DMX

CAPITAL PARTNERS

ACN 603 568 494

DMX Capital Partners Limited

ACN: 603 568 494

2018 Annual Report

DMX Capital Partners is an unlisted investment company that invests in compelling small and micro-cap value opportunities. It is managed by DMX Asset Management

dmxam.com.au

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.

PORTFOLIO SUMMARY

Highlights for the year were:

- **Recording a 1.02% increase in its share price**
- **Paying a 3.7c fully franked dividend on 12 November 2017**
- **Together, this generated a gross return to shareholders of 4.10% for the year (including franking credits)**
- **Increasing gross assets during the financial year by approximately $2.7m (from $3.7m to approximately $6.4m).**
- **Ending the year with a portfolio of 23 under-valued small and micro-cap investee companies**
- **Successfully lodging a Prospectus with ASIC dated 22 December 2017 to enable retail investors to continue to subscribe for shares in the company**

The focus of the Manager, DMXAM, over the past year has been on constructing and maintaining 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 and are trading on attractive multiples, or companies trading at discounts to their realisable net assets.

DMXCP finished the year holding 23 stocks (FY17: 23 stocks) with 5 positions exited during the year.

As discussed in our monthly newsletters, core holdings of the fund as at 30 June 2018 included Elanor Investors Limited (ASX:ENN), Blackwall Limited (ASX:BWF), Joyce Corporation Limited (ASX:JYC), People Infrastructure (ASX:PPE), Legend Corporation (ASX:LGD), Pioneer Credit Limited (ASX:PNC), Apollo Tourism (ASX:ATL) and Zenitas Healthcare Limited (ASX:ZNT). Please refer to our monthly newsletters for commentary on these holdings over the last year.

In constructing the DMXCP portfolio, our broad aim is to provide meaningful exposure to investments that have significant potential to increase in value, without taking on excessive stock specific risk. While the fund in exceptional circumstance may hold up to 20% in one position, our view is that a holding of approximately 5% to 10% is the appropriate position size to balance the rewards that investing in a small under-valued company can offer, versus the risks of holding a position in a small company.

We are ultimately trying to own a concentrated portfolio of under-valued small and micro-cap stocks where the downside is minimised, but where the upside is meaningful.

The fund also has several positions of 2.5% or less. These are undervalued companies which offer large potential upside, but where additional risks have been identified, or which are particularly illiquid.

In current market conditions we aim to hold cash of approximately 15% to 25% in order to take advantage of new opportunities and to ensure sufficient liquidity is available to the fund.

Given the illiquid and somewhat volatile nature of many of our holdings, a degree of flexibility is required in adhering to the position sizing. However, as share prices rise and fall, as new information comes to light and as new funds are committed to DMXCP, we are constantly monitoring position sizes and actively managing positions so that the risk / reward trade-off for each position remains appropriate.

We are happy with this approach and are confident that the portfolio's current composition appropriately balances risk (downside) and return (upside).

PERFORMANCE

Monthly DMXCP Net asset value (share-price) returns (after fees) since inception (%):

Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY	All Ords
2014/5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	+0.201	+9.448	+1.104	**+10.879**	**-7.01**
2015/6	+6.524	+1.971	+9.711	+0.958	+3.568	+2.470	-3.590	+1.323	+2.049	+2.045	+2.143	+0.020	**+32.698**	**-2.06**
2016/7	+5.389	+7.056	+2.156	+1.058	+1.520	+0.321	+0.885	-0.816	+1.790	-0.741	-1.990	+0.210	**+17.68**	**+8.20**
2017/8	+1.071	+1.208	+0.822	+3.494	-0.267	-0.055	+0.445	-1.625	+0.008	-1.173	+0.310	-0.211	**+4.10**	**+9.10**
2018/9	+1.017	+4.112											**+5.17**	**+2.31**

For the 2018 financial year to June, DMXCP returned a modest +4.10% after all accrued fees and fund expenses. We view this result as disappointing, particularly relative to previous years and given the generally strong equity market conditions. Whilst the fund has traditionally performed at a low correlation with the broader market, with better performance in weaker markets, some specific reasons for this performance are as follows:

- A number of our key holdings - Elanor Investors (ENN), Joyce Corporation (JYC), Blackwall Limited (BWF), Zenitas Healthcare (ZNT) and Gale Pacific (GAP) tracked sideways or generated negative returns for the year. However, these are all well run businesses that ended the financial year with far more compelling fundamentals than they started the year with.

