DMX

CAPITAL PARTNERS

ACN 603 568 494

# DMX Capital Partners Limited

## ACN: 603 568 494

## 2019 Annual Report

---

***DMX Capital Partners is an unlisted investment company that invests in compelling nano and micro-cap opportunities on the ASX. The company is managed by DMX Asset Management.***

**dmxam.com.au**

**DMX Capital Partners Limited**
**Shareholder statement**
**30 June 2019**

Dear fellow shareholders,

DMX Capital Partners Limited (DMXCP) is a public unlisted investment company which invests in emerging ASX listed companies. DMXCP is managed by DMX Asset Management Limited (DMXAM), pursuant to an asset management agreement.

The focus of the Manager, DMXAM, over the past year has been on continuing to maintain a portfolio of small undervalued companies that represent 'compelling' investments. 'Compelling' investments, in the view of the Manager, are well managed undervalued companies that have strong growth profiles, are attractively priced and which have the potential to offer significant upside from low bases.

Highlights for the year were:

- **Paying a 3.8c fully franked dividend on 12 November 2018**
- **Generating a gross return to shareholders of 3.72% for the year (including dividends and franking credits paid)**
- **Increasing gross assets during the financial year by approximately $0.6m (from $6.4m to approximately $7.0m).**
- **2 core positions were subject to private equity led takeover offers during the year**
- **Participated in seven placements**
- **Maintaining an average cash balance of 19%**

**2019 financial year - overview**

For the 2019 financial year to June, DMXCP returned a modest 3.72% (after all accrued fees and fund expenses). Whilst this was ahead of the Emerging Companies Index (XEC - which fell 4.60% over the year) and the Small Ordinaries Accumulation Index (XSO - up 1.92%), we consider this result to be below expectations, given the generally strong broader equity market conditions. Pleasingly, the fund finished the year strongly, and commences FY20 with good momentum.

The fund has traditionally performed with a low correlation with the broader market, with better performance in weaker markets. Key observations in relation to performance during the year include:

- A number of our key holdings such as Easton Investments (ASX:EAS), Joyce Corporation (ASX:JYC) and Blackwall Limited (ASX:BWF) tracked sideways or generated slightly negative returns for the year. However, these are all well run businesses that ended the financial year with more compelling fundamentals than they started the year with.

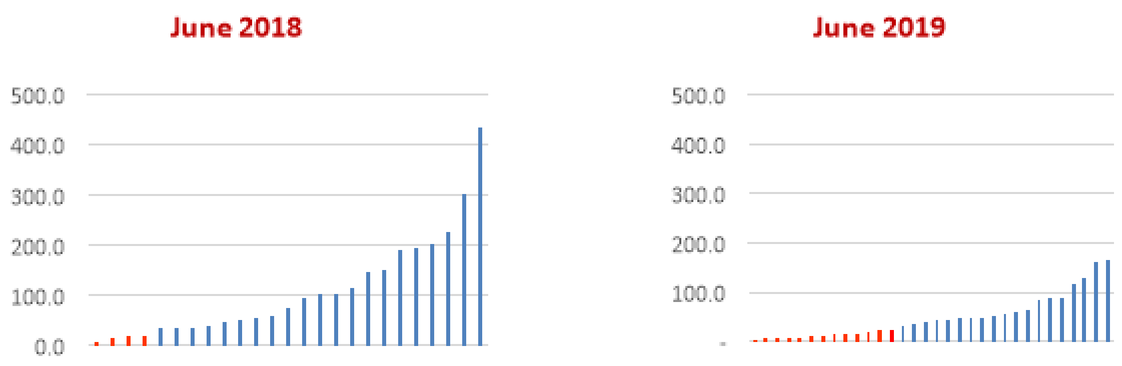
- The returns from successful larger-weighted investments such as Zenitas Healthcare (ASX:ZNT), People Infrastructure (ASX:PPE) and Kip McGrath Education Centers (ASX:KME) have been offset by some poor performers, namely CML Group (ASX:CGR) and UCW Limited (ASX:UCW). Konekt (ASX:KKT) continued to disappoint through the year.

- Strength in the broader market has once again generally been driven by larger, high growth, high liquidity "momentum" stocks. In such an environment, a value-biased investment strategy focused on illiquid stocks, continues to be challenging.

**Portfolio construction during FY19**

During FY19 the Manager has undertaken various initiatives which we believe enhance DMX Capital Partners' investment proposition for clients. The charts below highlight how the DMXCP portfolio has evolved over the last twelve months.

