



CLIME CAPITAL LIMITED

ABN 99 106 282 777

ANNUAL REPORT FOR THE YEAR ENDED

30 JUNE 2013

CLIME CAPITAL LIMITED

ABN 99 106 282 777

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Dear Fellow Shareholder,

In the last three Annual Reports, I have outlined the investment methodology that our manager, Clime Asset Management Pty Limited (“the Manager”), undertakes to identify candidates for the investment portfolio of your Company (“CAM”).

The process is fairly simple and I repeat it here for new shareholders and investors.

First, the Manager filters hundreds of companies and reviews their recent history (up to 5 years) of profitability (i.e. return on equity). Clearly, high and growing returns are desirable but this must be considered in the context of the maturity and size of the individual business as well as the industry dynamics in which they operate.

Amongst other key issues the Manager considers such things as:

- . The description of the business - is it easily understood?;
- . How changing economic or market developments will affect the company;
- . The quality of the management;
- . The strength of the balance sheet; and
- . The company’s potential to maintain or improve the return on equity.

The aim of the Manager is to build a portfolio of between 20 and 30 listed securities. The portfolio includes the companies identified above and other securities (debt notes and hybrids) which offer a high recurrent yield from strong balance sheets or business cash flows.

When the preferred companies and securities are identified, the Manager will then undertake the process of determining value. In the 2010 Annual Report, I outlined the Manager’s approach in some detail and I refer you to that report once again. The portfolio is built with companies and securities that are acquired at prices that the Manager considers to be below their value.

There are two other key decisions or processes that the Manager undertakes and these are crucial to understand. These decisions are based on a macroeconomic overlay of economic conditions and world markets.

First, the Manager makes a conscious decision to allocate its portfolio between cash (passive) and invested (active). The level of the cash holding indicates the confidence level that the Manager has in the market environment. Clearly, the events of the last five years are proof that an Australian equity investor must be acutely aware of international developments. The strategic decision by the Manager to lift cash holdings in early 2008 ensured that capital was partly insulated from the savage market decline.

Second, the Manager actively undertakes portfolio rotation. Whilst the aim is to maintain at least 20 invested positions, the actual portfolio is actively managed. This means that attractive companies or securities will enter the portfolio if there is room. Otherwise a position will need to be liquidated to facilitate a rotation of positions.

What is Clime' return target

I believe that is crucial for shareholders to understand that the Manager of the portfolio is attempting to achieve a return, after all costs, of at least 10% per annum on the portfolio of CAM. This target is based upon the rational pricing of risk under normal market conditions.

The reason for this target is twofold.

First, the Manager believes that current required return when in investing in the Australian listed equity market is 10%. That return is a substantial margin above the risk free rate of return (i.e. yield) of long term Australian bonds which today is approximately 3.5%. Simply stated, an investor should seek a substantially better return for investing in equities than from bonds. If that return cannot be achieved because the price is in excess of value ("irrational exuberance") then cash should be retained.

Second, the Manager has a strong belief in the power of compounding of investment returns. From the manager's perspective we are seeking companies that can reinvest capital (retained earnings) back into their businesses at a high return. If this occurs then the value of those company shares will compound strongly. From the shareholders perspective we note that if they reinvest back into CAM shares and our portfolio compounds its returns at a level of 10% per annum then the shareholder will double their capital every 7 years.

In affect there should be complimentary compounding returns operating in unison. Good portfolio selection and the reinvestment by shareholders of their dividends if they can afford this approach.

If shareholders are patient and allow the manager to remain disciplined in their approach, then solid longer term investment returns will be achieved. Whilst the target of 10% per annum after costs is not easy over a long term - it is indeed the right target. Whilst the generally low interest rates on cash and the sanguine economic conditions are currently short term headwinds, the longer term outlook for company profits does benefit from the compounding of economic growth.

Shareholders should remember that there are years (like 2012/13) when the market is very supportive and easy portfolio gains are made. When this occurs independently of either a lift in reported profits or improved profitability across the market then the gains will not be sustainable. Alternatively when markets fall from elevated levels then capital should have been protected by a prudent allocation to cash (like 2008) – even if its yield is low and short term capital gains in the market were not achieved.

In our view the true measure of performance is the longer term and we doubt that anyone would suggest that a 100% portfolio return over 7 years is not a good return.

Returns expressed in shareholder dollars

What follows is an interesting outline of the movements in shareholders' equity (after tax) and the payments of dividends net of reinvestment after DRP, to shareholders (including preference shareholders) since the end of the GFC in mid-2009 as reported in our Annual results.

12 months ending	June 2010	June 2011	June 2012	June 2013	Total
(\$ in Million)	\$	\$	\$	\$	\$
Opening equity	50.90	59.59	62.23	60.90	50.90
Profit after tax	11.40	5.30	1.50	6.20	24.40
Cash dividends paid	(2.30)	(2.60)	(2.80)	(3.10)	(10.80)
Tax paid	-	-	-	(0.90)	(0.90)
Capital raised	-	-	-	17.20	17.20
Timing differences on dividends and DRPs	(0.41)	(0.06)	(0.03)	0.74	0.24
Closing Equity	59.59	62.23	60.90	81.04	81.04

Thus in the 4 years since June 2009, the company has increased equity after tax (excluding the capital raised in 2013) by \$12.9 million and paid fully franked cash dividends of \$10.80 million, which equates to an annualised return of 10.06% p.a. or 46.7% over the 4 year period.

It is pleasing to report that the manager achieved a positive portfolio return in 2012/13 after all costs and expenses, against our target return of 10%. The performance of CAM's portfolio has been reasonable over longer periods as well, given the extremely volatile markets we have endured.

Once again in 2012/13 shareholders can observe that the portfolio was fairly stable with low portfolio turnover and high conviction to the investments in the portfolio. From an investment perspective, I believe that it is low portfolio turnover and high long term performance that stands CAM above many other peer group Listed Investment Companies. Whilst the manager will and indeed did (in 2008) rotate the portfolio aggressively in extraordinary economic circumstances, this will be an uncommon occurrence.

Capital Management, Dividends and Bonus issues

The Board intends to maintain its policy of declaring ordinary and preference share dividends each quarter. The current portfolio has a high level of income generation from its shares and yielding investments. The portfolio also generates franking credits which are beneficial to shareholders.

During the 2012/13 financial year CAM declared a 1 for 20 bonus share issues and maintained the ordinary dividend levels on the increased shares. The Directors believe that bonus shares have improved the liquidity of CAM shares and resulted in a re-rating of CAM shares in the market.

In addition during 2012/13, CAM successfully raised funds from new and existing shareholders. Newly placed shares raised \$3.9m and a rights issue raised \$13.4m. The cash raised is slowly being deployed in assets that meet our outlined investment process criteria.

The Board is of the view that buybacks of CAM stock would result in reduced liquidity and a de-rating of CAM shares. Further, the Manager is contracted to invest in investments to generate attractive returns for shareholders over both the medium and longer term. Clearly the investing of capital in late 2008 and early 2009 was a highly beneficial activity. Had the manager been focused on buying back CAM shares then the significant returns to shareholders in the following three years would not have eventuated.

The Manager

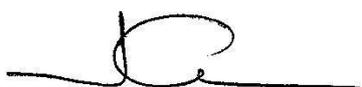
The manager of CAM is Clime Asset Management Pty Limited (the Manager) which is a fully owned subsidiary of Clime Investment Management Limited (CIW). The Manager, at that date of this report is managing approximately \$460 million in Australian listed security portfolios.

Mr. George Whitehouse as portfolio manager for CAM has continued working on improving shareholders reporting and broker relationships. I trust that shareholders are pleased with developments in this regard over the last 12 months.

Thank you

I would like to thank the staff of Clime for their funds management and administrative services. CAM aims to achieve attractive investment returns and is committed to keeping its shareholders continuously informed of portfolio and market developments. I believe this has been achieved to a high level in recent years.

Finally, I would like to thank the owners of CAM. The provision of patient capital in a small listed investment Company does test the resolve of shareholders.



John Abernethy
Chairman

Sydney, 19 August 2013

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE DIRECTORY

Directors	John Abernethy (Chairman) Geoffrey Wilson Julian Gosse Brett Spork
Company Secretary	Richard Proctor
Registered Office	Level 5 352 Kent Street Sydney NSW 2000
Contact Details	P: (02) 9252 8522 F: (02) 8917 2155 E: www.clime.com.au
Share Registry	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2001 P: 1300 737 760 F: 1300 653 459 W: www.boardroomlimited.com.au
Auditor	Moore Stephens Sydney Level 15, 135 King Street Sydney NSW 2000
Stock Exchange Listings	Clime Capital Limited securities are listed on the Australian Stock Exchange under the following exchange codes: Fully Paid Ordinary Shares CAM Converting Preference Shares CAMPA

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Your directors present their report on Clime Capital Limited ("the Company") for the financial year ended 30 June 2013.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report unless otherwise stated:

Mr. John Abernethy
Mr. Geoffrey Wilson
Mr. Julian Gosse
Mr. Brett Spork

Information on Directors

Mr. John Abernethy (Age 54)

Non-Executive Chairman

Experience and expertise

Mr. John Abernethy was appointed director on 31 July 2009. Mr. Abernethy has over 25 years' funds management experience in Australia having been General Manager Investments of the NRMA. John holds a Bachelor of Commerce (Economics)/LLB from the University of New South Wales.