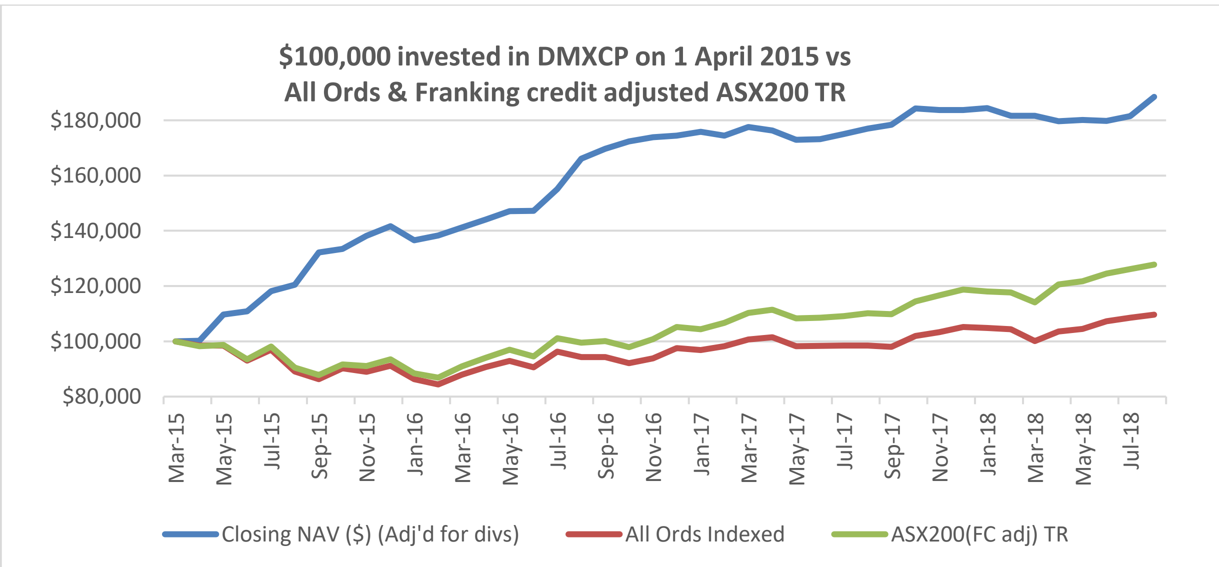
- The returns from successful investments such as Pioneer Credit (PNC) and People Infrastructure (PPE) have been offset by some poor performers, namely Konekt (KKT) and Mitula (MUA).

- Strength in the broader market has been driven by high growth, high liquidity "momentum" stocks, often with little or no earnings. In such an environment, a value-biased micro-cap investment strategy focused on earnings driven stocks, which do not offer significant liquidity, has been challenging.

However, we are excited by the opportunities we have identified in a number of ignored, under-valued and under-appreciated micro-cap stocks. The portfolio comprises a unique selection of profitable, small, growing, under-valued, undiscovered opportunities, with strong business momentum. While we can't predict performance in the short-term, we start the new financial year excited about the current portfolio holdings, and their medium to long-term prospects.

We note that post year end, a key position of ours, Zenitas Healthcare, was subject to a takeover offer at a significant premium to its trading price. While it is disappointing for us to exit this investment, given we have been strong long term supporters of the company, it does illustrates that if the market does not appropriately price these small undervalued companies, then it is likely that at some point private equity or other strategic or financial investors will.

The DMXCP fund has returned +88.85% after fees (including dividends) since inception (April 2015).



OPERATIONS

DMXCP is managed by DMX Asset Management Limited. During the year, DMXCP incurred a liability to DMXAM for management fees of $58k and performance fees of $4k (excluding GST). DMXAM receives shares in DMXCP in lieu of a cash payment for the performance fees.

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 2018 was **$1.68.**

A reconciliation of the share price at 30 June 2018 to the audited accounts is set out below.