**DMXCP PORTFOLIO HOLDINGS BY MARKET CAPITALISATION (M) – JUNE 2018 & JUNE 2019 (**Nano-cap (<$25m) stocks in red)



As highlighted above, a key change over the year has been the increase in stocks with market caps less than $25m (nano-caps) with a corresponding decrease in positions with market caps greater than $100m. The recycling out of larger names and into smaller opportunities is reflected in the median market cap of our holdings reducing from $84m in June 2018 to $40m in June 2019. This is explained below:

- **Opportunity.** In the current environment we simply see more compelling opportunities in the smaller (nano-cap) part of the market. The XEC Emerging companies Index was down ~5% for the year, when most of the broader indices were well up. A number of nano-caps were sold down heavily in the later part of 2018, when there was the major market correction, and have not yet recovered. Therefore we are finding good value opportunities still available in these smaller sized companies.

- Conversely, with market strength we are seeing a real lack of opportunities in stocks with larger capitalisations where the market behaves more efficiently. Increasingly, those larger stocks that continue to look cheap, are turning out to be 'cheap for a reason' (or 'value traps'). We have experienced this first hand across our portfolio and are now extra sensitive to this in our portfolio construction.

- **Greater edge**. We feel we have several advantages operating in a part of the market where there are limited other participants. We 'turn over a lot of rocks' and talk and meet with the management of many small companies. In some instances, we have been the first investors to have met with the management team for some time. While management don't disclose market sensitive information, by meeting with them we feel we can better understand drivers of company performance and obtain an informational edge.

- **Differentiation**. We want to offer our investors a portfolio that contains interesting exposures, that is unique and difficult to replicate. In our view, we can add little value by following the crowd and constructing a portfolio of popular, larger, liquid, and often over-valued, widely held names. Where we can add value is investing sensibly in under the radar companies that are growing, and that have a good chance of strong capital appreciation from a low base

Given the dynamic market we are investing in, we must be pragmatic and seek to find the best opportunities within our value orientated investing framework. We continue to recycle funds from our larger holdings into smaller positions that we feel have more obvious upside. The team are all value investors at heart, and our investment process remains unchanged irrespective of market capitalisation – that is detailed cash flow modelling and DCF valuations together with sound fundamental analysis underpin all our investment decisions.

Whilst we are seeing more opportunities among smaller companies now, the market as mentioned, is dynamic and we are more than happy to look up the market cap scale for opportunities if they happen to present in the future.

The other key feature highlighted on the charts above is the increase in the number of stocks held in the portfolio (and by extension, smaller position sizes). This has increased from 24 at 30 June 2018 to 31 at 30 June 2019. We discuss below some of our thoughts behind this change:

- **A wider net**. Despite focusing on identifying compelling opportunities with what we would hope to be near term catalysts, it is the nature of the market that it is very hard to pick which 2 to 3 stocks in a portfolio will significantly 'perform' over any given period. So rather than putting our head out, we instead are taking a prudent portfolio-wide approach to seeking exposure to different, quality assets, and expect that over the course of any reasonable time period if we've cast the net wide enough (25-30 compelling opportunities), in each period, hopefully a small number of our under-valued stocks will be 'on the move' and help drive meaningful portfolio-wide outcomes.

- **Smaller companies = smaller positions**. The smaller companies that we are investing in often necessitate smaller positions. This may be a function of liquidity – for example, even for our relatively small size, to establish a 1% portfolio position in a $3m market cap company can be difficult. We are also conscious of the impact of illiquidity on our ability to effectively manage the overall portfolio. Generally, smaller companies are also earlier stage and may not have the long-term track record of execution that our larger positions exhibit. For this reason, while prospective on an individual basis, we do restrict our portfolio-wide exposure to nano-caps as a portion of the overall portfolio in order to manage liquidity risk.

- **Minimising drawdowns**. Our average position size has decreased, which naturally allows more stocks into the portfolio. Smaller position sizes reduce the sensitivity on the downside when we're either wrong, or the world moves adversely in a way that no one could reasonably anticipate. While we want good exposure to things that go 'right', we are also focused on protecting the downside.

**Looking forward to the 2020 financial year and Beyond**

With the above initiatives in place, we commence the 2020 financial year with strong price and news flow momentum across the portfolio, and we can see significant value and upside in our positions. While we don't know whether the portfolio next ticks up or down, we do feel confident and enthused that we've sown the seeds of attractive long term returns, and likely in a way that is different from other assets and funds will be exposed to. We are genuinely pleased at how the portfolio is looking and the interesting exposures that we are now nicely positioned in. We look forward to the year ahead with confidence.

**OPERATIONS**

DMXCP is managed by DMX Asset Management Limited. During the year, DMXCP incurred a liability to DMXAM for management fees of $63k (1% of gross assets) and performance fees of $26k (excluding GST).In accordance with the management agreement, a further $31k (0.5% of gross assets) has been accrued as a contribution towards DMXCP's administration expenses (primarily accounting, audit and legal costs and Director's fees) paid directly by DMXAM on behalf of DMXCP.

