

# DAWNEY & Co LTD

ACN 138 270 201

Annual Report  
For Year Ended 30 June 2020

DAWNEY & CO LIMITED

A.C.N. 138 270 201

ANNUAL REPORT - FOR THE YEAR ENDED 30TH JUNE 2020

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DAWNEY & CO LIMITED

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## FIVE YEAR SUMMARY

### Key Financial Statistics

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net profit / (loss) after tax	(331,953)	(157,561)	(100,231)	139,719	(181,051)
Earnings per Share (cents per share)	(1.74)	(1.08)	(4.68)	6.45	(7.82)
Dividends per share (cents per share)	-	-	-	-	-
Total Assets	2,639,657	2,963,211	264,331	2,389,759	2,330,624
Total Liabilities	25,887	38,819	33,947	25,827	21,440
Shareholder's Funds	2,613,770	2,924,392	230,384	2,363,932	2,309,184
Net asset backing per share	0.1370	0.1543	0.1077	1.1052	1.0505
Shares on issue	19,077,823	18,953,416	2,138,831	2,138,831	2,198,244
Number of shareholders	184	200	191	199	215
Options on issue	Nil	32,271	32,271	1,333,900	1,632,564
Number of option holders	Nil	12	12	21	75

# DAWNEY & CO LIMITED

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## DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2020.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors in office at any time during or since the end of the year are:

- Kerry John Daly
- Mitchell David Dawney
- Giles Cameron Craig

### Company Secretary

Mitch Dawney and Kerry Daly act as joint company secretaries.

### Principal Activities

The principal activity of the Company during the financial year was investment in cash and securities (debt and equity). Our objective is to seek out and invest in securities that offer an attractive risk-adjusted total return.

### Operating Results

The company made a net operating loss before income tax for the year of \$485,946 (2019: loss \$303,038).

### Dividends Paid or Recommended

No dividends have been paid since the date of incorporation and the directors do not recommend the payment of a dividend.

### Review of operations

The 2020 financial year was a difficult one for our company, with financial assets and cash reserves falling \$457k (-16.08%) from 30 June 2019 to 30 June 2020 to \$2.322m.

We generated roughly \$350k in trading profits in Karoon Energy, Aveo Group, Allegiance Coal, Primewest Group and leveraged ETFs BBOZ, BBUS and GGUS. However, these profits were not enough to outpace the deterioration of Horizon Oil Limited (our largest holding at the beginning of the period). Horizon was impacted by bribery allegations, sustained low oil prices and general COVID-19 market weakness and at the balance date had not recovered.

The Board understands the company remains subscale and are regularly seeking opportunities to grow the company's asset base. The options available to us are raising capital from new and existing shareholders and acquiring/merging with other asset rich vehicles. As a shareholder focused Board, raising capital at heavily discounted prices is not something we would consider. The underperformance of the portfolio and our share price falling to 10c hampered our ability to engage with new investors. On the merger front, we acquired a 9% stake in 8IP Emerging Companies Ltd (8EC, ASX) with the intention of a putting forward a proposal to the 8EC Board. However, the 8EC Board was adamant any deal would require a cash-out of existing 8EC shareholders, which we could not fulfill and defeated our purpose of acquiring additional capital/FUM. Ultimately, the 8EC Board agreed to a transaction with the deeper-pocketed Lanyon Asset Management.

The company has been able to continue operating safely and effectively throughout the COVID-19 pandemic.

### Post Balance Date Events

The portfolio rebounded strongly post balance date. An investment and NTA update was announced to the market on 11 August 2020 highlighting performance by Tesserent, Thorn Group, Consolidated Financial Holdings, AF Legal Group and Matrix Composites & Engineering.

## DAWNEY & CO LIMITED

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### ANNUAL REPORT - FOR THE YEAR ENDED 30TH JUNE 2020

## Future Developments, Prospects and Business Strategies

Your Board continues to seek out and evaluate investment opportunities that offer the prospect of attractive risk-adjusted returns.