ITEM	***30 JUNE 2018 - $***	***30 JUNE 2017 - $***	***DESCRIPTION***
Cash	*1,356,639*	*1,340,717*	*As per audited accounts – cash balance*
Investments (ASX shares)	*5,068,086*	*2,404,205*	*As per audited accounts – market value*
Dividends accrued and other receivables	*14,189*	*3,537*	*As per audited accounts*
Gross Assets (before tax)	***6,438,914***	***3,748,459***	*As per audited accounts*
Fees payable	*(44,543)*	*(70,692)*	*As per audited accounts – accrued fees*
Other payables	*(17,270)*	*(40,848)*	*As per audited accounts*
Less: cash subscriptions received in June in advance of 1 July 2018 share issue	*(18,646)*	*(178,500)*	*As per audited accounts – see note 1*
Net Assets (before tax)	***6,358,455***	***3,458,419***	
Adjustments for tax			
Less: Income tax payable	-	*(201)*	*As per audited accounts*
Add: Franking credits	*27,872*	*23,133*	*Off balance sheet item – see note 2 below*
Net Assets (after tax adjustments)	***6,386,327***	***3,481,351***	
Shares on issue – 30 June 2018/2017	*3,812,011*	*2,099,210*	*As per audited accounts – see note 7. Excludes shares issued on 1 July 2018/2017*
Share price (after fees & tax)	**$1.68**	**$1.66**	***Represents a 1.02% increase***

1. DMXCP issues shares on a monthly basis on the first business day of the month following the receipt of funds. During June 2018, $19k in new subscriptions were received for shares issued on 1 July 2018 (FY17: $19k). 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 2018.

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 27.5%, 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 2018 is set out below:

Net Assets (audited accounts)	***6,305,791***	*Audited net assets per Statement of Financial Position*
Add back: deferred tax liability	*52,664*	*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. 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	*27,872*	*Off balance sheet item added to net assets – see note 2 above*
Net Assets (after tax adjustments)	*6,386,327*	*Net assets used to calculate the share price at 30 June 2018*

*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.

During FY18 the share capital of DMXCP expanded from 2.1m to 3.8m. The majority of these new shares were issued in the second half of the year. Accordingly, the franking credits accumulated during the year are dispersed over a greater number of shares on issue at year end. Based on the reduced income tax payable for FY17 (and therefore reduced franking credits available at 30 June 2018) and the greater number of shares on issue, the Directors of DMXCP's declared dividend of 3.80c per share, fully franked, was declared on 19 September 2018 and paid on 16 November 2018.

OUTLOOK

We believe our high conviction micro-cap 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. All our portfolio holdings are profitable and are forecast to remain profitable, with the majority again forecasting dividends this year.

The portfolio has started the new financial year strongly, and for the first two months of the financial year, the fund is up +5.17%.

We thank all shareholders for their support, and we are looking forward to a successful year of investing in 2019.

Sincerely

Roger Collison
Chairman
roger.collison@dmxcorporation.com.au
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Director's Report

The directors present their report, together with the financial statements, on DMX Capital Partners Limited (DMXCP or the Company) for the year ended 30 June 2018.

Directors

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

Roger Collison	Executive Chairman	Appointed 6 January 2015
Steven McCarthy	Executive Director	Appointed 6 January 2015
Scott Riedel	Non-Executive Director	Appointed 19 November 2015 - Resigned 31 August 2017
Dean Morel	Non-Executive Director	Appointed 25 August 2017

Principal activities

The principal activity of DMXCP during the financial year was undertaking investments in small sized ASX listed companies.

Dividends

A dividend of 3.80 c fully franked was declared on 19 September 2018 and is to be paid on 16 November 2018. A dividend of 3.70c fully franked was declared on 6 September 2017 and was paid on 10 November 2017.

Review and results of operations

Pursuant to an Investment Management Agreement dated 1 April 2015, DMX Asset Management Limited (DMXAM) has managed the investments and operations of DMXCP during the year.

The net profit for DMXCP after providing for income tax amounted to $87,441 (2017: $218,892).

Significant changes in the state of affairs

There were no changes in the state of affairs of DMX Capital Partners Limited during the financial year.

Matters subsequent to the end of the financial year

No matters or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations in future financial years, the results and cash flows of those operations in future financial years, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Further information on likely developments in the operations of DMXCP and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to DMXCP.

Environmental Regulation

DMX Capital Partners Limited is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Roger Collison

Title: Executive Chairman (appointed 6 January 2015)

Qualifications: BEc (Hons), MBA, CFA, GradDipAppFin, GradDipACG, SFFin, FCIS, FCSA, FAICD

Experience and expertise: Investment banking, funds management, strategy consulting, not-for-profit.

Other current directorships: Chairman – DMX Corporation Limited; Executive Chairman – DMX Asset Management Limited; Executive Chairman – Nina's Chocolates; Non-Executive Director - Waterford Retirement Village

Trustee - Anglican Church Property Trust; Anglican National Super

Hon. Treasurer - Sydney Church of England Grammar School (Shore)

Former directorships (in the last 3 years): St Catherine's School, Waverley

Interests in shares: 277,633 (indirect)

Name: Steven McCarthy

Title: Executive Director (appointed 6 January 2015)

Qualifications: BCom (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.

