CBG Capital Limited

ABN 83 168 936 249

Annual Report for the year ended 30 June 2017

CBG Capital Limited
Appendix 4E
30 June 2017

Results for announcement to the market

Revenue from ordinary activities	Up	58%	1,622
Profit/(loss) before tax attributable to members	Up	1873%	1,046
Profit/(loss) from ordinary activities after tax attributable to members	Up	468%	932

Dividends

	Dividend Rate cents	**Total Amount $'000**	**Date of Payment**	**% Franked**
2017				
Ordinary shares -interim	1.0c	$250	25/05/2017	100
2016				
Ordinary shares - final	1.5c	$370	24/11/2016	100

Since the end of the financial year the Directors have declared a final fully franked dividend of $387,710 (1.55 cents per share) to be paid on 16 November 2017 out of profits for the period ended 30 June 2017. The record date for determining entitlement to the dividend will be 8 November 2017.

	As at	
	30 June 2017	30 June 2016
Net tangible assets		
Net tangible asset backing after tax ($ per share)	**0.97**	0.96
Net tangible asset backing before deferred tax ($ per share)	**0.97**	0.96

Explanation of results

The attached Annual Report contains full details of the Company's audited financial results for the year ended 30 June 2017.

Ronni Chalmers

Sydney
30 August 2017

CBG Capital Limited ABN 83 168 936 249
Annual Report - for the year ended 30 June 2017

Contents

Directors	Ronni Chalmers (Chairman) James Beecher (Non-Executive Director) Robert Swil (Non-Executive Director)
Secretary	James Beecher
Registered office	Level 3 7 Macquarie Place Sydney NSW 2000 +61 2 9268 3300
Administration and Custodian	Link Fund Solutions Pty Limited (formerly White Outsourcing Pty Limited) Level 12, 680 George Street Sydney NSW 2000 Phone: +61 2 8280 7100
Share registrar	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Phone: 1300 653 459 Fax: 1300 653 459
Investment Manager	CBG Asset Management Limited ABN 12 098 327 809
Auditors	KPMG Level 30, International Towers Three 300 Barangaroo Avenue Sydney NSW 2000 +61 2 9335 7000
Stock exchange	Australian Securities Exchange ASX code: CBC
Website	www.cbgcapital.com.au

Chairman's Review

I would like to welcome all the shareholders to the third Annual Report of CBG Capital (ASX code: CBC).

I am pleased to report the Company has declared a profit after tax of $932,000, a considerable increase over last year's $164,000.

Over the year just finished the company continued its robust dividend policy with dividends paid during the year of 2.5 cents per share and a further increased dividend of 1.55 cents per share out of the profits for this year ended 30 June 2017 to be paid in November. This brings the total of fully franked dividends since listing in December 2014 to 7.15 cents per share.

The pre-tax NTA finished the financial year at 97.35 cents.

CBG Capital Goal
The goal of our Company is to provide shareholders with an attractive long term investment return through a combination of rising equity prices and a stream of fully franked dividends payable every six months.

Our Investment Style
We use a proven and disciplined investment process that is applied using bottom-up fundamental analysis. The portfolio is focused on high quality companies with a growth bias. The investment team undertakes in excess of three hundred investment meetings each year with various listed companies that we hold shares in or are potentially considering to invest in.

We undertake a detailed investigative process to comprehend the unique drivers of value in each company, then aim to identify opportunities where the intrinsic value is not reflected in the current share price.

Investments are sought with a two to three year time horizon allowing our shareholders to benefit from our longer term time horizon which is different from the typical short term seeking returns of most other equity holders.

We look for a number of attributes that consistently appear in securities which produce attractive returns. In particular the Investment Manager has a management team that is delivering on a robust strategy of identifying companies that are generating value for shareholders, that have solid free cash flow, a supportive industry structure, a strong balance sheet and attractive earnings or cash flow multiples relative to earnings risk and growth prospects. CBG Capital believes in this approach to investing because we believe the broad stock market regularly displays pricing inefficiencies. Causes of this include a focus on shorter investment time frames by most institutional investors and crowding of investment by investment managers in larger stocks by market capitalisation. This leaves other stocks are less well researched. For example, aversion to short term losses may lead to investors avoiding stocks which have experienced short term volatility or sell positions too early to and potentially giving up gains.

Changes to the portfolio over the last year
Over the last year the Company has sold out of stocks such as Sydney Airport and Auckland Airport when our share price targets were realised and Duet via a takeover offer. We have also reduced our holdings in infrastructure stocks such as Transurban and Macquarie Atlas Roads in light of rising global bond yields. The proceeds of these sales have been reinvested in resource stocks like BHP and RIO which now represent approximately 10% of the portfolio, high quality international growth stocks like CSL and Ramsey Health Care plus US centric stocks like Brambles and Boral which will benefit from continued growth in the North American economy.

Chairman's Review

Post Balance Date Transaction
It is worth noting that post balance date, our Investment Manager, CBG Asset Management Limited, merged with the ASX listed fund manager Clime Investment Management (ASX code: CIW).

This has considerably strengthened our high quality and experienced investment department. The expanded investment team now comprises thirteen experienced staff with over one hundred and fifty years of collective funds management experience. In addition CBG Capital is now part of a larger boutique group managing multiple asset classes with funds under management of over $750m. The Investment Manager will continue to implement its investment style as set out above.