## Environmental Issues

The company's operations are not regulated by any significant environmental regulation under the law of the Commonwealth or any state.

## Non-audit services

Details of the auditor's remuneration for auditing the company's financial statements are set out in note 3 to the financial statements. No amounts have been paid or payable to the auditors for non-audit services.

## Information on Directors

<b>Kerry John Daly</b>	- Chairman (appointed 5 October 2018)
Qualifications	- Bachelor of Business (Accountancy), Certified Practising Accountant
Experience	- Board member and Chairman member since 5 October 2018
Interest in Shares and Options	- 55,555
Special Responsibilities	- None
Directorships held in other listed entities	- Australian Adventure Tourism Group Limited (formerly Jimmy Crow limited)
<b>Mitchell David Dawney</b>	- Executive Director
Qualifications	- Diploma in Stockbroking
Experience	- Board member since 5 October 2018
Interest in Shares and Options	- 2,419,712 Ordinary Shares
Special Responsibilities	- None
Directorships held in other listed entities	- None
<b>Giles Cameron Craig</b>	- Non-Executive Director
Qualifications	- Bachelor of Science (Economics) Hons, Fellow of the Institute of Chartered Accountants in England and Wales
Experience	- Board member since 14 July 2009
Interest in Shares and Options	- 106,983 Ordinary Shares
Special Responsibilities	- None
Directorships held in other listed entities	- Asset Resolution Limited

## CORPORATE GOVERNANCE STATEMENT

The Board has the responsibility of ensuring that the company is properly managed to protect and enhance shareholders' interests in a manner that is consistent with the company's responsibility to meet its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices having regard to its size and nature of activities.

The main corporate governance policies are summarised below.

### Appointment and Retirement of Non-Executive Directors

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case by case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

### Directors Access to Independent Professional Advice

It is the Board's policy that any committees established by the Board should:

- Be entitled to obtain independent professional or other advice at the cost of the Company, unless the Board determines otherwise.
- Be entitled to obtain such resources and information from the Company including direct access to employees of and advisers to the Company as they might require.
- Operate in accordance with the terms of reference established by the Board.

### Audit Committee

The Audit Committee meets with the external auditors at least once a year. This committee addresses the financial and compliance oversight responsibilities of the Board. The specific activities include assessing and monitoring:

- The adequacy of the Company's internal controls and procedures to ensure compliance with all applicable legal obligations.
- The adequacy of the financial risk management processes.
- The appointment of the external auditor, any reports prepared by the external auditor and liaising with the external auditor.

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## REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Dawney & Co Limited, and for the executives receiving the highest remuneration.

### Remuneration policy

All issues in relation to remuneration of both executive directors and non-executive directors are dealt with by the Board.

The constitution of Dawney & Co Limited requires approval by the shareholders in general meetings of a maximum amount of remuneration per year to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Directors. The amount of remuneration currently approved by shareholders for Non-Executive Directors is a maximum of \$200,000 per annum.

Non-Executive Directors hold office until such time as they retire, resign or are removed from office under the terms set out in the constitution of the Company.

Non-Executive Directors do not receive any performance-based remuneration.

Mr Dawney receives a base annual salary of \$100,000 p.a. plus superannuation and health insurance. He is also reimbursed for any out of pocket business related expenses. In addition to Mr Dawney's base a cash bonus pool will be created if the Net Tangible Assets per ordinary share increase by 15%pa on a pre-tax basis, in any one year. The Board of Directors will determine the cash bonus amount.

Mr Daly and Mr Craig both received \$9,132 plus superannuation for their services between 1 July 2019 and 30 June 2020.

### Details of remuneration for year ended 30 June 2020

The Company one executive director and two non-executive directors.