Other current directorships

Mr. Abernethy is a non-executive director of WAM Research Limited, Australian Leaders Fund Limited, WAM Active Limited and Jasco Holdings Limited.

Mr. Abernethy is also an executive director of Clime Investment Management Limited.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

442,160 ordinary shares in Clime Capital Limited.

111,641 converting preference shares in Clime Capital Limited.

Mr. Geoffrey Wilson (Age 55)

Non-Executive Director

Experience and expertise

Mr. Geoffrey Wilson has had 33 years' experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Senior Fellow of the Securities Institute of Australia.

Mr. Geoffrey Wilson was appointed as a non-executive director in November 2003.

Other current directorships

Geoffrey Wilson is currently Chairman of WAM Capital Limited, WAM Research Limited, WAM Active Limited and Australian Stockbrokers Foundation. He is a Director of Australian Leaders Fund Limited, Clime Capital Limited, Vietnam Fund Limited, Incubator Capital Limited, the Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Odyssey House McGrath Foundation, Australian Children's Music Foundation, Premium Investors Limited and he is a Member of the Second Bite NSW Advisory Committee. He is also a Director of investment management companies Wilson Asset Management (International) Pty Limited, MAM Pty Limited, Boutique Asset Management Pty Limited and Boutique Investment Management Pty Ltd.

Former directorships in last 3 years

Cadence Capital Limited

Special responsibilities

None.

Interests in shares

629,562 ordinary shares in Clime Capital Limited.

97,624 ordinary shares in Clime Capital Limited through his spouse

CLIME CAPITAL LIMITED
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DIRECTORS' REPORT

Information on directors (continued)

Mr. Julian Gosse (Age 63)

Independent, Non-Executive Director

Experience and expertise

Mr. Julian Gosse was appointed non-executive director in November 2003. He has extensive experience in banking and broking both in Australia and overseas, having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. Mr. Gosse has also been involved in the establishment, operation and ownership of several small businesses.

Other current directorships

Mr. Gosse is a non-executive director of ITL Limited and Iron Road Limited. He is also a director of Australian Leaders Fund Limited and WAM Research Limited.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of Audit Committee

Chairman of Remuneration Committee

Chairman of Nomination Committee

Interest in shares

None.

Mr. Brett Spork (Age 51)

Independent, Non-Executive Director

Experience and expertise

Mr. Brett Spork was appointed independent Director of the Company in May 2011. Mr. Spork has extensive experience in the Funds Management, Banking and Financial Services sectors. Mr. Spork's previous roles include CEO of Investorfirst , CEO of E*Trade Australia and Executive Director with Macquarie Bank.

Mr. Spork holds a Degree in Business from Queensland University of Technology.

Other current directorships

Shell Cove Capital Management Limited.

Former directorships in last 3 years

Total Fund Services Limited.

Special responsibilities

Member of Audit Committee

Member of Remuneration Committee

Member of Nomination Committee

Interests in shares

58,169 ordinary shares in Clime Capital Limited

CLIME CAPITAL LIMITED
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DIRECTORS' REPORT

Information on directors (continued)

Company Secretary

Mr. Richard Proctor was appointed to the position of Company Secretary effective 1 January 2011. Mr. Proctor is the Chief Operating Officer of Clime Investment Management Limited (the parent entity of the Investment Manager).

Mr. Proctor holds a Bachelor of Business Studies (Hons) from the University of Brighton, United Kingdom and is a qualified Chartered Accountant. Mr. Proctor has over 25 years experience in operations and finance and has held senior roles with Readers Digest, Time Warner, Heinz Food and Rothmans Tobacco in Australia and Europe.

Meetings of directors

The numbers of meetings of the Company's board of directors, and of each board committee held during the year ended 30 June 2013, and the numbers of meetings attended by each director were:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr. John Abernethy	5	5	-	-	-	-
Mr. Geoffrey Wilson	5	3	-	-	-	-
Mr. Julian Gosse	5	5	2	2	1	1
Mr. Brett Spork	5	5	2	2	1	1

A - Number of meetings eligible to attend

B - Number of meetings attended

Rotation and election of directors

The Company's Constitution requires directors to retire every three years. Mr. Abernethy and Mr. Wilson were reappointed in 2012; thus need not retire until 2015. Mr. Gosse and Mr. Spork were reappointed in 2011; thus need not retire until 2014.

Principal activities

The principal activity of the Company during the financial year was investing in securities listed on the Australian Stock Exchange

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

Operating result

The net profit after providing for tax amounted to \$6,203,262 (2012: \$1,494,086).

CLIME CAPITAL LIMITED
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DIRECTORS' REPORT

Dividends paid or recommended

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

	2013	2012
	\$	\$
<i>Total dividends paid</i>		
Final ordinary dividend paid during the year in respect of the prior financial year	474,885	447,295
Converting preference share dividend paid during the year in respect of the prior financial year	364,067	364,068
Interim ordinary dividend paid in respect of the September 2012 quarter	475,972	448,550
Converting preference share dividend paid in respect of the September 2012 quarter	364,068	364,068
Interim ordinary dividend paid in respect of the December 2012 quarter	501,145	449,801
Converting preference share dividend paid in respect of the December 2012 quarter	364,068	364,067
Interim ordinary dividend paid in respect of the March 2013 quarter	670,019	473,581
Converting preference share dividend paid in respect of the March 2013 quarter	364,068	364,067
Total dividends paid	3,578,292	3,275,497
<i>Total dividends declared not paid</i>		
Final ordinary dividend in respect of the current financial year	671,332	474,885
Converting preference share dividend paid in respect of the June 2013 quarter	364,068	364,067
Total dividends declared not paid	1,035,400	838,952
Total dividends paid or recommended	4,613,692	4,114,449

Prior to the end of the financial year, the directors declared a fully franked dividend of 1 cent per share payable on 23 July 2013 on ordinary shares as at record date 28 June 2013 and a fully franked dividend of 4.75 cents payable 22 July 2013 on converting preference shares as at record date 28 June 2013.

Review of operations

Investment income from ordinary activities

Investment income for the period increased to \$9,109,186 (2012: \$3,383,970). This increase was primarily caused by a significant increase in realised and unrealised gains.

Net profit attributable to members of the Company

Profit from ordinary activities after tax attributable to members increased to \$6,203,262 (2012: \$1,494,086).

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DIRECTORS' REPORT

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which 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 future financial

Future developments

Information on likely developments in the Company's operations and the expected results have not been included in this report because the directors believe it would likely result in unreasonable prejudice to the Company.

Other developments

On 2 October 2012, the Board announced a bonus issue for ordinary shareholders, on a 1 for 20 basis. Converting preference shareholders received 1.2762816 ordinary shares for every converting preference share upon conversion date. The record date for this issue was 24 October 2012.

On 27 February 2013, 3.381 million Clime Capital ordinary fully paid shares were issued at \$1.155 per share by way of a placement to sophisticated and institutional investors. The total amount raised from the placement was \$3.9 million before issue costs.

On 8 April 2013, 13.4 million Clime Capital ordinary fully paid shares were issued by way of 1 for 4 renounceable rights issue at an issue price of \$1 per share to eligible shareholders. The total amount raised from the rights issue was \$13.4 million before issue costs.

Environmental issues

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

Insurance of officers

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

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company is important.

Details of the amounts paid or payable to the auditor Moore Stephens Sydney (2012: Grant Thornton Audit Pty Ltd) for audit services provided during the year are set out in note 3 of the attached Financial Report.

Unissued shares under option

There are no unissued ordinary shares of Clime Capital Limited under option at the date of this report.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Remuneration report - audited

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The remuneration report is set out in the following sections:

- A Directors and key management personnel details
- B Principles used to determine the nature and amount of remuneration
- C Details of remuneration
- D Service agreements
- E Additional information

The information provided in section A-E includes remuneration disclosures that are required under section 300A of the *Corporations Act 2001*.