Other current directorships: Executive Director – DMX Asset Management Limited

Former directorships (in the last 3 years): None

Interests in shares: 284,094 (direct) and 123,906 (indirect)

Name: Dean Morel

Qualifications: BAppSci, MappFin

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.

Dean has extensive understanding of business processes, integration and solutions across a broad range of industries. While working 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.

Other current directorships: None
Former directorships (in the last 3 years): None
Interests in shares: 145,508 (indirect)

Company secretary

Steven McCarthy, appointed 15 January 2016.

Board meetings

The numbers of meetings of the company's board of directors held during the period ended 30 June 2018, and the numbers of meetings attended by each director were:

	Attended	Held
Roger Collison	4	4
Steven McCarthy	4	4
Dean Morel	4	4

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Shares under option

None.

Shares issued on the exercise of options

None.

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 auditors

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.

Director's Report

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.

Non-audit services

Auditor’s remuneration is borne by DMX Asset Management Limited. Therefore, auditor’s remuneration is $nil in the Company.

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
Executive Chairman

Dated: 19 September 2018
Sydney

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 2018, 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: 19 September 2018

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30 June 2018

General information

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 are:

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 19 September 2018. The directors have the power to amend and reissue the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Note	2018 $	2017 $
Investment income			
Interest income		**20,120**	10,032
Dividend income		**124,420**	62,565
Other income		**7,720**	-
Net gains on financial instruments held at fair value through profit or loss	10	**16,665**	241,177
Total net investment income		**168,925**	313,774
Expenses			
Brokers fee expense		**(9,432)**	(3,143)
Management fee expense		**(57,508)**	(23,706)
Performance fee expense		**(4,017)**	(47,191)
Total operating expenses		**(70,957)**	(74,040)
Total operating profit		**97,968**	239,734
Income tax expense	3(a)	**(10,527)**	(20,842)
Profit after income tax		**87,441**	218,892
Other comprehensive income		**-**	-
Total comprehensive income for the period		**87,441**	218,892

Earnings per share for profit attributable to the ordinary equity holders of the company:

	Cents	Cents
Basic earnings per share (note 15)	**2.96**	14.88
Diluted earnings per share (note 15)	**2.96**	14.88

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

DMX Capital Partners Limited

Statement of Financial Position

as at 30 June 2018

	Note	2018	2017
		$	$
Assets			
Current Assets			
Cash and cash equivalents	4	**1,356,639**	1,340,717
Receivables		**14,189**	3,537
Financial assets held at fair value through profit or loss	5	**5,068,086**	2,404,205
Total current assets		**6,438,914**	3,748,459
Total assets		**6,438,914**	3,748,459
Liabilities			
Current Liabilities			
Payables	6	**80,459**	290,040
Current tax payable		**-**	201
Total current liabilities		**80,459**	290,241
Non-current Liabilities			
Deferred tax liability	3(c)	**52,664**	47,230
Total non-current		**52,664**	47,230
Total liabilities		**133,123**	337,471
Net assets		**6,305,791**	3,410,988
Equity			
Issued capital	7	**6,021,863**	3,124,122
Accumulated profits		**283,928**	286,866
Total equity		**6,305,791**	3,410,988

The statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Equity

for the year ended 30 June 2018

	Issued capital	Accumulated profits	Total Equity
	$	$	$
Balance 1 July 2016	1,070,355	121,376	1,191,731
Total comprehensive income for the year	-	218,892	218,892
Dividends paid	-	(53,402)	(53,402)
Shares issued	2,053,767	-	2,053,767
Balance 30 June 2017	3,124,122	286,866	3,410,988

	Issued capital	Accumulated profits	Total Equity
	$	$	$
Balance 1 July 2017	3,124,122	286,866	3,410,988
Total comprehensive income for the year	-	87,441	87,441
Dividends paid	-	(90,379)	(90,379)
Shares issued	2,897,741	-	2,897,741
Balance 30 June 2018	6,021,863	283,928	6,305,791

The statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Statement of Cash Flows

for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Purchase of financial instruments held at fair value through the profit and loss		**(3,734,122)**	(1,871,525)
Sale of financial instruments held at fair value through profit and loss		**1,086,905**	778,526
Payments to suppliers		**(280,538)**	(40,186)
Interest received		**27,840**	10,032
Dividend received		**113,769**	61,510
Income tax paid		**(5,295)**	(18,216)
GST received/(payment)		**-**	1,810
Net cash outflow from operating activities	11	**(2,791,441)**	(1,078,049)
Cash flows from financing activities			
Loans from related parties		**-**	-
Loans from non-related parties		**-**	-
Dividends paid		**(90,378)**	(3,941)
Proceeds from issue of shares		**2,897,741**	1,987,806
Net cash flow from financing activities		**2,807,363**	1,983,865
Net increase in cash and cash equivalents		**15,922**	905,816
Cash and cash equivalents at the beginning of the financial year		**1,340,717**	434,901
Cash and cash equivalents at the end of the financial year	4	**1,356,639**	1,340,717

The statement of cash flows should be read in conjunction with the accompanying notes to the financial statement

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

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

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle

The Company has adopted AASB 2017-2 from 1 July 2017. The amendments to AASB 12 'Disclosure of Interests in Other Entities' clarify that the disclosure requirements of AASB 12 (other than the requirements for summarised information for subsidiaries, joint ventures and associates) apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners, or discontinued operations in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'.

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 available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, 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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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.

Dividend

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Other revenue

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

Note 1. Significant accounting policies (continued)

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.

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.

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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Receivables are generally due for settlement within 30 days.

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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are 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 (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Fair value movements are recognised in the statement of profit or loss.

Note 1. Significant accounting policies (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

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 equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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.

Note 1. Significant accounting policies (continued)

Goods and Services Tax (GST)

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.

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 2018. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces 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 solely principal and interest. All other financial instrument assets are to be 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) in other comprehensive income ('OCI'). For financial liabilities, 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 will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under 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. The standard introduces additional new disclosures. The Company will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal on the Company.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Company will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal on the Company.

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. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy

The Company is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

For all of the Company's financial instruments, quoted market prices are readily available. For more information on how fair value is calculated please see note 9 to the financial statements.

Note 3. Income tax expense

	2018 $	2017 $
(a) Income tax expense		
Current tax	-	201
Under/(over) provision in prior year	5,094	2,138
Deferred tax – origination of temporary differences (note 3(c))	5,433	18,503
Income tax expense	10,527	20,842

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

	2018	2017
Profit before income tax	97,969	239,734
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	26,941	65,926
Franking tax credits	(18,637)	(19,205)
Trust distribution not assessable	(2,871)	
Change in tax rates affecting future periods	-	(2,394)
Adjustment for tax relating to prior periods:	5,094	2,138
Movement in unrealised gains	-	(25,623)
Income tax expense	10,527	20,842

(c) Movement in deferred tax balances	1 July 2017	Recognised in Profit	30 June 2018
Accrued dividends	1,000	851	1,851
Financial assets at fair value through profit or loss	46,230	4,583	50,813
Net deferred tax liability	47,230	4,583	52,664

Notes to the Financial Statements (continued)

for the year ended 30 June 2018

Note 4. Current assets – cash and cash equivalents

	2018 $	2017 $
Cash at bank	1,356,637	1,340,715
Cash on hand	2	2
Total Cash and cash equivalents	1,356,639	1,340,717

Note 5. Current assets – financial assets at fair value through profit or loss

Designated as fair value through profit or loss		
Equity securities – Australian equity securities	5,068,086	2,404,205
Total financial assets held at fair value through profit or loss	5,068,086	2,404,205

Reconciliation

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

Opening fair value	2,404,205	1,054,739
Addition and disposal movement	2,617,328	1,087,876
Revaluation increments	46,553	261,590
Closing fair value	5,068,086	2,404,205

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 8 and note 9 to the financial statements

Note 6. Current liabilities – payables

Current		
Purchase of financial assets	17,270	40,848
Performance fee payable	4,419	55,140
Management fee payable	40,124	15,552
Other creditors	18,646	178,500
Total payables	80,459	290,040

Note 7. Equity – issued capital

	2018 No. of Shares	2017 No. of Shares	2018 $	2017 $
Opening balance	2,099,120	843,880	3,124,122	1,070,355
Shares issued	1,712,891	1,255,240	2,897,741	2,053,767
Closing balance	3,812,011	2,099,120	6,021,863	3,124,122

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up 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. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 8. Financial risk management

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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. It also seeks to maximise the returns derived for the level of risk to which the Company is exposed and seeks to minimise potential adverse effects on the Company's financial performance. The Company's policy allows it to use derivative financial instruments to both moderate and create certain risk exposures. During the period ended 30 June 2018, the company did not use any derivative financial instruments.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions.