Details of the remuneration for each Director of the Company was as follows:

	<b>Salary &amp; Fees</b>	<b>Superannuation Contributions</b>	<b>Other</b>	<b>Total</b>
Kerry Daly	\$9,132	\$867	\$10,000	\$10,000
Mitchell Dawney	\$100,000	\$9,500	\$2,729	\$112,229
Giles Craig	\$9,132	\$867	\$10,000	\$10,000

### Meetings of Directors

During the financial year, five meetings of directors (including committees) were held. Attendances were:

	<b>DIRECTORS MEETINGS</b>		<b>AUDIT COMMITTEE MEETINGS</b>	
	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>
Kerry Daly	3	3	1	1
Mitchell Dawney	3	3	1	1
Giles Craig	3	3	1	1

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Shareholdings – Ordinary shares

Number of shares held by directors:

	<b>Balance – 01/07/2019</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Other Change*</b>	<b>Balance – 30/06/2020</b>
Kerry Daly	-	55,555	-	-	55,555
Mitchell Dawney	2,402,212	-	-	17,500	2,419,712
Giles Craig	51,428	55,555	-	-	106,983
<b>Total</b>	<b>3,389,181</b>	<b>111,110</b>	<b>-</b>	<b>17,500</b>	<b>3,500,291</b>

\*Other change refers to shares purchased or sold during the financial year.

Indemnifying Officers or Auditor

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


Proceedings on Behalf of Company

No person has applied for leave of the court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 8 of the annual report.

Signed in accordance with a resolution of the Board of Directors.



M. D. Dawney  
Managing Director

11 September 2020



Dawney & Co Limited  
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### Auditor's Independence Declaration under section 307C of the Corporations Act 2001

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as auditor for the audit of Dawney & Co Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



PKF



MARTIN MATTHEWS  
PARTNER

11 SEPTEMBER 2020  
NEWCASTLE, NSW

DAWNEY & CO LIMITED

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ANNUAL REPORT - FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	30/06/2020	30/06/2019
		\$	\$
Dividends / Distributions Received	2	-	30,277
Income from deposits	2	-	938
Gain on disposal of investment	2	348,780	33,118
Revaluation of investments	2	(660,485)	(206,339)
Other Income		33,540	-
<b>Total income from ordinary activities</b>		<b>(278,165)</b>	<b>(142,006)</b>
Administration expenses	3	75,552	100,807
Employment benefit expenses		112,229	60,225
Directors Fees		20,000	-
<b>Operating profit / (loss) before income tax</b>		<b>(485,946)</b>	<b>(303,038)</b>
Income tax (expense) / benefit relating to ordinary activities	4	153,993	145,477
<b>Profit / (loss) attributable to members of the company</b>		<b>(331,953)</b>	<b>(157,561)</b>
<b>Other comprehensive income for the financial year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the financial year</b>		<b>(331,953)</b>	<b>(157,561)</b>
<b>Overall operations</b>			
Basic earnings per share (cents per share)	11	(1.74)	(1.08)
Diluted earnings per share (cents per share)	11	(1.74)	(1.08)

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ANNUAL REPORT - FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2020

	Note	30/06/2020 \$	30/06/2019 \$
<b>ASSETS</b>			
Cash and cash equivalents	5	504,127	549,656
Trade and other receivables	6	18,749	1,979
Deferred tax assets	7	299,470	145,477
Financial assets at fair value through profit and loss	8	1,817,311	2,266,099
<b>TOTAL ASSETS</b>		<b>2,639,657</b>	<b>2,963,211</b>
<b>LIABILITIES</b>			
Trade and other payables	9	25,887	38,819
<b>TOTAL LIABILITIES</b>		<b>25,887</b>	<b>38,819</b>
<b>NET ASSETS</b>		<b>2,613,770</b>	<b>2,924,392</b>
<b>EQUITY</b>			
Issued capital	10	3,142,854	3,121,524
Retained earnings		(529,084)	(197,132)
<b>TOTAL EQUITY</b>		<b>2,613,770</b>	<b>2,924,392</b>