**FINANCIAL STATEMENTS**

The audited financial statements for DMXCP are presented on the following pages. As per the Auditor's Report, an unqualified independent audit opinion was issued by Nexia Sydney Partnership.

Each month DMXAM calculates a share price for DMXCP. The share price, since inception, has been calculated using a consistent methodology as *Share portfolio value + cash – fees payable – tax payable + franking credits*. The DMXCP share price as at 30 June 2019 was **$1.69.**

A reconciliation of the share price at 30 June 2019 to the audited accounts is set out below.

| *ITEM* | *30 JUNE 2019 - $* | *30 JUNE 2018 - $* | *DESCRIPTION* |
|---|---|---|---|
| | | | |
| *Cash* | *1,420,248* | *1,356,639* | *As per audited accounts – cash balance* |
| *Investments (ASX shares)* | *5,493,486* | *5,068,086* | *As per audited accounts – market value* |
| *Dividends accrued and other receivables* | *137,651* | *14,189* | *As per audited accounts* |
| ***Gross Assets (before tax)*** | ***7,051,385*** | ***6,438,914*** | *As per audited accounts* |
| *Fees payable* | *(74,457)* | *(44,543)* | *As per audited accounts – accrued fees* |
| *Other payables* | *(13,457)* | *(17,270)* | *As per audited accounts* |
| *Less: cash subscriptions received in June in advance of 1 July 2019 share issue* | *(554,804)* | *(18,646)* | *As per audited accounts – see note 1* |
| ***Net Assets (before tax)*** | ***6,408,667*** | ***6,358,455*** | |
| *Adjustments for tax* | | | |
| *Less: Income tax payable* | *(51,906)* | *-* | *As per audited accounts* |
| *Add: Franking credits* | *84,694* | *27,872* | *Off balance sheet item – see note 2 below* |
| ***Net Assets (after tax adjustments)*** | ***6,441,455*** | ***6,386,327*** | |
| *Shares on issue – 30 June 2019/2018* | *3,822,420* | *3,812,011* | *As per audited accounts – see note 7. Excludes shares issued on 1 July 2019/2018* |
| ***Share price (after fees & tax adjustments)*** | **$1.69** | **$1.68** | |

*1. DMXCP issues shares on a monthly basis on the first business day of the month following the receipt of funds. During June 2019, $554k in new subscriptions were received for shares issued on 1 July 2019 (FY18: $18k). The cash contributed and the shares to be issued have been excluded from the net assets and the calculation of the share price at 30 June 2019.*

*2. DMXCP is an investment company that intends to distribute fully franked distributions to its shareholders. While franking credits are an off-balance sheet item in the financial statements, they are included in the calculation of the month-end share price. New shares are issued monthly at the month-end share price. If franking credits were in fact excluded from the month-end share price, then existing shareholders would have their proportionate 'value' of DMXCP's accumulated franking credits diluted when new shares are issued. The DMXCP franking credit balance also includes franking credits that will arise from the payment of income tax at the reporting date based on a tax rate of 30%, and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date. The franking credit is calculated by DMXAM and is unaudited.*

Consistent with prior years, a reconciliation of the net assets used to calculate the share price (as calculated above) to the audited net asset position per the audited accounts as at 30 June 2019 is set out below:

| | | |
|---|---|---|
| ***Net Assets (audited accounts)*** | ***6,354,611*** | *Audited net assets per Statement of Financial Position* |
| *Add back: deferred tax liability* | *2,150* | *Balance as per audited accounts – Under current Accounting Standards, the Company is required to provide for tax that may arise should the entire portfolio be (theoretically) disposed of on the reporting date.*<br>*The deferred tax liability is added back as DMXCP is a long-term investor and the tax is not currently payable (and there is no certainty as to when it will become payable*).* |
| *Add: Franking credits* | *84,694* | *Off balance sheet item added to net assets – see note 2 above* |
| ***Net Assets (after tax adjustments)*** | ***6,441,455*** | *Net assets used to calculate the share price at 30 June 2019* |

*In the event that the deferred tax liability does become payable, then the franking credit balance will increase by an amount equivalent to the tax payable.

We consider the two tax-related adjustments to the audited accounts (adding back the deferred tax liability and including franking credits - as described above) to be appropriate in order to best reflect the 'asset value' of a DMXCP share at any point in time.

**DIVIDEND**

DMXCP's dividend policy is to distribute to shareholders an annual dividend that is 100% franked, such that all franking credits accumulated through the financial year are paid out. Accordingly, the size of the dividend declared is a function of the franking credits accrued. DMXCP's franking credits are derived from income tax paid and from franking credits passed through from dividends received.