A Directors and key management personnel details

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

John Abernethy	Non-Executive Chairman
Geoffrey Wilson	Non-Executive Director
Julian Gosse	Independent, Non-Executive Director
Brett Spork	Independent, Non-Executive Director
Richard Proctor	Company Secretary

B Principles used to determine the nature and amount of remuneration

The Remuneration Committee is responsible for making recommendations to the board on remuneration policies and packages applicable to the board members and executives of the Company. The board's remuneration policy is to ensure the remuneration package properly reflects the person's duties, responsibilities and their level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. There is no relationship between the remuneration policy and the performance of the company.

Other key management personnel

The only other key management personnel employed during the financial year by the Company was Mr. Richard Proctor, employed in his capacity as Company Secretary.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Remuneration of non-executive directors is determined by the full board within the maximum amount approved by the shareholders from time to time. The payments to non-executive directors do not include retirement benefits other than statutory superannuation. Consultation with non-executive directors outside their duties as directors is treated as external consultation and is subject to additional fees by consent of the Board. The Company has a policy that non-executive directors are not entitled to retirement benefits and may not participate in any bonus scheme (where applicable).

Directors' fees

The current base remuneration was last reviewed with effect in November 2010. The non-executive directors' fees are inclusive of committee fees.

Non-executive directors' fees are determined within a non-executive directors' base remuneration pool, which is periodically recommended for approval by shareholders. The non-executive directors' base remuneration pool currently stands at \$150,000 per annum.

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DIRECTORS' REPORT

Remuneration report - audited (continued)

C Details of remuneration

The Company's Chairman (Mr. John B Abernethy) and Secretary (Mr. Richard Proctor) are employed by Clime Investment Management Ltd and do not receive any form of direct remuneration from the Company. Instead Clime Investment Management Limited receives fees from Clime Capital Ltd designed to cover the cost of provision of these services and Clime Investment Management Ltd. settles this amount directly with the Chairman and Secretary. The Company has no other staff and therefore has no key management personnel.

Amounts of remuneration

Details of the remuneration of the directors of Clime Capital Limited for services rendered to the Company are set out below. With the exception of the Company's directors, there are no key management personnel (as defined in AASB 124 Related Party Disclosures) employed by the Company.

Mr. Richard Proctor is the only other key management personnel whose remuneration must be disclosed under the *Corporations Act 2001*.

Key management personnel and other key management personnel of Clime Capital Limited

2013

	Short-term employee benefits	Post-employment benefits	Total
	Cash salary	Superannuation	
	\$	\$	
John Abernethy	30,000	-	30,000
Geoffrey Wilson	9,174	826	10,000
Julian Gosse	27,523	2,477	30,000
Brett Spork *	40,000	-	40,000
Richard Proctor	24,000	-	24,000
Total key management personnel	130,697	3,303	134,000

* Includes \$10,000 paid to Mr. Spork on fee for advisory services provided in relation to the rights issue which has been debited to share issue costs in equity.

2012

	Short-term employee benefits	Post-employment benefits	Total
	Cash salary	Superannuation	
	\$	\$	
John Abernethy	30,000	-	30,000
Geoffrey Wilson	11,468	1,032	12,500
Julian Gosse	27,523	2,477	30,000
Brett Spork	30,000	-	30,000
Richard Proctor	24,000	-	24,000
Total key management personnel	122,991	3,509	126,500

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DIRECTORS' REPORT

Remuneration report - audited (continued)

D Service agreements

Remuneration and other terms of employment for other key management personnel is formalised in service agreements with Clime Investment Management Ltd with annual adjustments (once agreed by the Remuneration Committee) notified in writing. Provisions relating to the term of agreement, periods of notice required for termination and relevant termination payments are set out below.

Mr. Richard Proctor

Company Secretary

- Term of agreement – No fixed term
- Notice period for termination by employee – 1 month
- Notice period for termination by company – 1 month
- Payment of a termination benefit on early termination by the company – in lieu of 1 month's notice and other than for gross misconduct – equal to a maximum of 8.33% of the annual remuneration package current at the time of termination

E Additional information

Performance of Clime Capital Limited

The tables below set out the summary information regarding the company's earnings and movements in shareholder wealth for the five years to 30 June 2013:

Performance result - historical analysis

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
	\$	\$	\$	\$	\$
Investment gains	9,109,186	3,383,970	6,525,799	15,695,635	2,374,465
Net profit before tax	7,786,565	1,899,990	5,300,683	13,186,731	1,176,956
Net profit after tax	6,203,262	1,494,086	5,317,540	11,441,944	1,179,098

Movements in shareholder wealth - historical analysis

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Share price at 1 July	\$0.94	\$1.06	\$1.02	\$0.76	\$0.90
Share price at 30 June	\$1.04	\$0.94	\$1.06	\$1.02	\$0.76
NTA - pre-tax	1.10	\$1.12	\$1.27	² 1.34	\$1.12
NTA - post-tax	\$1.06	\$1.09	\$1.23	² 1.30	\$1.12
Interim dividends - ord. shares ¹	3.0cps	3.0cps	3.0cps	3.0cps	-
Final dividend - ord. shares ¹	1.0cps	1.0cps	1.0cps	1.0cps	1.0cps
Special dividend - ord. shares ¹	-	-	-	-	-
Preference share dividends ¹	19.00cps	19.00cps	19.00cps	18.25cps	4.5cps
Bonus share issue - ord. shares	1 for 20 ⁴	1 for 20 ³	1 for 20	1 for 20	-
Basic EPS ²	7.35cps	0.05cps	6.88cps	21.87cps	1.64cps
Diluted EPS ²	7.35cps	0.05cps	6.88cps	21.87cps	1.64cps

¹ Fully franked dividends

² Does not take into account the dilutive effect of the bonus shares.

³ 1 for 20 bonus shares issued with record dates 7 July 2011 and 2 March 2012

⁴ 1 for 20 bonus shares issued with record date 24 October 2012

END OF AUDITED REMUNERATION REPORT

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

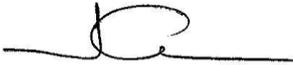
Proceedings on behalf of company

As at the date of this report, no person has applied for leave of Court 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

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 16.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, consisting of a stylized 'J' and 'A' followed by a horizontal line.

John Abernethy

Director
Clime Capital Limited

Sydney, 19 August 2013

Level 15, 135 King Street
Sydney NSW 2000

T +61 (0)2 8236 7700
F +61 (0)2 9233 4636

www.moorestephens.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF CLIME CAPITAL LIMITED**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney, this 19th day of August 2013.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

A description of the Company's corporate governance practices are set out below. All these practices, unless otherwise stated, were in place the entire year and comply with the *ASX Principles of Good Corporate Governance and Best Practice Recommendations*.

Board of directors and its committees

Role of the board

The Company has a board and one executive officer (the Company Secretary). Subject at all times to any written guidelines issued by the board of directors of Clime Capital Limited, the day-to-day management and investment of funds is primarily carried out by Clime Asset Management Pty Ltd (the Investment Manager) in accordance with a management agreement.

The role of the board is to set strategic direction and to be responsible for the overall corporate governance of the Company which includes:

- to oversee and monitor the performance of the Investment Manager's compliance with the management agreement and to ensure that the Manager is monitoring the performance of other external service providers;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- approving the interim and final financial statements and related reports and other communications to the ASX and shareholders; and
- setting appropriate business standards and a code for ethical behaviour.

The board aims to ensure that all directors and the Investment Manager act with the utmost integrity and objectivity, and endeavours to enhance the reputation of the Company. The board should act in a manner designed to create and build sustainable value for shareholders.

Board processes

The board has established a number of board committees including a Nomination Committee, a Remuneration Committee and an Audit Committee. These committees have written mandates and operating procedures which are reviewed on a regular basis. The board has also established a range of policies which govern its operation.

The board will hold four scheduled meetings each year plus any other strategic meetings as and when necessitated by the Company's operations. The agenda for meetings is prepared through the input of the Chairman and the Company Secretary. Standing items include matters of Compliance and Reporting, Financials, Shareholder Communications and Investment Strategy and Outcomes. Submissions are circulated in advance.

Composition of the board

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report.

The board is comprised of four non-executive directors. Two of the Company's non-executive directors, Mr. J Gosse and Mr. B Spork are also independent.

Whilst the board acknowledges the benefits of a majority of independent directors, it believes that it can adequately achieve the Company's objectives with the current board's level of expertise and without unnecessarily burdening shareholders with the additional costs associated of adding further independent directors to the board. The board also notes that the principal management function, being the management of the Company's investments, resides with the Investment Manager, Clime Asset Management Pty Ltd.

An independent director is considered to be a director:

- (a) who is not a member of management;
- (b) who has not within the last three years been employed in an executive capacity by the Company or been a professional adviser or consultant to the Company;
- (c) is not a significant supplier to the Company;
- (d) has no material contractual relationship with the Company other than as a director; and
- (e) is free from any interest or business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company.

