 June 2019

	Floating interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets			
Cash and cash equivalents	4,382	-	4,382
Trade and other receivables	-	214	214
Financial assets at fair value through profit or loss	-	23,686	23,686
	<u>4,382</u>	<u>23,900</u>	<u>28,282</u>
Financial liabilities			
Trade and other payables	-	(400)	(400)
	<u>-</u>	<u>(400)</u>	<u>(400)</u>
Net exposure	<u>4,382</u>	<u>23,500</u>	<u>27,882</u>

At 30 June 2018

Financial assets			
Cash and cash equivalents	297	-	297
Trade and other receivables	-	151	151
Financial assets at fair value through profit or loss	-	25,863	25,863
	<u>297</u>	<u>26,014</u>	<u>26,311</u>
Financial liabilities			
Trade and other payables	-	(187)	(187)
	<u>-</u>	<u>(187)</u>	<u>(187)</u>
Net exposure	<u>297</u>	<u>25,827</u>	<u>26,124</u>

The majority of the Company's financial assets are non-interest bearing. As a result, the Company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

For the year ended 30 June 2019, if interest rates had increased by 75 or decreased by 75 basis points from the actual year end rates with all other variables held constant, post-tax profit for the year would have been \$24,000 higher/\$24,000 lower (2018: \$2,000 higher/\$2,000 lower) mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

There are no material amounts of collateral held as security at 30 June 2019 (2018: nil)

Credit risk is managed as noted in Note 9 with respect to cash and cash equivalents. The Company determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Board and Investment Manager monitor the cash-flow requirements in relation to the investing account taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities, the level is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

Maturities of financial liabilities

All non-derivative financial liabilities of the Company in the current and prior year have maturities of less than one month.

4 Fair value measurements

The Company measures and recognises the following assets at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL)

The Company has no assets measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Recognised fair value measurements

The following table presents the Company's assets measured and recognised at fair value at 30 June.

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 30 June 2019	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets at FVTPL				
Listed equity securities	23,686	-	-	23,686
Total financial assets	23,686	-	-	23,686

At 30 June 2018

Financial assets

Financial assets at FVTPL				
Listed equity securities	25,863	-	-	25,863
Total financial assets	25,863	-	-	25,863

There were no transfers between levels for recurring fair value measurements during the year.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

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

5 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

There are no estimates or judgments that have a material impact on the Company's financial results for the year ended 30 June 2019. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgments are required in respect to their valuation

6 Segment information

The Company is engaged solely in investment activities conducted in Australia, deriving revenue from dividend and trust distribution income, interest income and from the sale of its investments. The Company has no operating reportable segment.

7 Other revenue

	Year ended	
	2019	2018
	\$'000	\$'000
From continuing operations		
Dividends	965	909
Distributions	-	52
Interest	32	9
	<u>997</u>	<u>970</u>

8 Income tax expense

(a) Income tax expense through profit or loss

	Year ended	
	2019	2018
	\$'000	\$'000
Deferred tax on temporary differences	379	583
	<u>379</u>	<u>583</u>

8 Income tax expense (continued)

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

	Year ended	
	2019	2018
	\$'000	\$'000
Profit from continuing operations before income tax expense	2,529	2,967
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	695	816
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	(385)	(323)
Permanent differences	21	(3)
Imputation gross up on dividend income	106	89
Under/(over-provision) in prior years	(58)	-
Sundry items	-	4
Income tax expense	379	583

(c) Amounts recognised directly in equity

	Year ended	
	2019	2018
	\$'000	\$'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Share issue costs	(30)	(30)

9 Current assets - Cash and cash equivalents

	As at	
	2019	2018
	\$'000	\$'000
Current assets		
Cash at bank	4,382	297

These accounts are earning interest at rates between 1.0% and 1.35% as at 30 June 2019 (2018: 1.1% and 1.60%).

(a) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with J.P Morgan Chase Bank N.A (Sydney Branch) which is rated A- by Standards & Poor's.

10 Current assets - Trade and other receivables

	2019 \$'000	As at 2018 \$'000
Dividends and distributions receivable	50	132
Interest receivable	5	1
GST receivable	24	18
Due from brokers	135	-
	<u>214</u>	<u>151</u>

(a) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the year is the carrying amount of each class of receivables mentioned above. There are no past due or impaired receivables.