On behalf of the board and the investment team I thank you for being a shareholder in our Company over the last year and look forward to building your wealth portfolio over the 2018 year.

Ronni Chalmers
Chairman

Sydney
30 August 2017

Corporate Governance Statement

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

Directors' Report

Your Directors present their report together with the financial report of CBG Capital Limited (the "Company") for the year ended 30 June 2017.

Directors

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

Ronni Chalmers (Chairman)
James Beecher (Non-Executive Director)
Robert Swil (Non-Executive Director)

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

Principal activities

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

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

Dividends

A dividend of 1.55 cents per share fully franked payable 16 November 2017 is recommended.

Review of operations

The income from ordinary activities after income tax benefit amounted to $932,000 (2016: $164,000).

As at 30 June 2017, the pre-tax asset backing was 97.35c per share (2016: 95.78c per share) and this has risen to 97.38c per share as at 31 July 2017 (2016: 101.99c per share).

The CBG Capital Limited portfolio is invested in 39 ASX listed securities (2016: 44).

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

Earnings per share

	2017	2016
Basic and diluted earnings (cents per share)	$3.75	$0.67

Significant changes in the state of affairs

On 30 September 2016, the Company's remaining options lapsed. Since issue, a total of 37,600 options had been exercised and allotted for a total consideration of $37,600.

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

Events since the end of the financial year

The Directors recommend a second half dividend of 1.55c fully franked per share to be paid in November 2017 bringing the full year dividend to 2.55c fully franked.

On 14 July 2017, Clime Investment Management Ltd (ASX: CIW) acquired 100% interest in the Company's Investment Manager, CBG Asset Management Limited.

Events since the end of the financial year (continued)

The Board expects that commencing FY18, the Company's turnover will fall under the $25 million threshold and therefore the Company will use the applicable reduced corporate tax rate of 27.5% for future years.

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

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

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

Ronni Chalmers Executive Director and Chairman

B.Com, FFINSIA
Appointed 4 April 2014

Mr Chalmers is a director of CBG Asset Management Limited which is a subsidiary of ASX listed Clime Investment Management Ltd. Mr Chalmers has over 36 years of Australian equities investment management experience. He began his career as a graduate at Bankers Trust Australia rising to being an Associate Director during its rapid growth in the 1980s. After a decade at Bankers Trust he left and subsequently held senior Portfolio Manager / Investment Manager roles with several funds management and insurance companies before founding CBG Asset Management in 2001. Mr Chalmers has a Bachelor of Commerce degree from the University of New South Wales and is a Fellow of the Financial Services Institute of Australasia.

Robert Swil Independent Non-Executive Director

MBA, FIAA, FAICD
Appointed 4 April 2014

Mr Swil is currently also a Director of Hannover Life Reinsurance. Previously he has been a director of CBG Asset Management, and the Managing Director of life insurers, Australian Casualty & Life and FAI Life, and of superannuation fund FSP Super; Executive Director of FSP Group and its subsidiaries FSP Funds Management and Financial Services Partners, and Chairman of PrefSure Life. He has held other executive roles in the area of actuarial consulting, and general management roles in superannuation and life insurance.

James Beecher Independent Non-Executive Director

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

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

Company Secretary

The Company Secretary is James Beecher. Mr Beecher was appointed to the position of Company Secretary on 4 April 2014.

Meetings of directors

The numbers of meetings of the Company's board of Directors held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

	Full meetings of directors	
	A	B
Ronni Chalmers	5	5
James Beecher	5	5
Robert Swil	5	5

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

Remuneration report (audited)

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

Directors and key management personnel disclosed in this report

Name	**Position**
Non-executive Directors - see page 6	
Other key management personnel None	

Remuneration policy and framework

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

Under the ASX Listing Rules, the maximum fees paid to non-executive Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate. Entitled Directors receive a superannuation guarantee contribution as part of the remuneration payable to them required by the government, and do not receive any retirement benefits. All remuneration paid to Directors is valued at the cost to the Company and expensed. At present, no employee share or option arrangements are in existence for CBG Capital Limited’s Directors. As the Company does not pay performance based fees to the Directors, nor provide share or option schemes to Directors, remuneration is not explicitly linked to the Company’s performance.

In the financial year ended 30 June 2017 the Directors will be paid the following full year remuneration:

Name of Director	**Remuneration payable**
Ronni Chalmers	$0
Robert Swil	$22,083
James Beecher	$25,000

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

Remuneration report (audited) (continued)

Details of remuneration

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

2017	Short-term employee benefits	
Name	Cash salary and fees $	Total $
Non-executive Director		
James Beecher	25,000	25,000
Robert Swil	22,083	22,083
Sub-total non-executive director	**47,083**	**47,083**
Executive Directors		
Ronni Chalmers	-	-
Total key management personnel compensation	**47,083**	**47,083**

2016	Short-term employee benefits	
Name	Cash salary and fees $	Total $
Non-executive Directors		
James Beecher	25,000	25,000
Robert Swil	20,000	20,000
Sub-total non-executive directors	**45,000**	**45,000**
Executive Directors		
Ronni Chalmers	-	-
Total key management personnel compensation	**45,000**	**45,000**

Remuneration report (audited) (continued)