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STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	<b>Issued Capital</b>	<b>Retained earnings</b>	<b>Total</b>
	\$	\$	\$
<b>Balance as at 01/07/2018</b>	<b>269,955</b>	<b>(39,570)</b>	<b>230,385</b>
Loss for the period		(157,561)	(157,561)
Total comprehensive income for the Period	-	(157,561)	(157,561)
Return of capital			
Shares issued	2,851,569	-	2,851,569
<b>Balance as at 30/06/2019</b>	<b>3,121,524</b>	<b>(197,131)</b>	<b>2,924,393</b>
<b>Balance as at 01/07/2019</b>	<b>3,121,524</b>	<b>(197,131)</b>	<b>2,924,393</b>
Loss for the period	-	(331,953)	(331,953)
Total comprehensive income for the Period	-	(331,953)	(331,953)
Shares issued	21,330	-	21,330
<b>Balance as at 30/06/2020</b>	<b>3,142,854</b>	<b>(529,084)</b>	<b>2,613,770</b>

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## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	30/06/2020 \$	30/06/2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends / Distributions Received		-	30,277
Interest received		-	938
Bank charges		(162)	(274)
Employment costs		(109,816)	(46,977)
Professional fees		(42,273)	(67,736)
Payments to suppliers		(31,691)	(39,981)
<b>Net cash used in operating activities</b>	<b>14</b>	<b>(183,942)</b>	<b>(123,753)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of financial assets		4,076,431	1,000,523
Payments made for purchase of financial assets		(3,939,346)	(1,874,364)
<b>Net cash provided by/(used in) investing activities</b>		<b>137,085</b>	<b>(873,841)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuing shares and options		1,330	1,371,166
Share issue costs		-	(85,077)
<b>Net cash provided by/(used in) financing activities</b>		<b>1,330</b>	<b>1,286,089</b>
Net increase/ (decrease) in cash held		(45,528)	288,495
Cash at beginning of the year	<b>5</b>	549,656	261,161
<b>Cash at end of the year</b>	<b>5</b>	<b>504,127</b>	<b>549,656</b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Accounting Standards and Interpretations and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards (IFRS).

All amounts are presented in Australian dollars unless otherwise noted.

The financial statements were authorised for issue by the directors on 11 September 2020.

#### Basis of Preparation

##### *Reporting Basis and Conventions*

##### *Adoption of new and revised Accounting Standards*

##### **New and amended standards adopted by the Company**

Certain new accounting standards and interpretations have been published for the 30 June 2020 reporting period. The directors have assessed that there was minimal impact from the new standards.

##### **New standards and interpretations not yet adopted**

There were no new standards, interpretations or amendments to existing accounting standards adopted that are not mandatory for the year ended 30 June 2020.

The adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the company's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The company does not intend to adopt any of these pronouncements before their effective dates.

The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with the historical cost convention.

##### (a) Financial Assets

The Financial Assets held by the company consist of securities acquired for the purpose of making a profit from their sale or disposal.

Increments and decrements on the value of securities are taken to profit or loss through the Statement of Profit or Loss and Other Comprehensive Income.

##### (b) Income from securities holdings

Distributions relating to listed securities are recognised as income when those securities are quoted on an ex- distribution basis and distributions relating to unlisted securities are recognised as income when received. If the distributions are capital returns on ordinary securities the amount of the distribution is treated as an adjustment.

##### (c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

##### (d) Taxation

The company adopts the liability method of tax-effect accounting where the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

(e) Goods and Services Tax (GST)

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

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

(f) Financial instruments issued by the company

Debt and equity instruments are classified as either liabilities or as equity in accordance with substance of the contractual agreements. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the company are recorded as the proceeds received, net of direct issue costs.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(h) Initial public offer costs

The costs incurred in the establishment of the Company and its subsequent public offerings have been charged directly against issued capital.

(i) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

(j) Critical Accounting Estimates and Judgements

The preparation of financial reports in conformity with AIFRS requires the use of certain critical accounting estimates. This requires the Board and management to exercise their judgement in the process of applying the Company's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events.

There are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period other than:

Deferred tax assets

As noted in Note 1(d), deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which temporary differences and tax losses can be utilised.