All directors must retire from office no later than the third annual general meeting (AGM) following their last election. Any directors appointed by the board must be duly appointed at the next AGM.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

Nomination Committee

The Nomination Committee oversees the selection and appointment process for directors. The Committee annually reviews the composition of the board and makes recommendations on the appropriate skill mix, personal qualities, expertise, gender and diversity required. Where a vacancy exists the Committee develops selection criteria and generates a list of potential candidates for review, determination of an order of preference and ultimate selection by the board or shareholders.

The Nomination Committee comprised the following members during the year:

- J Gosse (Chairman)
- B Spork

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment. The performance of all directors is reviewed periodically by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

Remuneration Committee

The committee reviews and makes recommendations to the board on remuneration of the directors themselves. The Remuneration Committee meets periodically to review the terms of remuneration packages for executive and non-executive directors.

Full details on directors' remuneration are provided in the Directors' Report.

The Remuneration Committee comprised the following members during the year:

- J Gosse (Chairman)
- B Spork

The company does not have in place any equity-based remuneration schemes for directors.

Audit Committee

The Audit Committee has a documented Charter approved by the board. All members must be non-executive directors. The Chairman must not also be the Chairman of the board. The Committee is responsible for considering the effectiveness of the systems of internal control and financial reporting. Due to the size and structure of the board, and having regard to the number of non-executive directors, it is not currently practicable for the Audit Committee to consist of more than two members. The Audit Committee met twice during the year.

The Audit Committee comprised the following members during the year:

- J Gosse (Chairman)
- B Spork

The responsibilities of the Audit Committee are to:

1. Oversee the existence and maintenance of internal controls and procedures to ensure compliance with all applicable regulatory obligations;
2. Oversee the financial reporting process;
3. Review the annual and half-year financial reports and recommend them for approval by the board;
4. Nominate external auditors; and
5. Review the existing external audit arrangements.

The Audit Committee also requires the Company's administrator, FundBPO Pty Ltd, to report annually on the operation of internal controls.

The external audit firm partner responsible for the Company's audit attends Audit Committee meetings by invitation and presents to the Audit Committee twice per year. The Audit Committee formally reports to the Board after each of its meetings.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

External auditor

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. Moore Stephens Sydney was appointed as the external auditor in June 2013 (June 2012: Grant Thornton Audit Pty Limited). It is Moore Stephens' policy to rotate audit engagement partners on listed companies in accordance with the *Corporations Act*

The external auditor is requested to attend the AGM and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk management policy

The board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities. The board has delegated responsibility for reviewing the risk profile and reporting on the operation of the internal control system to the Audit Committee.

Risks are identified and assessed by the Company's board as well as by the Company's auditors. Controls (which may include policies, procedures, reviews, audits and/or obtaining appropriate insurance) are implemented to deal with risks based on an assessment of:

- The nature and extent of the risk facing the Company;
- The extent and categories of risks which the board considers acceptable to bear;
- The likelihood of the risk materialising;
- The Company's ability to minimize the risk of incident and its resultant impact on the business should a particular risk materialise; and
- The costs of operating particular controls relative to the benefit obtained by managing the relevant risk.

The Investment Manager, Clime Asset Management Pty Ltd, will report any instances of control or policy failure or breach to enable the board to consider whether relevant controls require reassessment, strengthening or improvement and whether the level of monitoring by the Audit Committee and the board is adequate.

In accordance with the ASX Corporate Governance Principles and Recommendations, the Investment Manager is required to state to the board in writing that:

- The Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant Accounting Standards;
- The statement above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Director and executive dealing in Company shares

Directors and executives are not required to hold a minimum number of shares in order to hold their positions. All director and executive shareholdings are disclosed in the Related Parties note within the Annual Report.

Subject to not being in possession of undisclosed price-sensitive information (and with adequate time being provided for the information to be reflected in the Company's share price), directors and executives may deal in shares of the Company. On the basis that Clime Capital Limited is a listed investment company obligated to disclose its net tangible asset position on a monthly basis, the board believes that the Company's shareholders are generally fully informed.

Independent professional advice and access to Company information.

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the director is made available to all other members of the board.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

Executive management

The Company's operations are primarily conducted through Clime Asset Management Pty Limited (Investment Manager) and FundBPO Pty Limited (Administration Manager).

These entities, together with the Company Secretary, incorporate the specialist wholesale investment and administration personnel who undertake the Company's executive operations.

The Company's executive management arrangements have been structured to provide investors with an extremely cost efficient investment vehicle and access to a significant depth of professional resources.

Ethical standards and code of conduct

The board has developed a Code of Conduct (the Code) which applies to all directors and executives. The Code is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and spirit of both the law and Company policies.

A copy of the Code is available on the Company's website.

Shareholder communications.

The board informs shareholders of all major developments affecting the Company's state of affairs.

The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the board.

Relevant information is communicated to the Company's shareholders through the following measures:

- An Annual Report will be mailed at the close of the financial year to those shareholders who have elected to receive a hard copy. Alternatively, for those shareholders who so choose, a link to a copy of the Annual Report on the Company's website will be emailed in lieu of a hard copy;
- Net asset backing per share is released to the ASX by the 14th day following each month-end; and
- Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The following charters and policies are available on request or can be found in the Corporate Governance section of the Company's website at www.clime.com.au:

- Board of Directors Charter
- Code of Conduct
- Securities Dealing Policy
- Continuous Disclosure Policy
- Communications Policy
- Audit Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Risk Management Policy

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Investment income			
Investment revenue	2	3,906,732	3,872,570
Net realised gain on disposal of financial assets at fair value through profit or loss		855,128	2,296,883
Net unrealised gain/(loss) on financial assets at fair value through profit or loss		4,347,326	(2,962,715)
Other income		-	177,232
Total investment income		9,109,186	3,383,970
Expenses			
Management fees		(757,903)	(650,949)
Performance fees		-	(386,059)
Administrative expenses		(440,718)	(320,472)
Directors' fees and company secretarial fees		(124,000)	(126,500)
Total expenses		(1,322,621)	(1,483,980)
Profit for the year before income tax expense		7,786,565	1,899,990
Income tax expense	4(a)	(1,583,303)	(405,904)
Profit for the year		6,203,262	1,494,086
Other comprehensive income for the year		-	-
Total comprehensive income for the year		6,203,262	1,494,086
Basic earnings per share	6	7.35cps	.05cps
Diluted earnings per share	6	7.35cps	.05cps

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements which follow.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
Assets			
Cash and cash equivalents	13(a)	27,718,478	9,847,819
Trade and other receivables	7	1,025,864	1,023,382
Financial assets at fair value through profit or loss	8	56,976,925	53,907,134
Prepayments	9	22,773	23,571
Total assets		85,744,040	64,801,906
Liabilities			
Trade and other payables	10	853,403	933,999
Dividends payable	5(b)	1,035,400	838,952
Current tax liability	4(b)	1,467,635	866,728
Deferred tax liabilities	4(c)	1,347,669	1,266,116
Total liabilities		4,704,107	3,905,795
Net assets		81,039,933	60,896,111
Equity			
Issued capital	11	71,946,458	54,231,158
Retained earnings	12(a)	(231,785)	1,164,953
Profit reserve	12(b)	9,325,260	5,500,000
Total equity		81,039,933	60,896,111

*The above Statement of Financial Position should be read in conjunction with
the Notes to the Financial Statements which follow.*

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

Note	Issued Capital \$	Retained Earnings \$	Profit Reserve \$	Total Equity \$
Balance at 1 July 2011	53,754,701	8,473,953	-	62,228,654
Profit for the year	-	1,494,086	-	1,494,086
Other comprehensive income/(loss) for the year	-	-	-	-
Total comprehensive income for the year	-	1,494,086	-	1,494,086
Transactions with owners in their capacity as owners				
Issue of Ordinary shares	11(a) 476,457	-	-	476,457
Dividends provided for or paid - Ordinary shares	5 -	(1,846,817)	-	(1,846,817)
Dividends provided for or paid - Converting Preference Shares	5 -	(1,456,269)	-	(1,456,269)
Transfer to profit reserve		(5,500,000)	5,500,000	-
	476,457	(8,803,086)	5,500,000	(2,826,629)
Balance at 30 June 2012	54,231,158	1,164,953	5,500,000	60,896,111
Profit for the year	-	6,203,262	-	6,203,262
Other comprehensive income/(loss) for the year	-	-	-	-
Total comprehensive income for the year	-	6,203,262	-	6,203,262
Transactions with owners in their capacity as owners				
Issue of Ordinary shares	11(a) 17,791,120	-	-	17,791,120
Share issue costs	(108,314)	-	-	(108,314)
Income tax relating to share issue costs	32,494	-	-	32,494
Dividends provided for or paid - Ordinary shares	5 -	-	(2,318,468)	(2,318,468)
Dividends provided for or paid - Converting Preference Shares	5 -	-	(1,456,272)	(1,456,272)
Transfer to profit reserve		(7,600,000)	7,600,000	-
	17,715,300	(7,600,000)	3,825,260	13,940,560
Balance at 30 June 2013	71,946,458	(231,785)	9,325,260	81,039,933