Equity instrument disclosures relating to key management personnel

Share holdings

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

2017 **Name**	**Balance at the start of the year**	**Net movement**	**Other changes**	**Balance at end of the year**
Directors of CBG Capital Limited				
Ordinary shares				
Ronni Chalmers	695,949	20,586	-	716,535
Robert Swil	50,691	-	-	50,691
James Beecher	50,000	-	-	50,000
	796,640	20,586	-	817,226

2016 **Name**	**Balance at the start of the year**	**Net movement**	**Other changes**	**Balance at end of the year**
Directors of CBG Capital Limited				
Ordinary shares				
Ronni Chalmers	638,000	57,949	-	695,949
Robert Swil	50,000	691	-	50,691
James Beecher	50,000	-	-	50,000
	738,000	58,640	-	796,640

Insurance of officers and indemnities

(a) Insurance of officers

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

(b) Indemnity of auditors

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

Proceedings on behalf of the Company

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

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

Non-audit services

Details of the amounts paid to the auditors and their related parties are disclosed in Note 19 to the Financial Statements.

The Board of Directors is satisfied that the provision of the non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 19 did not compromise the external auditor's independence for the following reasons:

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

Auditor's Independence Declaration

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

Rounding of amounts

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

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

Ronni Chalmers
Chairman

Sydney
30 August 2017

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

To the Directors of CBG Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of CBG Capital Limited for the financial year ended 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A. R

Andrew Reeves
Partner

Sydney
30 August 2017

	Notes	Year ended 2017 $'000	2016 $'000
Investment income from ordinary activities			
Realised gains/(losses) on investments		**335**	(233)
Unrealised gains on investments		**439**	266
Other revenue from ordinary activities	7	**848**	996
		1,622	1,029
Expenses			
Management and performance fees		**(243)**	(758)
Transaction costs		**(47)**	(30)
Accounting fees		**(73)**	(73)
Share registry fees		**(24)**	(25)
Custody fees		**(18)**	(18)
Tax fees	19	**(6)**	(6)
Legal fees		**-**	(1)
Directors' fees		**(52)**	(49)
ASX fees		**(34)**	(33)
Audit fees	19	**(19)**	(19)
Other expenses		**(60)**	(76)
		(576)	(1,088)
Profit/(loss) before income tax		**1,046**	(59)
Income tax (expense)/benefit	8	**(114)**	223
Net profit for the year		**932**	164
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net realised gains on financial assets at fair value through other comprehensive income		**-**	276
Income tax relating to net realised gains on financial assets at fair value through other comprehensive income		**-**	(83)
Other comprehensive income for the year, net of tax		**-**	193
Total comprehensive income for the year		**932**	357
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	23(a)	**3.75**	0.67
Diluted earnings per share	23(b)	**3.75**	0.67

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

	Notes	**As at** **2017** **$'000**	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**2,196**	1,223
Trade and other receivables	10	**423**	612
Financial assets at fair value through profit or loss	11	**21,891**	21,460
Other current assets		**39**	46
Total current assets		**24,549**	**23,341**
Non-current assets			
Deferred tax assets	12	**542**	546
Total non-current assets		**542**	546
Total assets		**25,091**	23,887
LIABILITIES			
Current liabilities			
Trade and other payables	13	**691**	239
Total current liabilities		**691**	239
Non-current liabilities			
Deferred tax liabilities	14	**120**	14
Total non-current liabilities		**120**	14
Total liabilities		**811**	253
Net assets		**24,280**	23,634
EQUITY			
Issued capital	15	**24,592**	24,258
Reserves		**948**	636
Accumulated losses		**(1,260)**	(1,260)
Total equity		**24,280**	**23,634**

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

	Notes	Issued capital $'000	Investment reserves $'000	Profits reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015		23,882	(1,053)	1,377	(548)	23,658
Net profit for the year		-	-	-	164	164
Other comprehensive income for the year						
Net realised gains on financial assets at fair value through other comprehensive income	16	-	276	-	-	276
Income tax on net realised gains on financial assets at fair value through other comprehensive income	16	-	(83)	-	-	(83)
Transfer to accumulated losses	16	-	860	-	(860)	-
Total other comprehensive income for the year, net of tax		-	1,053	-	(860)	193
Total comprehensive income for the year		**-**	**1,053**	**-**	**(696)**	**357**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	15	376	-	-	-	376
Dividends provided for or paid	17	-	-	(757)	-	(757)
Transfer to profits reserve (net of tax)		-	-	16	(16)	-
		376	-	(741)	(16)	(381)
Balance at 30 June 2016		**24,258**	**-**	**636**	**(1,260)**	**23,634**
Balance at 1 July 2016		24,258	-	636	(1,260)	23,634
Net profit for the year		-	-	-	932	932
Other comprehensive income for the year	16	-	-	-	-	-
Total comprehensive income for the year		-	-	-	932	932
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	15	334	-	-	-	334
Dividends provided for or paid	17	-	-	(620)	-	(620)
Transfer to profits reserve (net of tax)		-	-	932	(932)	-
		334	-	312	(932)	(286)
Balance at 30 June 2017		**24,592**	**-**	**948**	**(1,260)**	**24,280**