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NOTE 2: REVENUE

	30/06/2020	30/06/2019
	\$	\$
Dividends / Distributions Received	-	30,277
Income from deposits	-	938
Other income	33,540	-
Gain on disposal of investment	348,780	33,118
Revaluation of investments	(660,485)	(206,339)
<b>Total revenue</b>	<b>(278,165)</b>	<b>(142,006)</b>

NOTE 3: ADMINISTRATION EXPENSES

	30/06/2020	30/06/2019
	\$	\$
Accountancy fees	26,983	18,598
Auditor's remuneration	18,460	14,176
Company secretarial	7,350	5,650
Legal expenses	3,164	38,304
Share registry fees	8,428	8,472
Other expenses	11,167	15,607
<b>Total administration expenses</b>	<b>75,552</b>	<b>100,807</b>

NOTE 4: INCOME TAX EXPENSE

	30/06/2020	30/06/2019
	\$	\$
The components of tax expense comprise:		
Decrease/(Increase) in deferred tax assets – temporary differences	(198,146)	-
Decrease/(Increase) in deferred tax assets – tax losses	44,153	(145,477)
Decrease in income taxes payable	-	-
<b>Total income tax expense</b>	<b>(153,993)</b>	<b>(145,477)</b>

NOTE 5: CASH AND CASH EQUIVALENTS

	30/06/2020	30/06/2019
	\$	\$
Cash at bank	504,127	549,656
Deposits at call	-	-
<b>Total cash and cash equivalents</b>	<b>504,127</b>	<b>549,656</b>

All cash investments are invested with Authorised Deposit Taking Institutions. All deposits are guaranteed by the Commonwealth of Australia. The credit risk exposure of the company in relation to cash and cash equivalents is the carrying amount and any unpaid accrued interest.

NOTE 6: TRADE AND OTHER RECEIVABLES

	30/06/2020	30/06/2019
	\$	\$
Amount overpaid to legal advisers	1,979	1,979
Cash Flow Boost Receivable	16,770	-
<b>Total trade and other receivables</b>	<b>18,749</b>	<b>1,979</b>

NOTE 7: DEFERRED TAX ASSET

	30/06/2020	30/06/2019
	\$	\$
Tax losses	37,350	81,502
Temporary differences	262,120	63,975
<b>Total deferred tax asset</b>	<b>299,470</b>	<b>145,477</b>



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NOTE 8: OTHER FINANCIAL ASSETS

	Note	30/06/2020 \$	30/06/2019 \$
<b>CURRENT</b>			
Financial assets mandatorily measured at fair value through profit or loss	17	1,817,311	2,266,009
<b>Total non-current assets</b>		<b>1,817,311</b>	<b>2,266,009</b>
a. Financial assets mandatorily measured at fair value through profit or loss	17	1,817,311	2,266,009
<b>Held for trading Australian listed shares</b>		<b>1,817,311</b>	<b>2,266,009</b>

NOTE 9: TRADE AND OTHER PAYABLES

	30/06/2020 \$	30/06/2019 \$
Accrued charges	15,600	14,174
Other payables	10,287	24,645
<b>Total trade and other payables</b>	<b>25,887</b>	<b>38,819</b>

NOTE 10: ISSUED CAPITAL AND OPTIONS

Issued Capital

Movements in issued capital of the company during the financial year were as follows:

Date	Details	Ordinary shares	Price \$	Issued Capital \$
01/07/2019	Opening Balance	18,953,416	-	3,121,524
20/11/2019	Non-Executive Director Fees	111,110	0.18	20,000
	Exercised Options	13,297	0.10	1,330
<b>30/06/2020</b>	<b>Closing Balance</b>	<b>19,077,823</b>		<b>3,142,854</b>

All ordinary shares rank equally inter se for all purposes of participation in profits or capital of the company.