Based on the income tax payable for FY19 and available franking credits , the Directors of DMXCP's declared a dividend of 4.80 cents per share, fully franked, on 23 September 2019.

**OUTLOOK**

We believe our carefully constructed portfolio, concentrated in well-managed, under-researched, growing companies, purchased well on low multiples and with sound balance sheets, is very well placed to out-perform over time. Throughout the portfolio, upside continues to exist from earnings growth and multiple expansion (from low bases). We believe the underlying fundamentals and investment thesis of our portfolio holdings remain strong, the valuation metrics are compelling and multiples undemanding, and we remain excited about the potential of our core positions.

The portfolio has started the new financial year strongly, and for the first two months of the financial year, the fund is up +6.53%.

We thank all shareholders for their support, and we are looking forward to a successful year of investing in 2020.

Sincerely

Roger Collison
**Chairman**
roger.collison@dmxcorporation.com.au
+612 431 663 468

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2019.

**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:

Roger Collison
Steven McCarthy
Dean Morel

**Principal activities**
The principal activity during the financial year was undertaking investments in small sized ASX listed companies.

**Dividends**
Dividends paid during the financial year were as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Final dividend | 143,629 | 90,379 |

**Review of operations**
The profit for the company after providing for income tax amounted to $176,793 (30 June 2018: $87,441).

**Significant changes in the state of affairs**
There were no significant changes in the state of affairs of the company during the financial year.

**Matters subsequent to the end of the financial year**
No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

**Environmental regulation**
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

| | |
|---|---|
| Name: | Roger Collison |
| Title: | Executive Chairman |
| Qualifications: | BEc(Hons), MBA (AGSM), CFA, GradDipAppFin, GradDipACG, SFFin, FCIS, FCSA, FAICD |
| Experience and expertise: | Investment banking, fund management, strategy consulting, not-for-profit |
| | |
| Name: | Steven McCarthy |
| Title: | Executive Director |
| Qualifications: | B. Com (Finance); BA (Economics); CPA |
| Experience and expertise: | Steven is a qualified accountant and has over 15 years' experience in corporate finance, business valuation and advisory services, with extensive analytical, valuation, due diligence and corporate advisory skills. He has had experience across a variety of industries with particular expertise in assessing the performance, future prospects and valuations of small to medium sized, listed and unlisted companies. |

| | |
|---|---|
| Name: | Dean Morel |
| Title: | Non-executive Director |
| Qualifications: | BAppSci, MappFin |
| Experience and expertise: | Dean has 30 years investment experience in Australian and international equity and derivative markets. As Chief Investment Officer of an investment trust for the last 13 years he has developed considerable security analysis, asset allocation and portfolio management skills.<br><br>Dean has extensive understanding of business process, integration and solutions across a broad range of industries. While workings for SAP Australia and UK he designed and implemented medium to large scale business enterprise systems and provided strategic consulting and systems auditing services to diverse companies, ranging from Fortune 500 to medium size enterprises. |

**Company secretary**
Steven McCarthy

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Roger Collison | 4 | 4 |
| Steven McCarthy | 4 | 4 |
| Dean Morel | 4 | 4 |

**Shares under option**
There were no unissued ordinary shares of the company under option outstanding at the date of this report.

**Shares issued on the exercise of options**
There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

**Indemnity and insurance of officers**
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability 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.

**Indemnity and insurance of auditor**
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**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.

**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 immediately after this directors' report.

**Auditor**
Nexia Sydney Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Roger Collison
Chairman

23 September 2019

**Nexia Australia**

To the Board of Directors of DMX Capital Partners Limited

**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

As lead audit partner for the audit of the financial statements of DMX Capital Partners Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia

**Nexia Sydney Partnership**

**Andrew Hoffmann**
*Partner*

Date: 23 September 2019

**Sydney Office**
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

**DMX Capital Partners Limited**
**Contents**
**30 June 2019**



## General information

The financial statements cover DMX Capital Partners Limited as an individual entity. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

DMX Capital Partners Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 7
9-13 Castlereagh Street
Sydney NSW 2000

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 September 2019. The directors do not have the power to amend and reissue the financial statements.