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

	Notes	Year ended 2017 $'000	2016 $'000
Cash flows from operating activities			
Proceeds from disposal of financial assets at fair value through profit or loss		**10,603**	3,282
Payments for financial assets at fair value through profit or loss		**(9,672)**	(14,506)
Proceeds from sale of financial assets held at fair value through other comprehensive income		**-**	10,988
Interest received		**33**	21
Dividends and trust distributions received		**877**	964
Other income received		**-**	3
Management and performance fees paid		**(243)**	(754)
Transaction costs paid		**(48)**	(21)
Payments for other expenses		**(287)**	(251)
Net cash inflow/(outflow) from operating activities	22	**1,263**	(274)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**275**	280
Dividends paid to the Company's shareholders	17	**(562)**	(673)
Shares issued on options exercised		**13**	25
Cost of raising capital		**(16)**	(18)
Net cash (outflow) from financing activities		**(290)**	(386)
Net increase/(decrease) in cash and cash equivalents		**973**	(660)
Cash and cash equivalents at the beginning of the year		**1,223**	1,883
Cash and cash equivalents at the end of year	9	**2,196**	1,223

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

1 General information

CBG Capital Limited (the "Company") is a listed public company domiciled in Australia. The address of CBG Capital Limited's registered office is Level 3, 7 Macquarie Place, Sydney, NSW, 2000. The financial statements of CBG Capital Limited are for the year ended 30 June 2017. The Company is primarily involved in making investments, and deriving revenue and investment income from listed securities and unit trusts in Australia.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

The financial statements were authorised for issue by the Directors on 30 August 2017.

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Company

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

(iii) Historical cost convention

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

(iv) Critical accounting estimates

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	The Company's main sources of income are interest, dividends, distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.	Mandatory for financial years commencing on or after 1 January 2018. The Company has not yet decided when to adopt AASB 15.

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

2 Summary of significant accounting policies (continued)

(b) Revenue recognition

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

(i) Investment income

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

(ii) Dividends and trust distributions

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

(iii) Interest income

Interest income is recognised using the effective interest method.

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

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

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

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

(d) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by year end. Trades are recorded on trade date, and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

2 Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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

(f) Trade and other receivables

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(g) Investments and other financial assets

Classification

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

Financial assets at fair value through profit or loss are financial assets held for trading such as listed equity instruments.

Recognition and derecognition

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

Measurement

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

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

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

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

Determination of Fair Value

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

2 Summary of significant accounting policies (continued)

(h) Trade and other payables

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

(i) Issued capital

Ordinary shares are classified as equity.

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

(j) Profits reserve

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

(k) Dividends

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

(l) Earnings per share

Basic earnings per share is calculated by dividing:

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

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

(m) Goods and Services Tax (GST)

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

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

(n) Rounding of amounts

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

(o) Functional and presentation currency

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

(p) Comparatives

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

3 Financial risk management

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

(a) Market risk

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

(i) Price risk

Exposure

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

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

Securities representing over 5 per cent of the investment portfolio at 30 June 2017 were:

	2017 (%)
Commonwealth Bank of Australia	10.20%
Westpac Banking Corporation	8.01%
BHP Billiton Limited	6.32%
	24.53%

	2016 (%)
Commonwealth Bank of Australia	11.38%
Westpac Banking Corporation	7.95%
Transurban Group	6.20%
Macquarie Atlas Roads Group	6.14%
ANZ Banking Group Limited	5.46%
	37.13%

No other security represents over 5 per cent of the investment portfolio at 30 June 2017 and 30 June 2016.

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in other market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30 per cent:

	Impact on total equity	
Index	**2017 $'000**	2016 $'000
Change in variable +/- 5%	**766**	751
Change in variable +/- 10%	**1,532**	1,502

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

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

At 30 June 2017

	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets			
Cash and cash equivalents	**2,196**	**-**	**2,196**
Trade and other receivables	**-**	**423**	**423**
Financial assets held at fair value through profit or loss	**-**	**21,891**	**21,891**
	2,196	**22,314**	**24,510**
Financial liabilities			
Trade and other payables	**-**	**(691)**	**(691)**
	-	**(691)**	**(691)**
Net exposure	**2,196**	**21,623**	**23,819**

At 30 June 2016

	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets			
Cash and cash equivalents	1,223	-	1,223
Trade and other receivables	-	612	612
Financial assets held at fair value through profit or loss	-	21,460	21,460
	1,223	22,072	23,295
Financial liabilities			
Trade and other payables	-	(239)	(239)
	-	(239)	(239)
Net exposure	1,223	21,833	23,056

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

Sensitivity

At 30 June 2017, if interest rates had increased by 75 or decreased by 75 basis points from the year end rates with all other variables held constant, post-tax loss for the year would have been $12,000 lower/$12,000 higher (2016: $5,000 lower/$5,000 higher) mainly as a result of higher/lower interest income from cash and cash equivalents.

3 Financial risk management (continued)

(b) Credit risk

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

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

There are no material amounts of collateral held as security at 30 June 2017.

Credit risk is managed as noted in Note 9 with respect to cash and cash equivalents and Note 10 for trade and other receivables. None of these assets are over-due or considered to be impaired.