Receivables are non-interest bearing and unsecured.

11 Current assets - Financial assets at fair value through profit or loss

	2019 \$'000	As at 2018 \$'000
Investments in shares and trusts	<u>23,686</u>	<u>25,863</u>

(i) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 3.

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the Statement of Comprehensive Income.

12 Non-current assets - Deferred tax assets

	2019 \$'000	As at 2018 \$'000
The balance comprises temporary differences attributable to:		
Audit and tax fees	6	3
Capitalised share issue costs	11	41
Carried forward tax losses	419	596
Total deferred tax assets	<u>436</u>	<u>640</u>

12 Non-current assets - Deferred tax assets (continued)

	Year ended	
	2019	2018
	\$'000	\$'000
Movements:		
Opening balance	640	542
Charged/(credited):		
- to equity	(30)	(30)
- to profit or loss	(174)	128
Closing balance	436	640

13 Current liabilities - Trade and other payables

	As at	
	2019	2018
	\$'000	\$'000
Management and performance fees payable	183	104
Due to brokers	145	-
Other payables	72	83
	400	187

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

14 Non-current liabilities - Deferred tax liabilities

	As at	
	2019	2018
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Interest and dividend accruals	1	2
Net unrealised gains on investments	975	798
Total deferred tax liabilities	976	800
Movements:		
Opening balance	800	120
Charged/(credited):		
- profit or loss	176	680
Closing balance	976	800

15 Issued capital

(a) Share capital

	2019	As at	2018	2019	As at
	Shares '000		Shares '000	\$'000	\$'000
Ordinary shares - fully paid	26,189		25,131	24,762	24,707

(b) Movements in ordinary share capital

Details	Number of shares '000	\$'000
Opening balance 1 July 2017	25,014	24,592
Dividends reinvestment plan issues	117	115
Closing balance 30 June 2018	25,131	24,707
Dividends reinvestment plan issues	78	78
Bonus issue - 1 for 25	1,005	-
Share buy-back	(25)	(23)
Closing balance 30 June 2019	26,189	24,762

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a price determined by the Directors from time to time in accordance with the *Corporations Act* and the Listing Rules.

(e) Bonus issue

On 23 July 2018, the Company declared a 1 for 25 bonus issue of ordinary shares with record date of 4 September 2018. The shareholders received their additional shares on 17 September 2018.

(f) Share buy-back

On 14 January 2019, the Directors of the Company announced its intention to implement a share buy-back within 10/12 limit by the *Corporations Act 2001*. As at 30 June 2019, a total of 25,000 shares were bought back at the buy-back price of 93.70 cents per share.

(g) Capital risk management

The Board's policy is to maintain an appropriate level of liquidity in the Company's shares.

To achieve this, the Board of Directors monitor the monthly NTA results, investment performance, the Company's Indirect Cost Ratio (formerly known as 'Management Expense Ratio') and share price movements.

The Company is not subject to any externally imposed capital requirements.

16 Dividends

(a) Dividend franking account

	Year ended	
	2019 \$'000	2018 \$'000
Opening balance of franking account	54	21
Franking credits on dividends received	386	323
Franking credits paid on ordinary dividends paid	(327)	(290)
Loss of franking credits under 45 day rule	(2)	-
Closing balance of franking account	111	54
Adjustments for tax payable/refundable in respect of the current year's profits, the receipt of dividends and from dividends declared	21	54
Adjusted franking account balance	132	108

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

(b) Dividend rate

Dividends declared and/or paid fully franked at 27.5% (2018: 27.5%) tax rate were:

	Dividend Rate	Total Amount \$'000	Date of Payment	% Franked
2019				
Ordinary shares - interim 2019	1.70c	\$445	23/05/2019	100
Ordinary shares - final 2018	1.60c	\$418	27/11/2018	100
2018				
Ordinary shares - interim 2018	1.50c	\$376	24/05/2018	100
Ordinary shares - final 2017	1.55c	\$388	16/11/2017	100

17 Key management personnel disclosures

(a) Key management personnel compensation

	Year ended	
	2019	2018
	\$	\$
Short-term employee benefits*	64,682	63,020
	64,682	63,020

* Includes \$15,822 (2018: \$19,479) paid/payable to Clime Investment Management Limited for the services rendered by the Chairman and one of the directors.