**DMX Capital Partners Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Revenue** | | | |
| Interest income | | 23,713 | 20,120 |
| Dividend income | | 183,290 | 124,420 |
| Other income | | - | 7,720 |
| Net gains on financial assets held at fair value through profit or loss | | 109,233 | 16,665 |
| | | 316,236 | 168,925 |
| **Expenses** | | | |
| Broker fee expenses | | (16,850) | (9,432) |
| Performance fee expenses | | (26,569) | (4,017) |
| Management fee expenses | | (63,087) | (57,508) |
| Administration expenses | | (31,543) | - |
| **Profit before income tax expense** | | 178,187 | 97,968 |
| Income tax expense | 3 | (1,394) | (10,527) |
| **Profit after income tax expense for the year** | | 176,793 | 87,441 |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | 176,793 | 87,441 |
| | | **Cents** | **Cents** |
| Basic earnings per share | 18 | 4.63 | 2.96 |
| Diluted earnings per share | 18 | 4.63 | 2.96 |

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

**DMX Capital Partners Limited**
**Statement of financial position**
**As at 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | 1,420,248 | 1,356,639 |
| Trade and other receivables | 5 | 137,651 | 14,189 |
| Financial assets at fair value through profit or loss | 6 | 5,493,486 | 5,068,086 |
| Total current assets | | 7,051,385 | 6,438,914 |
| **Total assets** | | 7,051,385 | 6,438,914 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 7 | 694,624 | 80,459 |
| Total current liabilities | | 694,624 | 80,459 |
| **Non-current liabilities** | | | |
| Deferred tax liability | 8 | 2,150 | 52,664 |
| Total non-current liabilities | | 2,150 | 52,664 |
| **Total liabilities** | | 696,774 | 133,123 |
| **Net assets** | | 6,354,611 | 6,305,791 |
| **Equity** | | | |
| Issued capital | 9 | 6,037,519 | 6,021,863 |
| Retained profits | | 317,092 | 283,928 |
| **Total equity** | | 6,354,611 | 6,305,791 |

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

**DMX Capital Partners Limited**
**Statement of changes in equity**
**For the year ended 30 June 2019**

| | Issued capital $ | Retained profits $ | Total equity $ |
|---|---|---|---|
| Balance at 1 July 2017 | 3,124,122 | 286,866 | 3,410,988 |
| Profit after income tax expense for the year | - | 87,441 | 87,441 |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive income for the year | - | 87,441 | 87,441 |
| Shares issued | 2,897,741 | - | 2,897,741 |
| Dividends paid (note 10) | - | (90,379) | (90,379) |
| Balance at 30 June 2018 | 6,021,863 | 283,928 | 6,305,791 |

| | Issued capital $ | Retained profits $ | Total equity $ |
|---|---|---|---|
| Balance at 1 July 2018 | 6,021,863 | 283,928 | 6,305,791 |
| Profit after income tax expense for the year | - | 176,793 | 176,793 |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive income for the year | - | 176,793 | 176,793 |
| Shares issued | 15,656 | - | 15,656 |
| *Transactions with owners in their capacity as owners:* | | | |
| Dividends paid (note 10) | - | (143,629) | (143,629) |
| Balance at 30 June 2019 | 6,037,519 | 317,092 | 6,354,611 |

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

**DMX Capital Partners Limited**
**Statement of cash flows**
**For the year ended 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Purchase of financial instruments held at fair value through profit or loss | | (2,770,262) | (3,734,122) |
| Sale of financial instruments held at fair value through profit or loss | | 2,454,095 | 1,086,905 |
| Payments to suppliers | | (235,412) | (280,538) |
| Interest received | | 23,713 | 27,840 |
| Dividend received | | 183,290 | 113,769 |
| Income tax paid | | - | (5,295) |
| Net cash used in operating activities | 17 | (344,576) | (2,791,441) |
| **Cash flows from investing activities** | | | |
| Net cash from investing activities | | - | - |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 9 | 551,814 | 2,897,741 |
| Dividends paid | 10 | (143,629) | (90,378) |
| Net cash from financing activities | | 408,185 | 2,807,363 |
| Net increase in cash and cash equivalents | | 63,609 | 15,922 |
| Cash and cash equivalents at the beginning of the financial year | | 1,356,639 | 1,340,717 |
| Cash and cash equivalents at the end of the financial year | 4 | 1,420,248 | 1,356,639 |

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

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements of DMX Capital Partners Limited (the Company) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**
The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**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 ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*
The preparation of the 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 2.

The following Accounting Standards and Interpretations are most relevant to the Company

**AASB 9 Financial Instruments**
The Company has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is nil.

**Note 1. Significant accounting policies (continued)**

**Revenue recognition**
The company recognises revenue as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

**Note 1. Significant accounting policies (continued)**

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**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.

**Trade and other receivables**
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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

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

**Investments and other financial assets**
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

*Financial assets at fair value through profit or loss*
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Impairment of financial assets*
The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

**Note 1. Significant accounting policies (continued)**

**Trade and other payables**
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Fair value measurement**
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Issued capital**
Ordinary shares are classified as equity.