Price risk

The management of these risks is carried out by senior finance executives under the review of the Board of Directors of the Company.

The Company uses different methods to measure different types of risk to which it is exposed. These methods are explained below and include sensitivity analysis in the case of interest rate, other price risks, and ageing analysis for credit risk.

The Company is exposed to equity securities price risk. This 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 2018, the fair values of equities exposed to price risk were as follows:

	2018	2017
	$	$
Equity securities designated at fair value through profit and loss	5,068,086	2,404,205

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:

30 June 2018	Floating interest rate	Non-interest bearing	Total
	$	$	$
Financial Assets			
Cash and cash equivalents	1,356,637	-	1,356,637
Receivables	-	14,189	14,189
Financial assets held at fair value through profit and loss	-	5,068,086	5,068,086
Financial liabilities			
Payables	-	(80,459)	(80, 590)
Net exposure	1,356,637	5,001,816	6,358,453

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.

Note 8. Financial risk management (continued)

Summarised sensitivity analysis

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

	Price risk		**Interest rate risk**	
	-10%	**+10%**	**-100bps**	**+100bps**
Impact on operating profit/net assets	**$**	**$**	**$**	**$**
30 June 2018	(506,809)	506,809	(20,120)	20,120

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 of the Board of Directors.

Settlement of securities transactions

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.

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

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Company's listed securities are considered readily realisable, as they are listed on the Australian Securities Exchange.

The Company may periodically invest in derivative contracts traded over the counter and unlisted equity investments that are not traded in an active market. As a result, the Company may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. No over-the-counter derivative contracts were held at year end.

The investment manager monitors liquidity on a daily basis.

Compliance with the Company's policy is reported to the Board at each meeting of the Board of Directors.

Maturities of non-derivative financial liabilities

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	1 year or less	**Total**
	$	**$**
Payables	80,459	80,459
Total non-derivatives	80,459	80,459

Note 8. Financial risk management (continued)

Capital risk management

The Company's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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 monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total 'payables' less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position plus net debt.

The gearing ratio at year-end was as follows:

	Note	2018 $	2017 $
Payables	5	80,459	290,040
Cash and cash equivalents	4	(1,356,637)	(1,340,715)
Net debt/(cash)		(1,276,178)	(1,050,675)
Total equity		6,309,894	3,410,988
Total capital		5,033,716	2,360,313

Note 9. Fair Value Measurement

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

- Financial assets / liabilities designated at fair value through profit or loss (FVPL) (see notes 5 and 10)

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

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

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

Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market price at the end of the reporting period without any deduction for estimated future selling costs.

The Company values its investments in accordance with the accounting policies set out in notes 1 and 2 to the financial statements. For all of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Company is the closing price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Note 9. Fair value measurement (continued)

Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Company may make adjustments to the value based on considerations such as; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds.

Recognised fair value measurements

The following table presents the Company’s assets and liabilities measured and recognised at fair value as at 30 June 2018.

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets designated at fair value through profit or loss:				
Australian equity securities	5,068,086	-	-	5,068,086
Total	5,068,086	-	-	5,068,086
Financial Liabilities	-	-	-	-

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. There have been no transfers between levels for the year ended 30 June 2018.

Fair value of financial instruments not carried at fair value

The carrying value of payables are assumed to approximate their fair values.

Note 10. Net gain on financial instruments held at fair value through profit or loss

	2018 $	2017 $
Financial Assets		
Unrealised gain on market value of investments	46,553	168,110
Realised gain / (loss) on disposal of investments	(29,888)	73,067
Total net gain on financial instruments held at fair value through profit or loss	16,665	241,177

Notes to the Financial Statements (continued)

for the year ended 30 June 2018

Note 11. Reconciliation of profit to net cash inflow from operating activities	2018 $	2017 $
Profit for the year	88,291	218,892
Net purchase of financial instruments held at fair value through profit or loss	-	(1,181,356)
Net gains on financial instruments held at fair value through profit or loss	(2,663,880)	(168,110)
Net change in receivables	(10,652)	755
Net change in payables, current tax liability and deferred tax	(205,200)	51,770
Net cash outflow from operating activities	(2,791,441)	(1,078,049)

Note 12. Related party transactions

Directors

Key management personnel includes persons who were directors of DMX Capital Partners Limited at any time during the financial year as follows:

Roger Collison	Executive Chairman	Appointed 6 January 2015
Steven McCarthy	Executive Director	Appointed 6 January 2015
Scott Riedel	Non-Executive Director	Appointed 19 November 2015
Dean Morel	Non-Executive Director	Appointed 25 August 2017

Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Company, directly or indirectly during the financial year.