18 Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(a) KPMG

(i) Audit and other assurance services

	Year ended	
	2019	2018
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	21,120	22,754
Total remuneration for audit and other assurance services	21,120	22,754
<i>Taxation services</i>		
Tax compliance services	5,500	5,500
Total remuneration of KPMG	26,620	28,254

19 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 17.

(b) Transactions with other related parties

The Company has entered into a Management Agreement with CBG Asset Management Limited such that it will manage investments of the Company and will be responsible for the provision of the financial services for a fee of 1.0% p.a. (exclusive of GST) of the net tangible asset of the portfolio before all taxes amounting to \$269,936 net of reduced input tax credit (2018: \$254,564).

As at 30 June 2019, the management fee payable to the Investment Manager (including GST) was \$25,374 (2018: \$23,752).

In addition, CBG Asset Management Limited is entitled to be paid by the Company, a performance fee of 20% (exclusive of GST) of the portfolio performance in excess of the benchmark, subject to the portfolio performance being positive and subject to a high water mark.

For the year ended 30 June 2019, in its capacity as manager, CBG Asset Management Limited was entitled to a performance fee of \$145,291 net of reduced input tax credit (2018: \$74,421).

19 Related party transactions (continued)

(b) Transactions with other related parties (continued)

As at 30 June 2019, the performance fee payable to the Investment Manager (including GST) was \$155,922 (2018: \$79,867).

As at 30 June 2019, Clime Investment Management Limited, parent company of CBG Asset Management Limited, owns 268,607 ordinary shares in the Company (2018: 158,189).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

(c) Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

20 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity.

21 Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

(a) Reconciliation of profit to net cash inflow/(outflow) from operating activities

	Year ended	
	2019	2018
	\$'000	\$'000
Profit for the year	2,150	2,384
Change in operating assets and liabilities:		
Proceeds from disposal of financial instruments at fair value through profit or loss	21,958	18,835
Payments for purchases of financial instruments at fair value through profit or loss	(17,456)	(20,475)
Net gains on financial instruments at fair value through profit or loss	(2,315)	(2,703)
Decrease in trade and other receivables	72	24
Decrease/(increase) in other current assets	36	(12)
Decrease/(increase) in deferred tax assets	204	(98)
Increase in trade and other payables	68	116
Increase in deferred tax liabilities	176	680
Net cash inflow/(outflow) from operating activities	4,893	(1,249)

(b) Non-cash financing activities

Dividends reinvested	78	115
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22 Earnings per share

(a) Basic earnings per share

	Year ended	
	2019	2018
	Cents	Cents
Basic earnings per share	8.22	9.15
Total basic earnings per share attributable to the ordinary equity holders of the Company	8.22	9.15

(b) Diluted earnings per share

	Year ended	
	2019	2018
	Cents	Cents
Diluted earnings per share	8.22	9.15
Total diluted earnings per share attributable to the ordinary equity holders of the Company	8.22	9.15

Diluted earnings per share is the same as basic earnings per share.

The Company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

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

	Year ended	
	2019	2018
	\$'000	\$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	2,150	2,384
	2,150	2,384
<i>Diluted earnings per share</i>		
profit from continuing operations attributable to the ordinary equity holders of the Company		
From continuing operations	2,150	2,384
	2,150	2,384

22 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	Year ended	
	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share*	<u>26,158,259</u>	26,056,291
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share*	<u>26,158,259</u>	26,056,291

* In accordance with AASB 133 *Earnings per share*, the comparative calculation has been adjusted to reflect the impact of the 1 for 25 bonus shares issue which took place on 17 September 2018.

23 Contingencies

The Company had no contingent liabilities at 30 June 2019 (2018: nil).

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 33 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2019 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.



Ronni Chalmers
Chairman

Sydney
16 August 2019



Independent Auditor's Report

To the shareholders of CBG Capital Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of CBG Capital Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2019;
- Statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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 period.

This matter was 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 this matter.