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

**Dividends**
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

**Earnings per share**

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of DMX Capital Partners Limited, 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 financial year.

*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.

**Goods and Services Tax ('GST') and other similar taxes**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other payables in the statement of financial position.

**Note 1. Significant accounting policies (continued)**

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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2019. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

## Note 3. Income tax expense

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Income tax expense* | | |
| Current tax | 51,908 | - |
| Deferred tax - origination and reversal of temporary differences | (50,514) | 5,433 |
| Adjustment recognised for prior periods | - | 5,094 |
| Aggregate income tax expense | 1,394 | 10,527 |
| Deferred tax included in income tax expense comprises: | | |
| Increase/(decrease) in deferred tax liabilities (note 8) | (50,514) | 5,433 |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 178,187 | 97,968 |
| Tax at the statutory tax rate of 30% (2018: 27.5%) | 53,456 | 26,941 |
| Adjustment recognised for prior periods | - | 5,094 |
| Prior year tax losses not recognised now recouped | (6,764) | - |
| Franking tax credits | (45,298) | (18,637) |
| Trust distribution no accessible | - | (2,871) |
| Income tax expense | 1,394 | 10,527 |

## Note 4. Current assets - cash and cash equivalents

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Cash on hand | 2 | 2 |
| Cash at bank | 1,420,246 | 1,356,637 |
| | 1,420,248 | 1,356,639 |

## Note 5. Current assets - trade and other receivables

| | 2019 $ | 2018 $ |
|---|---|---|
| Trade receivables | 3,500 | 6,153 |
| Other receivables | 134,151 | 8,036 |
| | 137,651 | 14,189 |

## Note 6. Current assets - financial assets at fair value through profit or loss

| | 2019 $ | 2018 $ |
|---|---|---|
| Equity securities | 5,493,486 | 5,068,086 |

*Reconciliation*
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

| | 2019 $ | 2018 $ |
|---|---|---|
| Opening fair value | 5,068,086 | 2,404,205 |
| Addition and disposal movement | 587,349 | 2,617,328 |
| Revaluation increments | (161,948) | 46,553 |
| Closing fair value | 5,493,487 | 5,068,086 |

Refer to note 12 for further information on fair value measurement.

## Note 7. Current liabilities - trade and other payables

| | 2019 $ | 2018 $ |
|---|---|---|
| Trade payables | 13,457 | 17,270 |
| Management fee payable | 30,305 | 40,124 |
| Performance fee payable | 29,226 | 4,419 |
| Income tax payable | 51,906 | - |
| Administration expense payable | 14,926 | - |
| Other payables | 554,804 | 18,646 |
| | 694,624 | 80,459 |

## Note 8. Non-current liabilities - deferred tax liability

| | 2019 $ | 2018 $ |
|---|---|---|
| Deferred tax liability | 2,150 | 52,664 |

| | 2019 $ | 2018 $ |
|---|---|---|
| *Movements:* | | |
| Opening balance | 52,664 | 47,231 |
| Charged/(credited) to profit or loss (note 3) | (50,514) | 5,433 |
| Closing balance | 2,150 | 52,664 |

## Note 9. Equity - issued capital

| | 2019 Shares | 2018 Shares | 2019 $ | 2018 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 3,822,420 | 3,812,011 | 6,037,519 | 6,021,863 |

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

*Capital risk management*
The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

## Note 10. Equity - dividends

Dividends paid during the financial year were as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Final dividend | 143,629 | 90,379 |

## Note 11. Financial instruments

***Financial risk management objectives***
The company's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the company's operating units. Finance reports to the Board on a monthly basis.

**Note 11. Financial instruments (continued)**

***Market risk***

*Price risk*
The company is exposed to equity securities price risk. This risk arises from investments held by the company for which prices in the future are uncertain. The company mitigates price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the board. All of the company's equity investments are publicly traded and are included in the ASX.

At 30 June 2019, the fair value of equities exposed to price risk were as follows:

| | **2019** | **2018** |
|---|---|---|
| Equity securities | 5,493,488 | 5,068,086 |

*Interest rate risk*
The company has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the company invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis below may not fully indicate the total effect on the company's net assets attributable to shareholders of future movements in interest rates.

The table below summarises the company's exposure to interest rate risk:

| | Floating interest rate | Non-interest bearing |
|---|---|---|
| Cash and cash equivalents | 1,420,246 | - |
| Assets receivable | - | 137,653 |
| Financial assets held at fair value through profit or loss | - | 5,493,488 |
| Liabilities payable | - | (642,719) |
| Net exposure | 1,420,246 | 4,988,422 |

The table below summarises the impact of an increase/decrease of interest rates on the company's operating profit and net assets attributable to shareholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant.

| | **Price risk** | | **Interest rate risk** | |
|---|---|---|---|---|
| **2019** | **-10%** | **+10%** | **-100 bps** | **+100 bps** |
| Impact | (549,349) | 549,349 | (14,202) | 14,202 |

***Credit risk***
The company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the company.

The main concentration of credit risk, to which the company is exposed, arises from the company's cash and cash equivalents.