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

Options

Movements in options during the financial year were as follows:

Date	Details	Options	Price \$	Issued Capital \$
01/07/2019	Opening Balance	32,271	-	(128,904)
30/11/2019	Options exercised	(13,297)	-	53,114
30/11/2019	Options expired	(18,974)	-	75,790
<b>31/12/2019</b>	<b>Closing Balance</b>	<b>-</b>		<b>-</b>

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NOTE 11: EARNINGS PER SHARE

	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	19,029,283	14,530,950
Weighted average number of options outstanding		32,271
Weighted average number of ordinary shares used in calculation of dilutive earnings per share	19,050,460	14,563,221
	<b>\$</b>	<b>\$</b>
Profit/ (loss) attributable to members of the company	(331,953)	(157,561)
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.74)	(1.08)
Diluted earnings per share	(1.74)	(1.08)

NOTE 12: AUDITOR'S REMUNERATION

	<b>30/06/2020</b>	<b>30/06/2019</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor of the company for: Auditing and reviewing the financial reports	18,460	14,176

NOTE 13: SEGMENT REPORTING

(a) Description of segments

The Board makes the strategic resource allocations for the Company. The Company has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for the Company's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

The Company invests in cash and securities for the purpose of providing shareholders with attractive risk-adjusted investment returns.

(b) Segment information provided to the Board

The internal reporting provided to the Board for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards.

The Board considers the Company's net asset backing per share after tax to be a key measure of the Company's performance.

<b>Net asset backing per share</b>	<b>Cents</b>	<b>Cents</b>
	<b>13.70</b>	<b>15.43</b>

(c) Other Segment Information

The Company is domiciled in Australia and all the Company's income is derived from Australian entities.

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NOTE 14: CASH FLOW INFORMATION

	30/06/2020	30/06/2019
	\$	\$
Reconciliation of cash flow from operations with (loss) / profit after income tax:		
(Loss)/ profit after income tax	(331,953)	(157,561)
(Gain) / loss on disposal of investment	(348,780)	(33,118)
(Gain) / loss on revaluation of assets	660,485	206,340
Directors fees paid as issued shares	20,000	-
(Increase)/ decrease in trade and other receivables	(16,770)	1,191
Increase / (decrease) in trade payables and accruals	(12,931)	4,872
Increase / (decrease) in deferred taxes	(153,993)	(145,477)
<b>Cash flow from operations</b>	<b>(183,942)</b>	<b>(123,753)</b>

NOTE 15: RELATED PARTY TRANSACTIONS

The directors and their related entities have the following shares and options in Dawney & Co Limited:

	Ordinary Shares	Options
Kerry Daly	55,555	-
Mitchell Dawney	2,419,712	-
Giles Craig	106,983	-

NOTE 16: DIRECTORS AND EXECUTIVES DISCLOSURE

Disclosures relating to key management personnel are set out in remuneration report included in the directors' report.

NOTE 17: FINANCIAL INSTRUMENTS

Financial Risk Management

Accounting Standards identify four types of risk associated with financial instruments (i.e. the Company's investments, receivables, payables and borrowings):

*Credit Risk*

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

Credit risk is managed as noted in the Notes to the financial statements with respect to cash and trade and other receivables. None of these assets are over-due or considered to be impaired.

*Liquidity Risk*

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

The Company monitors its cash-flow requirements and ensures that it has cash available which is sufficient to meet any payments.

*Market Risk*

This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market price. As the primary assets of the Company are listed securities, a rise or fall of 5% of the underlying portfolio will increase / (decrease) the net assets of Company by \$90,866 / (\$90,866) based on the valuation of the portfolio as at 30 June 2020.

The Company seeks to minimise market risk by diversification of investments.

The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

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### *Interest Rate Risk*

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company currently has no borrowings and accordingly is not subject to interest rate risk.

### *Capital Management*

It is the Board's policy to maintain a strong capital base as to maintain investors and market confidence.

To achieve this, the Board monitors the Company's net tangible assets, its levels of borrowings and its investment performance.