Valuation of the financial assets held at fair value through profit or loss (\$23.7m)

Refer to Note 11 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Financial assets held at fair value through profit or loss are comprised of investments in listed equities.</p> <p>The Company outsources certain processes and controls relevant to recording investments to a custodian.</p> <p>The valuation of investments in listed equities is a key audit matter due to:</p> <ul style="list-style-type: none"> these investments representing 84% of the Company's total assets; the importance of the performance of these investments in driving the Company's investment income and capital performance, as reported in the financial report; and it being the area with greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit 	<p>Our procedures included:</p> <ul style="list-style-type: none"> Obtained and inspected the Company's custodian's GS007 (Guidance Statement 007 Audit Implications of the User of Service Organisations for Investment Management Services) assurance report to understand the custodian's processes and controls to record the Company's investments; Assessed the reputation, professional competence and independence of the auditors of the GS007 assurance report; Compared the ownership of the investment holdings against custody reports to test existence and ownership of investments being valued; and Checked the valuation of investments, as recorded in the general ledger to externally quoted prices from the relevant stock exchange.

Other Information

Other Information is financial and non-financial information in CBG Capital Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.



In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of CBG Capital Limited for the year ended 30 June 2019, complies with Section 300A of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 7 to 9 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Andrew Reeves

Partner

Sydney

16 August 2019

CBG Capital Limited
Investments at Market Value
30 June 2019

		\$	%			\$	%
Consumer Services				Health Care			
GUD	G.U.D HOLDINGS LIMITED	946,185	3.99%	CSL	CSL LIMITED	862,150	3.64%
JIN	JUMBO INTERACTIVE LIMITED	493,796	2.08%			862,150	3.64%
HLO	HELLOWORLD TRAVEL LIMITED	144,089	0.61%				
		1,584,070	6.69%				
FOOD BEVERAGE & TOBACCO				Commercial & Professional Services			
				CGL	THE CITADEL GROUP LIMITED	494,390	2.09%
TWE	TREASURY WINE ESTATES LIMITED	920,922	3.89%	SEK	SEEK LIMITED	826,277	3.49%
		920,922	3.89%			1,320,667	5.58%
Retailing				CAPITAL GOODS			
CKF	COLLINS FOODS LIMITED	375,641	1.59%	EOS	ELECTRO OPTIC SYSTEMS HOLDINGS L	783,842	3.31%
WES	WESFARMERS LIMITED	728,045	3.07%	LYL	LYCOPODIUM LIMITED	179,337	0.76%
LOV	LOVISA HOLDINGS LIMITED	762,631	3.22%			963,179	4.07%
WEB	WEBJET LIMITED	1,019,674	4.30%				
		2,885,991	12.18%				
Energy				Financials			
APT	AFTERPAY TOUCH GROUP LIMITED	825,179	3.48%	CCP	CREDIT CORP GROUP LIMITED	958,008	4.04%
WPL	WOODSIDE PETROLEUM LIMITED	282,772	1.19%	HUB	HUB24 LTD	547,989	2.31%
		1,107,951	4.68%	MQG	MACQUARIE GROUP LIMITED	419,053	1.77%
				PMV	PREMIER INVESTMENTS LIMITED	691,737	2.92%
				NGI	NAVIGATOR GLOBAL INVESTMENTS LI	827,625	3.49%
						3,444,412	14.54%
Banks				Software & Services			
ANZ	ANZ BANKING GROUP LIMITED	963,879	4.07%	AD8	AUDINATE GROUP LIMITED	701,914	2.96%
NAB	NATIONAL AUSTRALIA BANK LIMITED	1,510,054	6.38%	BVS	BRAVURA SOLUTIONS LIMITED	807,805	3.41%
WBC	WESTPAC BANKING CORPORATION	1,476,223	6.23%	HSN	HANSEN TECHNOLOGIES LIMITED	729,978	3.08%
		3,950,156	16.68%			2,239,697	9.46%
Materials				Total Portfolio			
AMC	AMCOR PLC	1,473,776	6.22%			23,686,337	100.00%
BHP	BHP GROUP LIMITED	1,688,507	7.13%				
ORA	ORORA LIMITED	830,130	3.50%				
RIO	RIO TINTO LIMITED	414,729	1.75%				
		4,407,142	18.61%				

The Shareholder information set out below was applicable as at 11 August 2019.