Transactions with key management personnel

Key management personnel services are provided by DMX Asset Management Limited and 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:

	2018 No. of Shares	2017 No. of Shares	2018 $	2017 $
Purchase of share capital – Steven McCarthy	284,094	8,295	477,050	13,481
Purchase of share capital – Zaolla Investments Pty Limited as trustee of McCarthy Chew Family Trust. Associated with Steven McCarthy	123,096	10,677	208,063	17,596
Loan payable to Zaolla Investments Pty Limited as trustee of McCarthy Chew Family Trust at 30 June 2016. To be converted to shares on 1 July 2017	-	33,970	-	-
Purchase of share capital – Collison Superannuation Fund – Roger Collison acting as trustee to the fund	113,842	32,308	191,163	53,953
Purchase of share capital – Scott Riedel	-	4,868	-	4,147
Purchase of share capital – Roger Collison and S Parker	30,844	30,172	51,793	50,000
Purchase of share capital – DMX Asset Management Limited	48,250	18,692	81,021	30,790
Purchase of share capital – Scott's Blower Super Funds	30,844	30,172	51,793	50,644
Purchase of share capital – Alistair Donald Collison	1,543	1,509	2,593	2,532
Purchase of share capital – James Collison	4,934	4,827	8,285	8,102
Purchase of share capital – DMX Corporation Limited	47,376	1,383	79,554	2,248

Note 12. Related party transactions (continued)

Other related party transactions

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% per annum on the value of gross assets. The management fee is payable monthly – 0.033% 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 $4,017 (2017: $47,191) and a management fee of $43,830 (2017: $23,706) to DMX Capital Partners Limited. As at 30 June 2018 the performance fee payable is $4,419 (2017: $55,140) and a management fee payable is $26,446 (2017: $15,552).

All expenses in connection with the preparation of accounting records and the audit of the Company's financial statements are paid by DMX Asset Management Limited on behalf of the Company.

Option holding

There were no options on issue for the year to 30 June 2018.

Note 13. Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018.

Note 14. Commitments for expenditure

There are no commitments for expenditure as at reporting date.

Note 15. Earnings per share

	2018 $	2017 $
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	87,441	218,892
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	2,955,566	1,471,500
	Cents	Cents
Basic earnings per share	2.96	14.88
Diluted earnings per share	2.96	14.88

Shares under option

Unissued ordinary shares of DMX Capital Partners Limited under option at the date of this report are nil.

Note 16. Events occurring after balance date

No matters or circumstance have arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations in future financial years, the results and cash flows of those operations in future financial years, or the Company's state of affairs in future financial years.

Director's Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 11 to 26 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2018 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.

(c) The notes to the financial statements include a statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Roger Collison
Executive Chairman

Dated 19 September 2018

Sydney

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 2018, 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 2018 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 2018, 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.

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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: 19 September 2018
Sydney

The shareholder information set out below was applicable as at 31 August 2018. The names of the twenty largest shareholders are as follows:

	Name of Shareholder	**Number of shares**	**%**
1	Basapa Pty Ltd <ATF> Kehoe Family Trust	592,945	15.51%
2	Mr Steven John McCarthy	284,094	7.43%
3	Eastern Porphry Pty Ltd <ATF> The Stubbs Family Trust	177,806	4.65%
4	Dean Morel and Janet Wilson <ATF> Dog Bowl Super Fund	145,508	3.81%
5	Niveza Pty Ltd <ATF> Peter Thomson Superannuation Fund	131,595	3.44%
6	LVN Investments P/L <ATF> LVN Superannuation Fund	127,693	3.34%
7	Zaolla Investments Pty Ltd <ATF> McCarthy Chew Family Trust	123,906	3.24%
8	Baroga Pty Ltd <ATF> Baroga Superannuation Fund	121,083	3.17%
9	Roger Collison and Elizabeth Collison <ATF> the Collison Super Fund	113,842	2.98%
10	Doldory Pty Ltd <ATF> Lewis Family Superannuation Fund	116,743	3.05%
11	Scott Alexander Milson and Jacqueline Milson <ATF> Milson Superfund	97,862	2.56%
12	Mr Andrew Tyler	92,529	2.42%
13	M & S Bowden Superannuation Pty Ltd <ATF> M & S Bowden Superannuation Fund	89,328	2.34%
14	Mr David Eyles	86,864	2.27%
15	Ms Kathy Brincat	62,291	1.63%
16	Ms Arwen Cerise Birch	61,278	1.60%
17	Etonvale Pty Ltd <ATF> The Michael Tong Family Trust	60,181	1.57%
18	Dr David Milecki & Ms Sharyn Groch <ATF> Milecki Executive Superannuation Fund	59,037	1.54%
19	Ms Caitlin Michelle Petkovic	54,934	1.44%
20	Mrs Di Taylor	54,038	1.41%
	Total	**2,653,557**	**69.40%**
	All other shareholders	1,170,060	30.60%
	Total all shareholders	**3,823,617**	**100.00%**