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

## NOTE 18: FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 June 2020</b>				
Listed Securities	1,817,311	-	-	1,817,311
Cash and cash equivalents	504,127	-	-	504,127
Total financial assets	2,321,492	-	-	2,321,492
Net fair value	2,321,492	-	-	2,321,492
<b>30 June 2019</b>				
Listed Securities	2,266,099	-	-	2,266,099
Cash and cash equivalents	549,656	-	-	549,656
Total financial assets	2,815,755	-	-	2,815,755
Net fair value	2,815,755	-	-	2,815,755

## NOTE 19: SUBSEQUENT EVENTS

Other than the events outlined in the directors' report there have been no other activities which have significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the Company in the future.

## NOTE 20: CONTINGENCIES

At balance date the Directors are not aware of any other material contingent liabilities or contingent assets other than those already disclosed elsewhere in the financial report.

## NOTE 21: COMPANY DETAILS

The registered office of Dawney & Co Limited is:

C/- HopgoodGanim Lawyers  
Level 8, 1 Eagle Street  
BRISBANE QLD 4000

DAWNEY & CO LIMITED

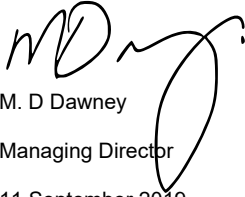
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## DIRECTORS' DECLARATION

The directors of the company declare that:

- (a) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the director' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company;
- (c) In the directors opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board; and
- (d) The directors have been given the declarations required by section 259A of the Corporations Act 2001. This declaration is made in accordance with a resolution of the Board of Directors pursuant to s.303 (5) of the Corporations Act 2001.



M. D Dawney  
Managing Director  
11 September 2019

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF DAWNEY & CO LIMITED

#### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of Dawney & Co Limited (the company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

- a) In our opinion the accompanying financial report of Dawney & Co Limited is in accordance with the Corporations Act 2001, including:
- i) Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date; 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 Financial Report section of our report.

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

#### Independence

We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independent Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed each matter is provided in that context.

## Key Audit Matters (cont'd)

### 1. Valuation & Existence of Investment Portfolio

#### Why significant

As at 30 June 2020, a significant proportion of the Company's assets (80%) comprised of investment securities. The fair value of financial assets is \$1,817,311 (2019: \$2,266,099) as disclosed in Note 8 of the financial report.

All of these financial assets are listed securities classified as 'level 1' financial instruments in accordance with the classification under Australian Accounting Standards where quoted prices in active markets are available for identical assets.

Refer to Note 1 for details of these assets' accounting policies and Notes 8 and 18 for their classification.

Based on the above, we have considered the valuation and existence of financial assets to be a Key Audit Matter.

### 2. Recognition and Valuation of Deferred Tax Assets

#### Why significant

As disclosed in Note 8 of the financial report, at 30 June 2020 the Company has recorded a deferred tax asset of \$299,470 (2019: \$145,477) relating to deductible temporary differences and tax losses incurred.

As noted in Note 1(d) of the financial report, deferred tax assets are only recognised if the Company considers it probable that future taxable income will be generated to utilise these temporary differences and losses.

Significant judgement is required in forecasting future taxable income.

Based on the above, we have considered the recognition and valuation of deferred tax assets to be a Key Audit Matter.

#### How our audit addressed the key audit matter

We performed substantive testing on a sample of financial assets. This included:

- agreeing the quantity of securities held and recognised in the financial report to external independent trading registers;
- confirming the fair values as at 30 June 2020 are reasonable. For level 1 financial assets, the values were agreed to the Australian Stock Exchange;
- reviewing reconciliations prepared by management and supporting documentation to confirm market movements. This included agreeing the gain/loss incurred throughout the period to transaction reports; and
- assessing the appropriateness of the related disclosures in Notes 1, 8 and 18.

#### How our audit addressed the key audit matter

We have assessed and challenged management's judgements relating to the Company's ability to generate future taxable income, and also the recognition criteria under AASB 112. Our procedures included but were not limited to:

- assessing the reasonableness of key assumptions with respect to future income and expenditure;
- reviewing the nature of the deferred tax asset (i.e. temporary differences or revenue / capital losses) and their probability of being realised; and
- assessing the appropriateness of the disclosures included in Note 8 in respect of the deferred tax balances.