(c) Liquidity risk

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

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

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

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

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

4 Fair value measurements

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

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

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

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

4 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

(i) Recognised fair value measurements

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

Recurring fair value measurements **At 30 June 2017**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets at FVTPL				
Listed equity securities	**21,891**	**-**	**-**	**21,891**
Total financial assets	**21,891**	**-**	**-**	**21,891**
Recurring fair value measurements At 30 June 2016				
Financial assets				
Financial assets at FVTPL				
Listed equity securities	21,343	-	-	21,343
Unlisted equity securities	-	117	-	117
Total financial assets	21,343	117	-	21,460

The Level 2 investment in the prior year represented an amount in relation to an Initial Public Offering in which the Company had subscribed to during the prior year. This investment was not listed on the Australian Securities Exchange as at that year end and therefore represented an investment in an inactive market. In valuing this unlisted investment, the fair value had been determined using the valuation technique of the subscription price and the amount of securities subscribed for by the Company under the relevant offer. During the year ended 30 June 2017 this investment was disposed.

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

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

(ii) Disclosed fair values

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

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

5 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

6 Segment information

The Company has only one reportable segment. The Company is engaged solely in investment activities conducted in Australia, deriving revenue from dividend and trust distribution income, interest income and from the sale of its investments.

7 Other revenue

	Year ended 2017 $'000	2016 $'000
From continuing operations		
Dividends	**636**	739
Distributions	**178**	235
Interest	**34**	19
Other income	**-**	3
	848	996

8 Income tax expense/(benefit)

(a) Income tax benefit through profit or loss

	Year ended 2017 $'000	2016 $'000
Deferred tax on temporary differences	**114**	(223)
	114	(223)

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

	Year ended 2017 $'000	2016 $'000
Profit/(loss) from continuing operations before income tax benefit	**1,046**	(59)
Tax at the Australian tax rate of 30%	**314**	(18)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	**(246)**	(278)
Sundry items	**(24)**	-
Imputation gross up on dividends income	**68**	84
Timing differences	**2**	(11)
Income tax expense/(benefit)	**114**	(223)

8 Income tax expense/(benefit) (continued)

(c) Amounts recognised directly in equity

		Year ended	
	Notes	**2017 $'000**	2016 $'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
Deferred tax: Share issue costs	12	**(26)**	(26)

(d) Tax benefit relating to items of other comprehensive income

	Year ended	
	2017 $'000	2016 $'000
Net realised losses on investments taken to equity	**-**	(83)

9 Current assets - Cash and cash equivalents

	As at	
	2017 $'000	2016 $'000
Current assets		
Cash at bank	**2,196**	1,223

These accounts are earning interest at rates between 1.1% and 1.6% as at 30 June 2017 (2016: 1.3% and 2.1%).

(i) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	As at	
	2017 $'000	2016 $'000
Cash at bank	**2,196**	1,223

(b) Risk exposure

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

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

10 Current assets - Trade and other receivables

	As at	
	2017	2016
	$'000	$'000
Dividends and distributions receivable	**160**	223
Interest receivable	**2**	1
GST receivable	**13**	11
Due from brokers	**248**	377
	423	612

(a) Fair value and credit risk

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

Receivables are non-interest bearing and unsecured.

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

Financial assets at fair value through profit or loss are all held for trading and include the following:

	As at	
	2017	2016
	$'000	$'000
Equity securities		
Investments in shares and property trusts	**21,891**	21,460

(i) Risk exposure and fair value measurements

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

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

12 Non-current assets - Deferred tax assets

The Board expects that commencing FY18, the Company's turnover will fall under the $25 million threshold and therefore the Company will use the applicable reduced corporate tax rate of 27.5% for future years. All deferred tax balances as at 30 June 2017 were recognised using the expected applicable reduced corporate tax rate of 27.5%.

	As at	
	2017	2016
	$'000	$'000
The balance comprises temporary differences attributable to:		
Audit fees and director's superannuation accruals	**4**	9
Capitalised share issue costs	**71**	97
Effect of change in Australian tax rate to 27.5% from 30%	**1**	-
Carried forward tax losses	**466**	440
Total deferred tax assets	**542**	546

	Year ended	
	2017	2016
	$'000	$'000
Movements:		
Opening balance	**546**	389
Charged/(credited):		
- to equity	**(26)**	(26)
- to profit or loss	**22**	183
Closing balance	**542**	546

13 Current liabilities - Trade and other payables

	As at	
	2017	2016
	$'000	$'000
Management fees payable	**22**	21
Due to brokers	**619**	160
Other payables	**50**	58
	691	239

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

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

14 Non-current liabilities - Deferred tax liabilities

The Board expects that commencing FY18, the Company's turnover will fall under the $25 million threshold and therefore the Company will use the applicable reduced corporate tax rate of 27.5% for future years. All deferred tax balances as at 30 June 2017 were recognised using the expected applicable reduced corporate tax rate of 27.5%.