A. Distribution of equity securities

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

Holding	Class of equity security		
	No. of	Ordinary shares	
	Shareholders	Shares	Percentage
1 - 1000	28	12,520	0.05
1,001 - 5,000	93	252,238	0.96
5,001 - 10,000	54	401,631	1.53
10,001 - 100,000	162	5,120,248	19.55
100,001 and over	53	20,402,533	77.90
	390	26,189,170	100.00

B. Equity security holders*

Twenty largest quoted equity security holders

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

Name	Ordinary shares	
	Number held	Percentage of issued shares
BNP Paribas Nominees Pty Limited HUB24 CUSTODIAL SERV LTD DRP	2,243,624	8.57
Dynasty Peak Pty Limited <THE AVOCA SUPER FUND A/C>	1,781,365	6.80
Jacqueline Kay Pty Limited <PAUL CHALMERS SUPER FUND A/C>	1,560,000	5.96
Ropa Pty Limited	1,040,000	3.97
Mrs Catherine Anne Marson and Mr Joseph Marson <THE MARSON FAMILY S/F A/C>	897,831	3.43
PW and VJ Cooper Pty Limited <P W & V J COOPER S/F A/C>	891,609	3.40
Savior Superannuation Pty Limited <LOCOPE SUPER FUND A/C>, Mr Ronni David Chalmers and K Frank and Co Pty Ltd	863,597	3.30
Nambia Pty Limited <ANTHON FAMILY S/F A/C>	755,036	2.88
Saxon Acquisitions Pty Limited <DON'T PANIC DISC A/C>	720,038	2.75
Jennifer Kaldor and Jonathon Rosenberg <ROSENBERG FAMILY S/F A/C>	633,726	2.42
Pesutu Pty Limited <KAREDIS SUPER FUND A/C>	520,000	1.99
Northland Investments Pty Limited	520,000	1.99
JP Morgan Nominees Australia Pty Limited	391,419	1.49
Tadmaro Pty Limited	383,520	1.46
Mr Gregory Dyer & Mrs Deborah Dyer <THE DYER FAMILY S/F A/C>	349,131	1.33
Treplo Pty Limited <STEVANNE SUPERANNUATION A/C>	304,000	1.16
Mr Daniel Chalmers & Mrs Mandy Chalmers <SUPERANNUATION FUND A/C>	293,392	1.12
Jacken Nominees Pty Limited <SESEL SUPERANNUATION FUND>	293,392	1.12
Clime Investment Management Ltd	268,607	1.03
Maclans Services Pty Ltd <MACLANS SUPER FUND A/C>	265,998	1.02
	14,976,285	57.19

* Subject to the off-market takeover bid received by CBG Capital Limited, a number of the above shareholders may have accepted the offer. As at 11 August 2019, the offer was still conditional.

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Clime Capital Limited*	4,543,293	17.35
BNP Paribas Nominees Pty Limited HUB24 CUSTODIAL SERV LTD DRP	2,243,624	8.57
Dynasty Peak Pty Limited <THE AVOCA SUPER FUND A/C>	1,781,365	6.80
Jacqueline Kay Pty Limited <PAUL CHALMERS SUPER FUND A/C>	1,560,000	5.96

* The substantial holding of Clime Capital Limited is in relation to the off-market takeover bid received by CBG Capital Limited.

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary Share

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

E. Stock Exchange Listing

Quotation has been granted for all of the ordinary shares of the Company on all member exchanges of the ASX.

F. Unquoted Securities

There are no unquoted shares on issue.

G. Transaction Summary

During the financial year, 807 transactions in securities were made by the Company (2018: 445 transactions). The total brokerage incurred during the year ended 30 June 2019 was \$99,151 (2018: \$188,872).

H. Investment Management Agreement

The management fee is 1.0% pa (exclusive of GST) with a performance fee payable at a rate of 20% (exclusive of GST) of the Portfolio Performance in excess of the Benchmark, subject to the Portfolio Performance being positive and subject to a High Water Mark.

The initial term of the Management Agreement is ten years, with automatic five year extensions, unless terminated earlier in accordance with the Management Agreement. Upon expiry of the initial ten-year fixed term the Management Agreement will terminate on three months' notice after an ordinary resolution is passed to end the Management Agreement.

The Company may also terminate the Management Agreement following the initial term on three months' notice if Shareholders pass an ordinary resolution directing the Company to terminate the Manager's appointment.

The Manager is entitled to terminate the Management Agreement on six months' notice at any time after five years from the date the Company is listed on ASX.

I. Securities subject to voluntary escrow

There are no shares issued to voluntary escrow.