In accordance with the company's policy, the senior finance executives monitor the company's credit position on a daily basis and the board of directors reviews it at each meeting.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

**Note 11. Financial instruments (continued)**

*Cash and cash equivalents*
The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA (as determined by Standard and Poor's) or higher.

***Liquidity risk***
Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Note 12. Fair value measurement**

*Fair value hierarchy*
The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

| 2019 | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| Equity securities | 5,493,488 | - | - | 5,493,488 |
| Total assets | 5,493,488 | - | - | 5,493,488 |

| 2018 | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| Equity securities | 5,068,086 | - | - | 5,068,086 |
| Total assets | 5,068,086 | - | - | 5,068,086 |

There were no transfers between levels during the financial year.

**Note 13. Key management personnel disclosures**

*Directors*
The following persons were directors of DMX Capital Partners Limited during the financial year:

| | |
|---|---|
| Roger Collison - Executive Chairman | Appointed 6 January 2015 |
| Steven McCarthy - Executive Director | Appointed 6 January 2015 |
| Dean Morel - Non-executive Director | Appointed 25 August 2017 |

*Compensation*
Key management personnel services are provided by DMX Asset Management Limited and costs are included in the performance and management fees disclosed below. There is no separate charge for these services. There was no compensation paid directly by the company to any of the key management personnel.

The following transactions occurred with key management personnel during the reporting period:

## Note 13. Key management personnel disclosures (continued)

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Purchase of share capital – Steven McCarthy | 10,742 | 477,050 |
| Purchase of share capital – Zaolla Investments Pty Limited as trustee of McCarthy Chew Family Trust. Associated with Steven McCarthy | 54,708 | 208,063 |
| Purchase of share capital – Collison Superannuation Fund – Roger Collison acting as trustee to the fund | 4,326 | 191,163 |
| Purchase of share capital – Roger Collison and S Parker | 1,172 | 51,793 |
| Purchase of share capital – DMX Asset Management Limited | 1,834 | 81,021 |
| Purchase of share capital – Alistair Donald Collison | 59 | 2,593 |
| Purchase of share capital – James Douglas Collison | 187 | 8,285 |
| Purchase of share capital – DMX Corporation Limited | 1,800 | 79,554 |
| Purchase of share capital – Scott's Blower Super Fund | 14,449 | - |
| Purchase of share capital – Jean Maitland Collison | 83,060 | - |
| | 172,337 | 1,099,522 |

Under the terms of the Management Agreement between DMX Capital Partners Limited and DMX Asset Management Limited, DMX Asset Management Limited is entitled to receive a performance fee of 15% of any gain in the gross asset value per share of the Company (after provision for tax, but excluding any provision for performance fee for that period and ignoring any buy/sell spread) in excess of the period end 90-day BBSW for the period. The performance fee is also payable on any Shares redeemed throughout the financial year.

DMX Asset Management is also entitled to receive a management fee which is charged at 1.5% per annum on the value of gross assets. The management fee is payable monthly – 0.00125% per month of the value of the gross assets under management on the last business day of each month. During the year DMX Asset Management has charged a performance fee of $26,569 (2018: $4,017) and a management fee of $94,630 (2018: $57,508) to DMX Capital Partners Limited. As at 30 June 2019 the performance fee payable is $29,226 (2018: $4,419) and a management fee payable is $45,231 (2018: $40,124).

## Note 14. Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities  or commitments as at 30 June 2019.

## Note 15. Related party transactions

*Key management personnel*
Disclosures relating to key management personnel are set out in note 13.

## Note 16. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

## Note 17. Reconciliation of profit after income tax to net cash used in operating activities

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit after income tax expense for the year | 176,793 | 87,441 |
| Adjustments for: | | |
| Net gains on financial instruments held at fair value through profit or loss | (425,400) | (2,663,880) |
| Net change in receivables | (123,462) | (10,652) |
| Net change in payables, current tax liability and deferred tax | 78,007 | (204,350) |
| Change in operating assets and liabilities: | | |
| Decrease in deferred tax liabilities | (50,514) | - |
| Net cash used in operating activities | (344,576) | (2,791,441) |

## Note 18. Earnings per share

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit after income tax | 176,793 | 87,441 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 3,817,216 | 2,955,566 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 3,817,216 | 2,955,566 |
| | **Cents** | **Cents** |
| Basic earnings per share | 4.63 | 2.96 |
| Diluted earnings per share | 4.63 | 2.96 |

**DMX Capital Partners Limited**
**Directors' declaration**
**30 June 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Roger Collison
Chairman

23 September 2019

Nexia Australia

# Independent Auditor's Report to the Members of DMX Capital Partners Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the annual report of DMX Capital Partners Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the members' declaration.