	As at	
	2017	2016
	$'000	$'000
The balance comprises temporary differences attributable to:		
Interest and dividend accruals	**1**	3
Net unrealised gains on investments	**118**	11
Effect of change in Australian tax rate to 27.5% from 30%	**1**	-
Total deferred tax liabilities	**120**	14

	2017	2016
	$'000	$'000
Movements:		
Opening balance	**14**	3
Charged/(credited):		
- profit or loss	**106**	11
Closing balance	**120**	14

15 Issued capital

(a) Share capital

	As at		As at	
	2017	2016	**2017**	2016
	Shares '000	Shares '000	**$'000**	$'000
Ordinary shares - fully paid	**25,014**	24,638	**24,592**	24,258

(b) Movements in ordinary share capital

Details	**Number of shares '000**	**$'000**
Opening balance 1 July 2015	24,240	23,882
Dividends reinvestment plan issues	87	84
Shares issued, net of transaction costs and tax	286	280
Exercise of options - proceeds received	25	25
	24,638	24,271
Less: Transaction costs arising on share issue	-	(13)
Closing balance 30 June 2016	24,638	24,258
Dividends reinvestment plan issues	62	58
Shares issued, net of transaction costs and tax	302	264
Exercise of options - proceeds received	12	12
Closing balance 30 June 2017	**25,014**	**24,592**

15 Issued capital (continued)

(c) Ordinary shares

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

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

(d) Dividend reinvestment plan

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

(e) Option issue

On 19 December 2014, as part of IPO the Company issued options to acquire ordinary shares in the Company at an exercise price of $1.00 with expiry date of 30 September 2016.

Since issue, a total of 37,600 options have been exercised and allotted for a total consideration of $37,600. The remaining options lapsed on 30 September 2016.

(f) Capital risk management

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

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

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

16 Investment reserves

Investment reserves

	2017 $'000	2016 $'000
Investment portfolio revaluation reserve	**-**	-
Investment portfolio realised gains/losses reserve	**-**	-
	-	-

	As at	
	2017 $'000	2016 $'000
Movements:		
Investment portfolio revaluation reserve		
Opening balance	**-**	(936)
Net unrealised losses on investments	**-**	-
Income tax on net unrealised losses on investments	**-**	-
Transfer to accumulated losses	**-**	936
Closing balance	**-**	-

16 Investment reserves (continued)

Investment reserves (continued)

	As at	
	2017	2016
	$'000	$'000
Investment portfolio realised gains/losses reserve		
Opening balance	**-**	(117)
Net realised gains/(losses) on investments	**-**	276
Income tax on net realised (gains)/losses on investments	**-**	(83)
Transfer to accumulated losses	**-**	(76)
Closing balance	**-**	-

17 Dividends

(a) Dividend franking account

The franked portions of the final dividends recommended after 30 June 2017 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2018.

	Year ended	
	2017	2016
	$'000	$'000
Opening balance of franking account	**36**	79
Franking credits on dividends received	**245**	277
Franking credits paid on ordinary dividends paid	**(265)**	(325)
Closing balance of franking account	**16**	31
Adjustments for tax payable/refundable in respect of the current year's profits, the receipt of dividends and from dividends declared	**49**	56
Adjusted franking account balance	**65**	87

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

(b) Dividend rate

Dividends declared and/or paid fully franked at 30% tax rate were:

	Dividend Rate	**Total Amount**	**Date of Payment**	**% Franked**
2017				
Ordinary shares -interim	1.0c	$250	25/05/2017	100
2016				
Ordinary shares - final	1.5c	$370	24/11/2016	100

18 Key management personnel disclosures

(a) Key management personnel compensation

	Year ended 2017 $	2016 $
Short-term employee benefits	**51,792**	49,500
	51,792	49,500

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 9.

19 Remuneration of auditors

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

(a) KPMG

(i) Audit and other assurance services

	Year ended 2017 $	2016 $
Audit and other assurance services		
Audit and review of financial statements	**19,000**	19,000
Total remuneration for audit and other assurance services	**19,000**	19,000
Taxation services		
Tax compliance services	**5,500**	5,500
Total remuneration of KPMG	**24,500**	24,500

20 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 18.

(b) Transactions with other related parties

Ronni Chalmers was the sole shareholder of CBG Asset Management Limited as at 30 June 2017. The Company has entered into a Management Agreement with CBG Asset Management Limited such that it will manage investments of the Company and will be responsible for the provision of the financial services for a fee of 1.0% p.a. (exclusive of GST) of the net tangible asset of the portfolio before all taxes amounting to $243,338 (2016: $245,417).

As at 30 June 2017, the balance payable to the Investment Manager was $21,588 (2016: $20,903).

In addition, CBG Asset Management Limited is entitled to be paid by the Company, a performance fee of 20.0% (exclusive of GST) of the portfolio performance in excess of the benchmark, subject to the portfolio performance being positive and subject to a high water mark.

For the year ended 30 June 2017, in its capacity as manager, there was no performance fee payable to CBG Asset Management Ltd (2016: 512,873, net of reduced input tax credits).

20 Related party transactions (continued)

(b) Transactions with other related parties (continued)

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

(c) Terms and conditions

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

21 Events occurring after the reporting period

The Directors recommend a 1.55 cent fully franked dividend in respect of financial year ended 30 June 2017 to be paid on 16 November 2017.

On 14 July 2017, Clime Investment Management Ltd (ASX: CIW) acquired 100% interest in the Company's Investment Manager, CBG Asset Management Limited.

The Board expects that commencing FY18, the Company's turnover will fall under the $25 million threshold and therefore the Company will use the applicable reduced corporate tax rate of 27.5% for future years.