*The above Statement of Changes in Equity should be read in conjunction with
the Notes to the Financial Statements which follow.*

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Proceeds from sale of investments		36,960,041	16,885,745
Payments for purchase of investments		(34,591,962)	(18,826,434)
		2,368,079	(1,940,689)
Dividends and trust distributions received		2,594,166	2,368,253
Interest received		1,309,498	1,482,413
Payments for administrative and other expenses		(511,118)	(463,282)
Investment manager's fees paid		(740,071)	(651,830)
Performance fees paid		(386,059)	-
Income tax paid		(868,351)	-
Other income received		-	177,232
Net cash inflow from operating activities	13(b)	3,766,144	972,097
Cash flows from financing activities			
Dividends paid		(3,095,322)	(2,799,041)
Proceeds from issue of shares		17,199,837	-
Net cash inflow/(outflow) from financing activities		14,104,515	(2,799,041)
Net increase/(decrease) in cash held			
Cash and cash equivalents at beginning of the financial year		17,870,659	(1,826,944)
		9,847,819	11,674,763
Cash and cash equivalents at end of the financial year	13(a)	27,718,478	9,847,819

*The above Statement of Cash Flows should be read in conjunction with
the Notes to the Financial Statements which follow.*

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements prepared in accordance with applicable Accounting Standards, including Australian Accounting Interpretations, the *Corporations Act 2001* and other authoritative pronouncements of the Australian Accounting Standards Board.

Clime Capital Limited is a publicly listed company, incorporated and domiciled in Australia.

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

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The Directors revalue the trading portfolio on a daily basis.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Investments

i) Classification

The Company's investments are categorised as at fair value through profit or loss. They comprise:

- derivative financial instruments (options); and
- investments in publicly listed and unlisted companies and fixed interest securities.

It is considered that the information needs of shareholders in a company of this type are better met by stating investments at fair value rather than historical cost and by presenting the Statement of Financial Position on a liquidity basis.

ii) Valuation

All investments are classified as "held-for-trading" investments and are recognised at fair value.

iii) Recognition/derecognition

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

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

iv) Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. 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 profit or loss.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments (continued)

iv) Measurement (continued)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

v) Investment income

Dividend income is recognised in profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

vi) Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

(vii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised immediately in profit or loss unless the instrument is designated as a hedging instrument, in which case the recognition of the gain or loss will depend on the nature of the hedge relationship.

Where derivatives have been designated as a hedging instrument, their fair value will be disclosed in Note 16.

(viii) Bills of Exchange

Bills receivable are held at face value less unearned discount. Revenue and costs are recognised on an effective yield basis.

(c) Income Tax

The charge for current income tax expense is based on the taxable income for the year. It is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred taxes are recognised in profit or loss except where they relate to items that may be recognised directly in equity, in which case they are adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Cash and cash equivalents

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

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as being part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(f) Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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, adjusted for bonus elements in ordinary shares issued during the year.

ii) Diluted earnings per share

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

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease the loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

(g) Operating segments

The Company has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purpose.

The information being reported is based on what the key decision makers use internally for evaluating segment performances and deciding how to allocate resources to operating segments. The company is organised into one main segment which operates solely in the business of investment management within Australia.

(h) Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Issued capital

Ordinary and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by the Company. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendment to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Company's financial instruments as they are carried at fair value through profit or loss.

(ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company will adopt the new standard from its operative date, which means that it would be applied in the annual reporting period ending 30 June 2014. The directors do not expect this to have a significant impact on the Company.

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

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
2. INVESTMENT REVENUE		
Dividends received	2,567,670	2,415,335
Trust distributions	37,561	40,969
Interest	1,301,501	1,416,266
TOTAL	3,906,732	3,872,570
3. AUDITORS' REMUNERATION		
Remuneration of the auditors of the Company in relation to:		
Audit and review of the financial reports		
Moore Stephens Sydney	23,000	-
Grant Thornton Audit Pty Limited	-	19,229
Taxation		
Moore Stephens Sydney	3,800	-
Grant Thornton Audit Pty Limited	-	1,500
TOTAL	26,800	20,729
4. TAXATION		
(a) Income tax expense		
The prima facie tax on profit before income tax is reconciled to income tax expense as follows:		
Prima facie tax payable on profit before income tax at 30%	2,335,970	569,997
Adjusted for tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Imputation gross up on dividends received	312,849	249,442
Franking credits on dividends received	(1,042,828)	(831,472)
Permanent differences	(24,311)	(35,092)
Under provision of prior year tax	1,623	456,173
	1,583,303	409,048
Recoupment of tax losses not previously brought to account	-	(3,144)
Income tax expense	1,583,303	405,904
The applicable weighted average effective tax rates are as follows:		
	(20.33%)	(21.36%)
(b) Current tax liabilities		
Income Tax	1,467,635	866,728

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
4. TAXATION (continued)		
(c) Net deferred tax liabilities		
Deferred tax liabilities		
Deferred income tax comprises the estimated tax payable at the current income tax rate of 30% on the following items:		
Tax on unrealised losses on investment portfolio	1,323,499	1,190,490
Other temporary differences	50,165	75,626
	1,373,664	1,266,116
Deferred tax assets		
Deferred tax assets comprises the estimated tax deductible at the current income tax rate of 30% on the following items:		
Costs associated with the issue of shares deductible in future years	25,995	-
	25,995	-
Net deferred tax liabilities	1,347,669	1,266,116
(d) Income tax expense recognised in the profit or loss		
Current income tax expense	1,467,635	869,872
Recoupment of tax losses not previously brought to account	-	(3,144)
Under provision of prior year tax	1,623	456,173
Deferred tax relating to the origination and reversal of temporary differences	114,045	(916,996)
	1,583,303	405,904

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
5. DIVIDENDS		
(a) Paid in the current year		
Dividends paid in the current year		
A fully franked final dividend on ordinary shares in respect of the 2012 financial year of 1 cent per share was paid on 30 July 2012 (2012: A fully franked final dividend on ordinary shares in respect of the 2011 financial year of 1 cent per share was paid on 28 July 2011)	474,885	447,295
A fully franked dividend on converting preference shares in respect of the 2012 financial year of 4.75 cents per share was paid on 27 July 2012 (2012: A fully franked dividend on converting preference shares in respect of the 2011 financial year of 4.75 cents per share was paid on 27 July 2011)	364,067	364,068
A fully franked dividend on ordinary shares for the quarter ended 30 September 2012 of 1 cent per share was paid on 26 October 2012 (2012: A fully franked dividend on ordinary shares for the quarter ended 30 September 2011 of 1 cent per share was paid on 28 October 2011)	475,972	448,550
A fully franked dividend on converting preference shares for the quarter ended 30 September 2012 of 4.75 cents per share was paid on 25 October 2012 (2012: A fully franked dividend on converting preference shares for the quarter ended 30 September 2011 of 4.75 cents per share was paid on 27 October 2011)	364,068	364,068
A fully franked dividend on ordinary shares for the quarter ended 31 December 2012 of 1 cent per share was paid on 25 January 2013 (2012: A fully franked dividend on ordinary shares for the quarter ended 31 December 2011 of 1 cent per share was paid on 19 January 2012)	501,145	449,801
A fully franked dividend on converting preference shares for the quarter ended 31 December 2012 of 4.75 cents per share was paid on 24 January 2013 (2012: A fully franked dividend on converting preference shares for the quarter ended 31 December 2011 of 4.75 cents per share was paid on 18 January 2012)	364,068	364,067
A fully franked dividend on ordinary shares for the quarter ended 31 March 2013 of 1 cent per share was paid on 30 April 2013 (2012: A fully franked dividend on ordinary shares for the quarter ended 31 March 2012 of 1 cent per share was paid on 30 April 2012)	670,019	473,581
A fully franked dividend on converting preference shares for the quarter ended 31 March 2013 of 4.75 cents per share was paid on 29 April 2013 (2012: A fully franked dividend on converting preference shares for the quarter ended 31 March 2012 of 4.75 cents per share was paid on 27 April 2012)	364,068	364,067
	3,578,292	3,275,497