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the company's Annual Report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon. Our opinion on the financial 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 financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the entity'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 Directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



## Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Dawney & Co Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

## Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



PKF



MARTIN MATTHEWS  
PARTNER

11 SEPTEMBER 2020  
NEWCASTLE, NSW

DAWNEY & CO LIMITED

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## STOCK EXCHANGE INFORMATION

Top 20 holders of Fully Paid Ordinary Shares as at 11 September 2019.

Shareholder	Shares	% of issued
One Managed Invst Funds Ltd <1 A/C>	7,541,644	39.53%
Ronald Langley & Rhonda Langley	2,101,805	11.02%
Trepass Pty Ltd <Dkml Super Fund A/C>	1,897,059	9.94%
John Holt & Hilary Jane Holt	1,280,540	6.72%
Suchting Investments Pty Ltd <The Suchting Investment A/C>	1,151,669	6.04%
J P Morgan Nominees Australia Pty Limited	900,000	4.72%
National Nominees Limited	900,000	4.72%
Wo Nominees Ac Fund Pty Ltd	857,999	4.50%
Joshua Michael Rigney	600,902	3.15%
Auslese Investments Pty Ltd	342,382	1.79%
Ddmd Pty Ltd <The Dkml A/C>	180,271	0.94%
Maxlek Pty Ltd <Jims and Joels Super A/C>	128,832	0.68%
Aravind Lal Patel & Dhanlaxmi Patel	108,000	0.57%
North Shore Custodians Pty Limited <Craig Family A/C>	101,268	0.53%
HSBC Custody Nominees (Australia) Limited	100,140	0.53%
A&M Salter Nominees Pty Ltd <Alf Salter & Assoc S/F A/C>	65,213	0.34%
Kreskin Pty Ltd <KD Superannuation Fund A/C>	55,555	0.29%
Kok Tong Yeo & Shirley Tan	22,500	0.12%
Mr Simon Plunkett <Simon Plunkett Family A/C>	18,450	0.10%
Mr Dean Henry Stone & Mrs Carole Julia Stone <Stone Super Fund A/C>	16,500	0.09%
<b>Total</b>	<b>18,370,729</b>	<b>96.29%</b>
<b>Total ordinary shares</b>	<b>19,077,823</b>	<b>100.00%</b>
<b>Number of ordinary shares held</b>	<b>Holders</b>	<b>% Issued shares</b>
1 – 1,000	16	0.04%
1,001 – 5,000	100	1.40%
5,001 – 10,000	33	1.34%
10,001 – 100,000	20	2.40%
100,001 and over	15	94.83%
<b>Total</b>	<b>184</b>	<b>100.00%</b>

## CORPORATE DIRECTORY

<b>Directors</b>	- Kerry Daly Mitch Dawney Giles Craig
<b>Company Secretary</b>	- Kerry Daly Mitchell Dawney
<b>Registered Office</b>	- C/- HopgoodGanim Lawyers Level 8, 1 Eagle Street BRISBANE QLD 4000 Telephone 07 3024 0000 Facsimile 07 3024 0300
<b>Business Office</b>	- C/- HopgoodGanim Lawyers Level 8, 1 Eagle Street BRISBANE QLD 4000 Telephone 07 3024 0000 Facsimile 07 3024 0300
<b>Share Registry</b>	- Automic Level 5, 126 Phillip Street SYDNEY NSW 2000 Telephone 02 9698 5414

DAWNEY & CO LIMITED

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**Stockbroker**

- E.L. & C. Baillieu Limited  
Level 22, 35 Collins Street  
MELBOURNE VIC 3000  
Telephone 03 9602 9222  
Facsimile 03 9602 2350

**Auditor**

- PKF Newcastle  
755 Hunter Street  
NEWCASTLE WEST NSW 2302  
Telephone 02 4962 2688  
Facsimile 02 4962 3245