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

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

	Year ended	
	2017	2016
	$'000	$'000
Profit for the year	**932**	164
Change in operating assets and liabilities:		
Net sales/(purchases) of financial assets held at fair value	**931**	(236)
Net (gains) on financial instruments held at fair value through profit or loss	**(774)**	(33)
Decrease in trade and other receivables	**60**	41
Decrease in other current assets	**7**	6
Decrease/(increase) in deferred tax assets	**8**	(234)
(Decrease)/increase in trade and other payables	**(7)**	7
Increase in deferred tax liabilities	**106**	11
Net cash inflow /(outflow) from operating activities	**1,263**	(274)

23 Earnings per share

(a) Basic earnings per share

	Year ended	
	2017	2016
	Cents	Cents
Basic earnings per share	**3.75**	0.67
Total basic earnings per share attributable to the ordinary equity holders of the Company	**3.75**	0.67

23 Earnings per share (continued)

(b) Diluted earnings per share

	Year ended 2017 Cents	2016 Cents
Diluted earnings per share	**3.75**	0.67
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**3.75**	0.67

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

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

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

	Year ended 2017 $'000	2016 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**932**	164
	932	164
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company		
From continuing operations	**932**	164
	932	164

(d) Weighted average number of shares used as denominator

	Year ended 2017	2016
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**24,841,609**	24,389,691
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**24,841,609**	24,389,691

24 Contingencies

The Company had no contingent liabilities at 30 June 2017 (2016: nil).

In the Directors' opinion:

(a) the financial statements and notes set out on pages 12 to 34 are in accordance with the *Corporations Act 2001*, including:
   - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   - (ii) giving a true and fair view of the entity's financial position as at 30 June 2017 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

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

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Ronni Chalmers
Chairman

Sydney
30 August 2017

Independent Auditor's Report

To the shareholders of CBG Capital Limited

Opinion

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

In our opinion, the accompanying ***Financial Report*** of CBG Capital Limited is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Company's financial position as at 30 June 2017, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Statement of financial position as at 30 June 2017
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of financial assets
- Impact of outsourced service providers

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

<table>
<tr><th colspan="2">Valuation of the financial assets held at fair value through profit or loss ($21.9m) – refer note 11</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Financial assets held at fair value through profit or loss are comprised of listed equities.

Valuation of investments in listed equities is a key audit matter due to:
- these assets represent 87% of the Company's total assets;
- the importance of the performance of these assets in driving the Company's investment income and capital performance, as reported in the financial report;
- the high degree of time spent by the audit team in performing the audit procedures in relation to the valuation of these assets</td><td>Our audit procedures included:
• Obtained and read the Company's custodian's GS007 (Guidance Statement 007 Audit Implications of the User of Service Organisations for Investment Management Services) assurance report to evaluate the custodian's processes to record the Company's investments;
• Checked the ownership of the investment holdings to custody reports to test existence and ownership of investments being valued;
• Checked the valuation of the investments, as recorded in the general ledger, to independent third party pricing sources.</td></tr>
<tr><th colspan="2">Impact of outsourced service providers</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As the Company has placed significant reliance on external providers for its operations, the processes and controls of these external providers represent a key audit matter due to their significance in the preparation of the Financial Report.
CBG Capital Limited contracts outsourced service providers to perform the following services:
• Custody and Financial Reporting; and
• Registry services.
The relevant processes and controls of each of these outsourced service providers are therefore a key consideration for our audit. We focused on the impact of those processes and controls on the Company's financial reporting.
Each of the outsourced service providers obtains a GS007 report from an independent audit firm on the controls and processes at the service provider. Given the significance of these services in relation to our audit, we spent considerable audit effort in this area, involving senior members of the audit team.</td><td>Our audit procedures included:
• Obtained and read the Company's relevant GS007 (Guidance Statement 007 Audit Implications of the User of Service Organisations for Investment Management Services) assurance reports to evaluate the impact on the financial reporting processes;
• Using our knowledge of the industry and entity, we evaluated the service auditor's reputation, competence and independence;
• Considered the Board's processes to monitor the performance of the outsourced service providers to contracted performance standards by observing meetings and other communications between the Directors and the service providers.</td></tr>
</table>

Other Information

Other Information is financial and non-financial information in the CBG Capital's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes Report to Shareholders, Investment Manager's Report, Corporate Governance Statement, Shareholders Information and Directors' Report. The Directors of CBG Capital Limited are responsible for the Other Information.

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Directors for the Financial Report

The Directors of CBG Capital Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of CBG Capital Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2017.

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

KPMG

KPMG

Andrew Reeves
Partner

Sydney
30 August 2017

CBG Capital Limited
Investments at Market Value
30 June 2017

		$	%
	Consumer Services		
ISU	ISELECT Ltd	186,558	0.85%
SLK	SeaLink Travel Group Limited	293,211	1.34%
		479,769	**2.19%**
	Media		
REA	REA Group Limited	485,450	2.22%
QMS	QMS Media Limited	105,778	0.48%
		591,228	**2.70%**
	Retailing		
AHG	Automotive Holdings Group Limited	658,965	3.01%
		658,965	**3.01%**
	Transportation		
QUB	Qube Holdings Limited	339,841	1.55%
MQA	Macquarie Atlas Roads Group	674,333	3.08%
TCL	Transurban Group	724,663	3.31%
		1,738,837	**7.94%**
	Banks		
ANZ	ANZ Banking Group Limited	921,883	4.21%
CBA	Commonwealth Bank of Australia	2,232,226	10.20%
NAB	National Australia Bank Limited	986,560	4.51%
SUN	Suncorp Group Limited	647,145	2.96%
WBC	Westpac Banking Corporation	1,754,111	8.01%
		6,541,926	**29.89%**
	Materials		
BHP	BHP Billiton Limited	1,384,299	6.32%
RIO	Rio Tinto Limited	667,752	3.05%
BLD	Boral Ltd	408,090	1.86%
FBU	Fletcher Building Ltd	221,618	1.01%
		2,681,759	**12.24%**