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	2013	2012
	\$	\$
5. DIVIDENDS (CONTINUED)		
(b) Provided for in the current year		
A fully franked dividend in respect of the 2013 year of 1 cent per share was payable on ordinary shares as at 30 June 2013 (2012: A fully franked dividend in respect of the 2012 year of 1 cent per share was payable on ordinary shares as at 30 June 2012)	671,332	474,885
A fully franked dividend in respect of the 2013 year of 4.75 cents per share was payable on converting preference shares as at 30 June 2013 (2012: A fully franked dividend in respect of the 2012 year of 4.75 cents per share was payable on converting preference shares as at 30 June 2012)	364,068	364,067
	1,035,400	838,952
(c) Dividend franking account		
Franking account balance	1,699,046	1,272,880
Impact on franking account balance of dividends not recognised, payable on 23 and 22 July 2013 (2012: 30 and 27 July 2012)	(443,743)	(359,551)
	1,255,303	913,329
6. EARNINGS PER SHARE		
Basic earnings per share	7.35cps	.05cps
Diluted earnings per share	7.35cps	.05cps
Reconciliation of earnings used in calculating basic and diluted earnings per share:		
Total comprehensive income for the year	6,203,262	1,494,086
Less: dividends provided or paid - converting preference shares	(1,456,272)	(1,456,268)
Earnings used in calculating basic earnings per share (adjusted for preference dividends paid during the year)	4,746,990	37,818
Earnings used in calculating diluted earnings per share (adjusted for preference dividends paid during the year)	4,746,990	37,818
Weighted average number of ordinary shares used in the calculation of basic earnings per share	64,569,981	76,479,310
Weighted average number of shares used in the calculation of diluted earnings per share	64,569,981	76,479,310
Reconciliation of weighted average number of shares:		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	54,531,920	66,441,249
Add:		
Weighted average number of converting preference shares at 1.30967 per share used in the calculation of earnings per share	10,038,061	10,038,061
Weighted average number of shares used in the calculation of earnings per share	64,569,981	76,479,310

CLIME CAPITAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
7. TRADE AND OTHER RECEIVABLES		
Income receivable	527,227	524,159
Unsettled trades	462,755	472,485
Other debtors	35,882	26,738
	1,025,864	1,023,382

Terms and conditions

Income receivable represents dividends and interest accrued and receivable at reporting date. Unsettled trades are non-interest bearing and are secured by the Australian Securities Exchange - National Guarantee Fund. They are settled within 3 days of the sale being executed. Other debtors consists of GST receivables that can be recovered from the Australian Tax Office. No interest is applicable to any of these amounts.

The credit risk exposure in relation to receivables is the carrying amount.

8. INVESTMENTS

Financial assets at fair value through profit or loss		
(1) Listed equities	47,180,348	43,365,543
Unlisted trust	300,000	300,000
(2) Interest bearing securities		
Listed convertible notes	6,957,523	9,312,387
Floating rate notes	2,539,054	929,204
	56,976,925	53,907,134
Total financial assets at fair value through profit or loss		

9. OTHER ASSETS

Prepayments	22,773	23,571
	22,773	23,571

10. TRADE AND OTHER PAYABLES

Accrued expenses	106,238	44,292
Amount payable to related parties	71,906	440,133
Unsettled trades	675,259	449,574
	853,403	933,999

Terms and conditions

Unsettled trades are non-interest bearing and are secured by the Australian Securities Exchange - National Guarantee Fund. They are settled within 3 days of the purchase being executed.

CLIME CAPITAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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	2013	2012
	\$	\$
11. ISSUED CAPITAL		
Issued and paid-up capital		
(a) 67,133,286 (2012: 47,488,465) ordinary fully paid shares	53,705,227	35,989,927
(b) 7,664,573 (2012: 7,664,573) converting preference fully paid shares	18,241,231	18,241,231
	71,946,458	54,231,158
Balance at the end of the year	71,946,458	54,231,158

	2013	2012		
	Number of	Number of		
	shares	shares		
(a) Movements in ordinary share capital				
Balance at beginning of the year	47,488,465	42,598,946	35,989,927	35,513,470
Issue of ordinary shares pursuant to a 1 for 20 bonus issue on 7 July 2011)	-	2,130,554	-	-
Issue of ordinary shares pursuant to a 1 for 20 bonus issue on 9 March 2012)	-	2,255,727	-	-
Issue of ordinary shares pursuant to a 1 for 20 bonus issue on 1 November 2012 (2012: Nil)	2,380,415	-	-	-
Shares placement	3,381,000	-	3,905,055	-
Issue of ordinary shares pursuant to a rights issue	13,400,013	-	13,403,096	-
Placement and rights issue costs	-	-	(108,314)*	-
Income tax relating to share issue costs	-	-	32,494	-
Dividend reinvestment plan	483,393	503,238	482,969	476,457
Balance at the end of the year	67,133,286	47,488,465	53,705,227	35,989,927

* Includes \$10,000 paid to Mr. Spork on fee for advisory services provided in relation to the rights issue which has been debited to share issue costs in equity.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

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

CLIME CAPITAL LIMITED
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FOR THE YEAR ENDED 30 JUNE 2013

11. ISSUED CAPITAL (CONTINUED)

(b) Movements in converting preference share capital

	2013	2012	2013	2012
	Number of	Number of	\$	\$
	shares	shares		
(b) Movements in converting preference share capital				
Balance at beginning of the year	7,664,573	7,664,573	18,241,231	18,241,231
Balance at the end of the year	7,664,573	7,664,573	18,241,231	18,241,231

Holders of convertible preference shares carry a right to be paid a quarterly dividend equal to 7.5% of the issue price annually, subject to the availability of profits and the Directors, at their discretion, determining to pay that dividend. The dividends payable are non-cumulative.

The convertible preference shares automatically convert into ordinary shares in ten years from allotment date, or sooner at the option of the holder. The convertible preference shares are non-redeemable. In the event of winding up the Company, convertible preference shareholders will rank ahead of Company's ordinary shareholders to the extent of the paid-up capital on the preference shares plus accrued but unpaid dividends.

Holders of convertible preference shares are entitled to vote at shareholders' meetings in certain circumstances as outlined in the Prospectus dated 16 March 2007.

(c) Capital risk management

The Company's capital structure currently consist of equity and retained earnings and there is no long term debt or short term debt. The operating cash flows of the Company are used to finance short term capital. The capital risk management is continuously reviewed as the Company has surplus cash available for investment.

12. RESERVES AND RETAINED PROFITS

	2013	2012
	\$	\$
(a) Retained earnings		
Balance at the beginning of the year	1,164,953	8,473,953
Net profit attributable to members of the Company	6,203,262	1,494,086
Transfer to profit reserve	(7,600,000)	(5,500,000)
Dividends provided for or paid	-	(3,303,086)
Balance at end of financial year	(231,785)	1,164,953
(b) Profit reserve		
Balance at the beginning of the year	5,500,000	-
Transfer from retained earnings	7,600,000	5,500,000
Dividends provided for or paid	(3,774,740)	-
Balance at end of financial year	9,325,260	5,500,000

Profit reserve is made up of amounts allocated from retained earnings that are preserved for future dividend payments.

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NOTES TO THE FINANCIAL STATEMENTS
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	2013	2012
	\$	\$
13. CASH FLOW INFORMATION		
(a) Reconciliation of cash		
For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise:		
Cash at bank	12,684,471	531,401
Short term bank deposits with maturity less than three months	15,034,007	9,316,418
	27,718,478	9,847,819
(b) Reconciliation of net profit attributable to members of the Company to net cash provided by operating activities		
Profit attributable to members of the Company	6,203,262	1,494,086
Changes in assets and liabilities:		
Increase in trade and other receivables	(12,215)	(29,383)
Increase in investments at fair value through profit or loss	(2,834,375)	(1,274,857)
Decrease in prepayments	798	1,407
Increase in deferred tax asset		
Decrease in current tax asset	-	990
Decrease in deferred tax asset	6,499	-
(Decrease)/increase in trade and other payables	(306,280)	374,940
Increase/(decrease) in provisions	-	-
Increase/(decrease) in deferred tax liability	107,548	(461,814)
Increase in current tax liability	600,907	866,728
	3,766,144	972,097

14. RELATED PARTY TRANSACTIONS

All transactions with related entities were made on normal commercial terms and conditions no more favourable than transactions with other parties unless otherwise stated.

(a) Management and Performance Fees

Management and performance fees paid to companies related to the Directors were as follows:

	2013	2012
	\$	\$
Clime Asset Management Pty Ltd - Mr. John B. Abernethy note (c)(i)	568,427	874,271
Clime Investment Management Ltd - Mr. John B. Abernethy note (c)(ii)	54,000	54,000
Boutique Asset Management Pty Ltd - Mr. Geoffrey J Wilson note (c)(iii)	189,476	162,737
	811,903	1,091,008

As at 30 June 2013, \$71,906 (2012: \$440,133) of the year's management and performance fees remain unpaid and within payables.

(b) Dividends

All dividends paid and payable by the Company to Directors and Director related entities are on the same basis as to other shareholders.