Corporate Governance Statement

For the year ended 30 June 2018

The Board of Directors of DMX Capital Partners Limited are responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of DMX Capital Partners Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The following formalises the main corporate governance practices established and in force throughout the financial period to ensure the Board is well equipped to discharge its responsibilities.

Composition of the Board

The composition of the Board shall be determined in accordance with the following principles and guidelines:

(a) The Board should consist of at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;

(b) Directors should bring characteristics, which allow a mix of qualifications, skills and experience;

(c) All available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting; and

(d) The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate, who must stand for election at the next general meeting of shareholders.

The primary responsibilities of the Board include:

(a) The establishment of the long-term goals of the Company and strategic plans to achieve those goals;

(b) The review and adoption of annual budgets for the financial performance of the Company and monitoring of results on a monthly basis. The establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;

(c) Ensuring the Company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and

(d) The approval of the annual financial reports.

The terms and conditions of the appointment and retirement of Directors will be set out in a letter of appointment, which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

The Chairman will review the performance of all Directors each year.

Independent professional advice

Each Director will have the right to seek independent professional advice at the Company's expense. The prior approval of the Chairman will be required, which will not be unreasonably withheld.

Remuneration

The Board will review the remuneration packages and policies applicable to the Directors and Senior Executives on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and Senior Executives. The Board may obtain independent professional advice on the appropriateness of remuneration packages.

Audit Committee

The Board shall maintain an Audit Committee of at least two Directors. Audit Committee meetings may also be attended, by invitation, by the external auditors. The role of the Audit Committee will be to provide a direct link between the Board and the external auditors.

The Audit Committee will also give the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining the matters for inclusion in the financial statements.

The responsibilities of the Audit Committee include the following:

- Monitoring compliance with regulatory requirements;
- Improving the quality of the accounting function;
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified appropriate and prompt remedial action is taken by management; and

- Liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner.

The Audit Committee will review the performance of the external auditors on an annual basis. Nomination of auditors will be at the instigation of the Audit Committee.

Business risk

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management.

Specific areas of risk identified initially and regularly considered at Board meetings include risks associated with business and investment, new and rapidly evolving markets, technological change, competition and business and strategic alliances, the environment, and continuous disclosure obligations.

Ethical standards

The Board's policy is for the Directors and Senior Executives to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Trading in DMX Capital Partners Limited Securities

The Board's policy with regard to trading in the Company's securities is available for viewing on the Company website.

Authority limits

The Board shall annually review the level of authority limits for the Managing Director and Senior Executives. That review shall coincide with the approval of the annual budgets.

Confidentiality

The Board members are required to ensure that all Company business is kept confidential by each Director and employee and members of staff subject to their supervision.

Dealing with conflicts of interest

If a conflict or potential conflict of interest arises, full disclosure should be made to the Board as soon as the Director becomes aware of the conflict or potential conflict. The Board shall manage the conflict in such a way that the interests of the Company as a whole are safeguarded.

A conflict will arise when the private or other business interests of Directors and officers conflict directly or indirectly with their obligations to the Company or when benefits (including gifts or entertainment) are received from a person doing business that could be seen by others as creating an obligation to someone other than the Company.

Directors and officers shall not act in a way which may cause others to question their loyalty to the Company.

Company Directory

30 June 2018

Directors:	Roger Collison (Executive Chairman) Steven McCarthy (Executive Director) 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: DMX Asset Management Level 13 111 Elizabeth Street Sydney NSW 2000 Time: 11:30am Date: 24 October 2018
Principal registered office in Australia:	Level 7 9 Castlereagh Street Sydney NSW 2000
Auditor:	Nexia Sydney Partnership Level 16 1 Market Street Sydney NSW 2000
Solicitors:	Addisons Level12 60 Carrington Street Sydney NSW 2000
Bankers:	Commonwealth Bank 363 George Street Sydney NSW 2000
Website address:	www.dmxam.com.au