		$	%
	Health Care Equipment & Services		
AXP	Airxpanders Inc	102,231	0.47%
CSL	CSL Limited	1,066,144	4.87%
ELX	Ellex Medical Lasers Limited	131,048	0.60%
REG	Regis Healthcare Limited	264,489	1.21%
RHC	Ramsay Health Care Limited	638,259	2.92%
		2,202,171	**10.07%**
	Commercial & Professional Services		
IPH	IPH Limited	111,466	0.51%
SDA	Speedcast International Limited	664,069	3.03%
TLS	Telstra Corporation Limited	809,466	3.70%
VOC	Vocus Group Limited	254,853	1.16%
BXB	Brambles Ltd	520,497	2.38%
NWH	NRW Holdings	58,200	0.27%
		2,418,551	**11.05%**
	Financials		
AVN	Avenus Retail Property Fund	472,452	2.16%
ECX	Eclipx Group Limited	117,685	0.54%
JHG	Janus Henderson Group PLC	849,946	3.88%
LLC	Lendlease Group	843,106	3.85%
PLG	Propertylink Group	172,238	0.79%
		2,455,427	**11.22%**
	Software & Services		
CL1_	Class Limited	187,821	0.86%
TNE	Technology One Limited	319,594	1.46%
LNK	Link Adminstratio Holdings Limited	778,126	3.55%
NTC	Netcomm Wireless Limited	163,637	0.75%
PPH	Pushpay Holdings Limited	117,186	0.53%
		1,566,364	**7.15%**
	Utilities		
APA	APA Group	556,426	2.54%
		556,426	**2.54%**
	Total Portfolio	**21,891,424**	**100.00%**

The Shareholder information set out below was applicable as at 31 July 2017.

A. Distribution of equity securities

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

	Class of equity security Ordinary shares		
Holding	**No. of Shareholders**	**Shares**	**Percentage**
1 - 1000	7	3,927	0.02
1,001 - 5,000	109	323,904	1.29
5,001 - 10,000	46	378,873	1.52
10,001 - 100,000	167	6,546,504	26.17
100,001 and over	52	17,760,368	71.00
	381	25,013,576	100.00

B. Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
Dynasty Peak Pty Limited <THE AVOCA SUPER FUND A/C>	1,964,873	7.85
Jacqueline Kay Pty Limited <PAUL CHALMERS SUPER FUND A/C>	1,500,000	6.00
Ropa Pty Limited	1,000,000	4.00
Brahma Finance BVI Limited	865,302	3.46
Nambia Pty Limited <ANTHON FAMILY S/F A/C>	706,986	2.82
PW and VJ Cooper Pty Limited <P W & V J COOPER S/F A/C>	589,312	2.35
Jennifer Kaldor and Jonathon Rosenberg <ROSENBERG FAMILY S/F A/C>	572,146	2.29
Savior Superannuation Pty Limited <LOCOPE SUPER FUND A/C>	535,000	2.14
Saxon Acquisitions Pty Limited <DON'T PANIC DISC A/C>	534,450	2.14
Australian Executor Trustees Limited	520,000	2.08
Pesutu Pty Limited <KAREDIS SUPER FUND A/C>	500,000	2.00
Northland Investments Pty Limited	500,000	2.00
Overglade Pty Limited <OVERGLADE PTY LTD S/F A/C>	491,948	1.97
BNP Paribas Nominees Pty Limited HUB24 CUSTODIAL SERV LTD DRP	464,470	1.86
BNP Paribas Nominees Pty Limited <IB AU NOMS RETAILCLIENT DRP>	315,067	1.26
Mr Gregory Dyer & Mrs Deborah Dyer <THE DYER FAMILY S/F A/C>	265,030	1.06
Mr Daniel Chalmers and Mrs Mandy Chalmers <SUPERANNUATION FUND A/C>	264,882	1.06
Jacken Nominees Pty Limited <SESEL SUPERANNUATION FUND>	264,882	1.06
Maclans Services Pty Limited <MACLANS SUPER FUND A/C>	255,767	1.02
Mr Ashley Vincent Edgar and Ms Terri Lea Bainbridge <EDGAR FAMILY SUPER FUND A/C>	250,589	1.00
	12,360,704	49.42

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Dynasty Peak Pty Limited <THE AVOCA SUPER FUND A/C>	1,964,873	7.86
Jacqueline Kay Pty Limited <PAUL CHALMERS SUPER FUND A/C>	1,500,000	6.00

D. Voting rights

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

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

E. Stock Exchange Listing

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

F. Unquoted Securities

There are no unquoted shares on issue.

G. Transaction Summary

During the financial year, 298 transactions in securities were made by the Company (2016: 279 transactions). The total brokerage incurred during the year ended 30 June 2017 was $97,858 (2016: $66,924).

H. Investment Management Agreement

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

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

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

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

I. Securities subject to voluntary escrow

There are no shares issued to voluntary escrow.