In our opinion, the accompanying annual report of the Company 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 2019 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the annual report' section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the annual report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### Other information

The members are responsible for the other information. The other information comprises the information in DMX Capital Partners Limited's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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



**Sydney Office**
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

## Members' responsibility for the annual report

The members of the Company are responsible for the preparation of the annual 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 members determine is necessary to enable the preparation of the annual report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibility for the audit of the annual report

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

A further description of our responsibilities for the audit of the annual report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our auditor's report.

Nexia

**Nexia Sydney Partnership**

**Andrew Hoffmann**
*Partner*

Dated: 23 September 2019
Sydney

The shareholder information set out below was applicable as at 31 August 2019. The names of the twenty largest shareholders are as follows:

| | Name of Shareholder | Number of shares | % |
|---|---|---|---|
| 1 | Basapa Pty Ltd <ATF> Kehoe Family Trust | 605,908 | 14.60% |
| 2 | Mr Steven John McCarthy | 290,275 | 6.99% |
| 3 | Camden Equity Pty Ltd <ATF> Byrne Hybrid Investment Trust | 177,986 | 4.29% |
| 4 | Eastern Porphry Pty Ltd <ATF> The Stubbs Family Trust | 177,806 | 4.28% |
| 5 | Zaolla Investments Pty Ltd <ATF> McCarthy Chew Family Trust | 158,443 | 3.82% |
| 6 | Dean Morel and Janet Wilson <ATF> Dog Bowl Super Fund | 150,867 | 3.63% |
| 7 | Niveza Pty Ltd <ATF> Peter Thomson Superannuation Fund | 134,472 | 3.24% |
| 8 | LVN Investments P/L <ATF> LVN Superannuation Fund | 130,485 | 3.14% |
| 9 | Doldory Pty Ltd <ATF> Lewis Family Superannuation Fund | 125,048 | 3.01% |
| 10 | Baroga Pty Ltd <ATF> Baroga Superannuation Fund | 123,730 | 2.98% |
| 11 | Roger Collison and Elizabeth Collison <ATF> the Collison Super Fund | 116,331 | 2.80% |
| 12 | Scott Alexander Milson and Jacqueline Milson <ATF> Milson Superfund | 100,001 | 2.41% |
| 13 | Mr Andrew Tyler | 94,552 | 2.28% |
| 14 | M & S Bowden Superannuation Pty Ltd <ATF> M & S Bowden Superannuation Fund | 91,281 | 2.20% |
| 15 | Mr David Eyles | 88,763 | 2.14% |
| 16 | Mr Jean Maitland Collison | 83,060 | 2.00% |
| 17 | Ms Arwen Cerise Birch | 62,617 | 1.51% |
| 18 | Dr David Milecki & Ms Sharyn Groch <ATF> Milecki Executive Superannuation Fund | 60,328 | 1.45% |
| 19 | Etonvale Pty Ltd <ATF> The Michael Tong Family Trust | 60,181 | 1.45% |
| 20 | Wiseys Superannuation Pty Ltd <ATF> Ian Wiseman Superannuation Fund | 59,328 | 1.43% |
| | | 2,891,461 | 69.65% |
| | Other shareholders | 1,259,759 | 30.35% |
| | Total | **4,151,221** | **100.00%** |

# Company Directory

30 June 2019

| | |
|---|---|
| Directors: | Roger Collison (Executive Chairman)<br>Steven McCarthy (Executive Director)<br>Dean Morel (Non-executive Director) |
| Secretary: | Steven McCarthy |
| Notice of annual general meeting: | The annual general meeting of DMX Capital Partners Limited will be held at:<br>DMX Asset Management<br>Level 13<br>111 Elizabeth Street<br>Sydney NSW 2000<br>Time: 11:30am<br>Date: 30 October 2019 |
| Principal registered office in Australia: | Level 7<br>9 Castlereagh Street<br>Sydney NSW 2000 |
| Auditor: | Nexia Sydney Audit Pty Limited<br>Level 16<br>1 Market Street<br>Sydney NSW 2000 |
| Solicitors: | Addisons<br>Level12<br>60 Carrington Street<br>Sydney NSW 2000 |
| Bankers: | Commonwealth Bank<br>363 George Street<br>Sydney NSW 2000 |
| Website address: | www.dmxam.com.au |