CLIME CAPITAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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14. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Nature of Relationships

(i) Clime Asset Management Pty Ltd

Mr John Abernethy is the Director and Chief Investment Officer of the Investment Manager, Clime Asset Management Pty Ltd (a wholly-owned subsidiary of ASX listed company Clime Investment Management Limited). Clime Asset Management Pty Ltd receives management and performance fees as remuneration for managing the Company's investment portfolio.

(ii) Clime Investment Management Ltd

Mr John Abernethy is a Director in Clime Investment Management Ltd. Clime Investment Management Ltd receives management fees as remuneration for the employment of the Chairman and Secretary as detailed in note 15. Clime Investment Management Ltd owns 10.56% of the share capital of the Company.

(iii) Boutique Asset Management Pty Ltd

Boutique Asset Management Pty Ltd, a company in which Mr Geoffrey Wilson is a director, has an assignment from the Investment Manager to receive 25% of all management fees payable by the Company under the Management Agreement.

15. KEY MANAGEMENT PERSONNEL DISCLOSURE

The Company's Chairman (Mr. John B Abernethy) and Secretary (Mr. Richard Proctor) are employed by Clime Investment Management Ltd and do not receive any form of direct remuneration from the Company. Instead Clime Investment Management Limited receives fees from the Company designed to cover the cost of provision of these services. Clime Asset Management Pty Ltd as the Manager receives a management and performance fee from the Company as detailed below. The Company has no other staff and therefore has no key management personnel other than the Directors.

There have been no other transactions with Key Management Personnel or their related entities other than those disclosed in Note 14.

The names and position held of the Company's key management personnel (including Directors) in office at any time during the financial year are:

John Abernethy	- Non-Executive Chairman
Geoffrey Wilson	- Non-Executive Director
Julian Gosse	- Non-Executive Director
Brett Spork	- Non-Executive Director
Richard Proctor	- Company Secretary

(a) Remuneration of Directors and Other Key Management Personnel

In accordance with Section 300A of the *Corporations Act 2001*, all detailed information regarding the remuneration of Directors and other key management personnel has been included in the Remuneration Report in the Directors' Report of the Annual Report.

CLIME CAPITAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

15. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

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

A summary of the remuneration of Directors and other key management personnel for the current and previous financial year is set out below:

	2013 \$	2012 \$
Cash salary, fees and commissions	130,697*	122,991
Short-term employee benefits	130,697*	122,991
Superannuation	3,303	3,509
Post-employment benefits	3,303	3,509
Total employment benefits	134,000	126,500

* Includes \$10,000 paid to Mr. Spork on fee for advisory services provided in relation to the rights issue which has been debited to share issue costs in equity.

(b) Shareholdings

2013

	Balance at 1 July 2012	Shares acquired / (disposed)	Balance at 30 June 2013
Ordinary Shares			
John Abernethy (Chairman)	327,882	111,858	439,740
Geoffrey Wilson (including holdings of spouse)	505,776	221,410	727,186
Brett Spork	-	58,169	58,169
Richard Proctor	80,124	4,831	84,955
	913,782	396,268	1,310,050
Converting Preference Shares			
John Abernethy (Chairman)	111,641	-	111,641
	111,641	-	111,641

2012

	Balance at 1 July 2011	Shares acquired / (disposed)	Balance at 30 June 2012
Ordinary Shares			
John Abernethy (Chairman)	290,756	37,126	327,882
Geoffrey Wilson (including holdings of spouse)	461,737	44,039	505,776
Richard Proctor	324,503	(244,379)	80,124
	1,076,996	(163,214)	913,782
Converting Preference Shares			
John Abernethy (Chairman)	111,641	-	111,641
	111,641	-	111,641

There were no shares or options granted during the reporting period as compensation.

CLIME CAPITAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives, Policies and Procedures

The Company's accounting policies are included in Note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at reporting date, are included under the appropriate note for that instrument.

Risks arising from holding financial instruments are inherent in the Company's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to credit risk, liquidity risk and market risk. The Company is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and equity of the Company from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Company. These mandate limits reflect the investment strategy and market environment of the Company, as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries.

This information is prepared and reported to relevant parties within the Company on a regular basis as deemed appropriate.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the Company monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the Company which have been recognised on the Statement of Financial Position, is the carrying amount. The Company is not materially exposed to any individual credit risk.

Credit is not considered to be a major risk to the Company as any cash and fixed interest securities held by the Company or in its portfolios are invested with financial institutions that have a Standard and Poor's long term rating between BBB and AA-. Also the majority of maturities are within three months.

None of the assets exposed to a credit risk are overdue or considered to be impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables which have no contractual maturities but are typically settled within 30 days.

CLIME CAPITAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk

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

By its nature, as a listed investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free. The market prices of these securities can and do fluctuate in accordance with multiple factors.

The Company seeks to reduce market risk by attempting to invest in equity securities where there is a significant 'margin of safety' between the underlying companies' value and share price. The Company does not have set parameters as to a minimum or maximum margin of safety, nor does it have set parameters regarding a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

(i) 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 below.

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

2013	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Non Interest Bearing \$	Fixed Interest Rate \$	Total \$
Financial Assets					
Cash and cash equivalents	3.48%	7,650,951	-	20,067,527	27,718,478
Trade and other receivables		-	989,982	-	989,982
Financial assets held at fair value through profit and loss		9,496,577	47,480,348	-	56,976,925
Total Financial Assets		17,147,528	48,470,330	20,067,527	85,685,385
Financial Liabilities					
Trade and other payables		-	747,165	-	747,165
Dividends payable		-	1,035,400	-	1,035,400
Total Financial Liabilities		-	1,782,565	-	1,782,565

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NOTES TO THE FINANCIAL STATEMENTS
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16. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

(i) Interest rate risk (continued)

2012	Weighted Average Effective Interest Rate	Floating Interest Rate %	Non Interest Bearing \$	Fixed Interest Rate \$	Total \$
Financial Assets					
Cash and cash equivalents	4.49%	531,401	-	9,316,418	9,847,819
Trade and other receivables		-	996,644	-	996,644
Financial assets held at fair value through profit and loss		10,241,591	43,665,543	-	53,907,134
Total Financial Assets		10,772,992	44,662,187	9,316,418	64,751,597
Financial Liabilities					
Trade and other payables		-	889,707	-	889,707
Dividends payable		-	838,952	-	838,952
Total Financial Liabilities		-	1,728,659	-	1,728,659

(ii) Equity Price Risk

Equity Price Risk is the risk that fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting the broader market. Equity price risk exposure arises from the Company's investment portfolio.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Company's operating profit and equity to interest rate risk and price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the securities in which the Company invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk		Interest rate risk	
	-10%	+10%	-100 bps	+100 bps
30 June 2013	(5,697,692)	5,697,692	(156,365)	156,365
30 June 2012	(5,390,713)	5,390,713	(103,871)	103,871

No effect on other comprehensive income would result from price or interest rate risk in 2013 or 2012.

CLIME CAPITAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values of financial assets and financial liabilities

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

The table below presents the Company's assets measured and recognised at fair value at 30 June 2013 by level of the following fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - 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 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
At 30 June 2013				
Financial assets at fair value through profit or loss				
Listed equities	47,180,348	-	-	47,180,348
Unlisted unit trust	-	-	300,000	300,000
Listed convertible notes	6,957,523	-	-	6,957,523
Floating rate notes	2,539,054	-	-	2,539,054
Total financial assets at fair value through profit or loss	56,676,925	-	300,000	56,976,925
At 30 June 2012				
Financial assets at fair value through profit or loss				
Listed equities	43,365,543	-	-	43,365,543
Unlisted unit trust	-	-	300,000	300,000
Listed convertible notes	9,312,387	-	-	9,312,387
Floating rate notes	929,204	-	-	929,204
Total financial assets at fair value through profit or loss	53,607,134	-	300,000	53,907,134

The fair value of financial instruments traded in active markets (publicly traded derivatives and trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (over-the-counter derivatives and unlisted unit trusts) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

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

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

17. SEGMENT INFORMATION

The Company is organised into one main segment which operates solely in the business of investment management within Australia.

The Company operates in Australia and holds all assets within Australia.

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The directors are of the opinion that the current financial position and performance of the Company is equivalent to the operating segments identified above and as such no further disclosure has been provided.

18. CONTINGENT LIABILITIES

As at 30 June 2013, the Company has no contingent liabilities or commitments (2012: Nil).

19. EVENTS SUBSEQUENT TO REPORTING DATE

No dividends have been recommended by the Directors subsequent to the end of the financial year.

No matters or circumstances have arisen since the end of the financial year which 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 future financial years.

20. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Level 5
352 Kent Street
Sydney NSW 2000

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2013

The directors declare that:

- (a) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, and giving a true and fair view of the financial position and performance of the Company;
- (b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated on Note 1(a) of the financial statements;
- (d) The directors have been given the declarations required by S.295A of the *Corporations Act 2001*; and
- (e) The remuneration disclosures contained in the Remuneration Report comply with S300A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to S.295(5) of the *Corporations Act 2001*.

On behalf of the directors



John Abernethy
Director

Sydney, 19 August 2013

Level 15, 135 King Street
Sydney NSW 2000

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CLIME CAPITAL LIMITED
ABN 99 106 282 777**

Report on the Financial Report

We have audited the accompanying financial report of Clime Capital Limited (the "Company"), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

- a) the financial report of Clime Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Clime Capital Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report for the year ended 30 June 2013 included on Clime Capital Limited's website. The Company's directors are responsible for the integrity of Clime Capital Limited's website. We have not been engaged to report on the integrity of the Clime Capital Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Moore Stephens Sydney
Chartered Accountants



Scott Whiddett
Partner

Dated in Sydney this 19th day of August 2013

CLIME CAPITAL LIMITED
ABN 99 106 282 777

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 16 August 2013.

A. Distribution of Equity Securities

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

Fully Paid Ordinary Shares	No. of Holders
1 - 1,000	119
1,001 - 5,000	275
5,001 - 10,000	211
10,001 - 100,000	734
100,001 and over	100
	<u>1,439</u>

Converting Preference Shares	No. of Holders
1 - 1,000	42
1,001 - 5,000	240
5,001 - 10,000	161
10,001 - 100,000	121
100,001 and over	10
	<u>574</u>

B. Equity Security Holders

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

Name	<u>Ordinary Shares</u>	
	No. of Shares	Percentage of issued shares
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,449,403	11.074
CLIME INVESTMENT MANAGEMENT LTD	7,247,989	10.774
MR VICTOR JOHN PLUMMER	5,000,000	7.433
DI IULIO HOMES PTY LIMITED <DI IULIO SUPER FUND A/C>	1,662,347	2.471
MR JOHN STEPHEN MICHAEL HEATHERS & MRS MARGARET JEAN HEATHERS <HEATHERS FAMILY S/F A/C>	952,457	1.416
GLEN RANELAGH PTY LTD	932,134	1.386
JOHN E GILL OPERATIONS PTY LTD	914,587	1.360
NETHERFIELD NOMINEES PTY LTD <LOUISE CHRISTIE S/F A/C>	650,000	0.966
DYNASTY PEAK PTY LTD <THE AVOCA SUPER FUND A/C>	629,562	0.936
MR ROBERT IAIN HORDEN & MRS FRANCES DOROTHY HORDEN <HORDEN FAMILY SUPER A/C>	500,000	0.743
HUDSON PHARMACEUTICALS PTY LTD <SEAGULLS S/FUND A/C>	485,562	0.722
THE SPORTS CAFE (AUSTRALIA) PTY LTD	398,840	0.593
MR PAUL WILHELM MCCAULEY & MRS LISA-GAYE MCCAULEY <ASAP SUPER FUND A/C>	396,394	0.589
MR DON HOLDEN & MRS SUE HOLDEN	384,853	0.572
SAUYING PTY LTD <TULLOCH S/F A/C>	380,520	0.566
BARRY GEORGE FORBES & CARLA FORBES <FORBES SUPER FUND A/C>	357,726	0.532
MR DEREK JOHN CANTLE <DJ & AI CANTLE FAMILY A/C>	326,438	0.485
BLACKBURN ANIMAL HOSPITAL PTY LTD <W L HARKIN P/L S/F A/C>	285,312	0.424
HALCYON PTY LTD	279,640	0.416
MR SIMON HUGH WATLING & MRS PHYLLIS MAE WATLING <S & P WATLING SF A/C>	269,057	0.400
	<u>29,502,821</u>	<u>43.858</u>

CLIME CAPITAL LIMITED
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ASX ADDITIONAL INFORMATION

Converting Preference Shares

Name	No. of Shares	Percentage of issued shares
CLIME INVESTMENT MANAGEMENT LTD	647,591	8.449
DI IULIO HOMES PTY LIMITED <DI IULIO SUPER FUND A/C>	530,046	6.916
MR RICHARD TOOHER	348,283	4.544
SANOLU PTY LIMITED	248,409	3.241
GREAT D PTY LTD <GREAT D SUPER FUND A/C>	200,000	2.609
MR GORDON COAD & MISS SHIRLEY PRATT <COAD AND PRATT SUPER ACCOUNT>	190,000	2.479
J P MORGAN NOMINEES AUSTRALIA LIMITED	179,233	2.338
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	140,208	1.829
GABSTER PTY LTD <KENNARDS SELF STORAGE SF A/C>	135,417	1.767
MRS MARITA TOOHER	130,166	1.698
MR ANTHONY JOHN GILL <THE STAG A/C>	100,000	1.305
MR JOHN STEPHEN MICHAEL HEATHERS & MRS MARGARET JEAN HEATHERS <HEATHERS FAMILY S/F A/C>	100,000	1.305
ABERNETHY SUPERANNUATION PTY LTD <ABERNETHY SUPER FUND A/C>	80,300	1.048
DOUBLE PTY LIMITED	80,000	1.044
MRS MARGARET JOY MOSS	66,049	0.862
MR ANTHONY DENIS O'NEILL & MRS ANNE MARIE O'NEILL <EVENPEAK SUPER FUND A/C>	62,500	0.815
MR GORDON DENBY COAD	62,000	0.809
MR FELIX GUY LENOX HOLMER <THE SUNDANCER SUPER A/C>	55,000	0.718
BARBRIGHT AUSTRALIA PTY LTD <INTERQUARTZ SUPER FUND A/C>	54,167	0.707
MR DICK ROBERT LISTER & MRS JAN LOUISE LISTER <LUMEN S/F A/C>	52,000	0.678
	3,461,369	45.161

Unquoted equity securities

There are no unquoted equity securities on issue as at the date of this report.

C. Substantial Holders

Substantial holders in the company are set out below (based on voting interest in fully paid ordinary shares only):

Name	No. of shares held	Percentage of issued shares
Clime Investment Management Limited	7,247,989	10.77%

D. Voting Rights

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

(a) Fully Paid Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each

(b) Converting Preference Share

One vote for each share held, but limited to matters affecting the rights of such shares.

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ASX ADDITIONAL INFORMATION

E. Investments held at the balance date.

	No. of shares held	Fair Value at 30 June 2013
Ausdrill Limited	1,900,000	1,615,000
Australand Convertible Notes 31/12/2049	17,300	1,626,200
Australia & New Zealand Banking Group Limited	143,000	4,084,080
BHP Billiton Limited	227,550	7,133,693
Brickworks Limited	281,178	3,500,666
Commonwealth Bank of Australia	40,000	2,766,000
Ethane Pipeline Income Fund	558,141	979,537
Fantastic Holdings Ltd	435,000	837,375
Imdex Limited	1,050,000	640,500
Macq Perp Notes	1,760,000	1,276,019
Maxim Income Fund	300,000	300,000
McMillan Shakespeare Limited	257,000	4,112,000
Mineral Resources Ltd	271,000	2,233,040
Mother Care Australia	17,190,000	-
Mothercare Australia Ltd Convertible Note	3,351,855	-
Multiplex Convertible Note 31/12/2049	45,000	3,618,000
National Bank FRN 08/49	1,820,000	1,263,055
NRW Holdings Limited	975,000	882,375
Reece Australia Limited	51,187	1,172,182
Rio Tinto Limited	9,000	468,090
Seven Grp Hld ConvNt	20,300	1,713,320
SMS Management & Technology	385,000	1,751,750
Telstra Corporation Limited	790,000	3,760,400
The Reject Shop	117,925	1,992,933
Thorn Group Limited	824,698	1,665,890
Treasury Group Limited	100,000	700,000
Westpac Banking Corporation	132,000	3,808,200
Woolworths Limited	94,000	3,076,620
		<u><u>56,976,925</u></u>

F. During the year ended 30 June 2013, the Company recorded 638 transactions in securities (including options). \$84,112 (excluding GST) in brokerage was paid or accrued for the year.

G. Investment Manager

The Company has entered into an Investment Management Agreement with the Investment Manager, Clime Asset Management Limited.

Base fee

The Investment Manager is entitled to a monthly base fee calculated as 0.08334% (excluding GST) of the market value of all assets less total indebtedness of the Company. The Investment Manager has excluded deferred tax assets from the calculation of the base fee thereby reducing the base fee amount.

Performance fee

The Investment Manager is entitled to a performance fee calculated as 20% (excluding GST) of the amount by which the absolute dollar value of the investment performance (after deducting the base fee) exceeds the All Ordinaries accumulation Index for the annual period, provided that the performance is positive.