CL Asset Holdings Limited

ABN 38 104 475 345

(Formerly Community Life Limited)

Annual Report

for the financial year ended 30 June 2009

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for the financial year ended 30 June 2009

Contents

Corporate governance statement

As required by the ASX Listing Rules, this statement outlines CL Asset Holdings' main corporate governance practices in place throughout the financial year, which comply with all the ASX Corporate Governance Council best practice recommendations, unless otherwise stated below. This statement refers to the revised recommendations released by ASX in June 2008.

Despite the small size of the Company and its commitment to containing costs, the Directors recognise the importance of strong corporate governance procedures.

The Company has posted copies of its corporate governance practices on its website at : www.cl.com.au

Principle 1- Lay solid foundations for management and oversight

The Board Charter details the composition and role and responsibilities of the Board and their relationship with management to accomplish the Board's primary role of promoting the long term health and prosperity of the Company. A copy of the Board Charter is available on the Company's website.

Role and responsibility

The Board is responsible for all aspects of the management of the economic entity and the overall corporate governance of the Group. The responsibilities include:

- overseeing the Group, including its control and accountability systems;
- appointing and removing the Managing Director;
- where appropriate, ratifying the appointment and the removal of senior executives;
- providing input into and final approval of management's development strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- monitoring senior executives' performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

The Board delegates authorities to specific Board committees in relation to audit, Director and executive remuneration and Director nominations. Given the relatively small size of the Group's operations and Board, for the time being these committees consist of the Company's two non-executive Directors. The appropriateness of the structure and composition of the Board and of the committees is reviewed regularly by the Board.

The Managing Director is responsible for implementing the Company strategies and policies, achieving the Company objectives and managing the business of the Company. The Board has guidelines for its members for declaring and dealing with potential conflicts of interest.

Performance of key executives

The non-executive Directors review the performance of the Managing Director annually based on the financial performance, the business environment, prudential performance, staff and human relations and other achievements and report to the Board. The Managing Director will evaluate, at least annually, the performance of the key executives.

Corporate governance statement (cont'd)

Principle 2 - Structure the Board to add value

To ensure the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

There are currently 3 Directors of the Company and details of their experience, qualifications, special responsibilities and attendance at meetings are set out in the Directors' report.

Independence

ASX Corporate Governance Council ("ASXCGC") best practice recommendation 2.1 requires a majority of the Board to be independent Directors, 2.2 recommends the chair should be an independent Director and 2.3 recommends the roles of chair and chief executive officer should not be exercised by the same individual.

ASXCGC provides a definition of independent Director. An independent Director is a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

The Board defines an independent Director as a Director who is not a member of management (a non-executive Director) and who:

- holds less than 5% of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than 5% of the voting shares of the Company;
- has not within the last 3 years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- within the last 3 years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer; and
- has no material contractual relationship with the Company or another Group member other than as a Director of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. The Board considers that an amount of over 10% of annual turnover of the Group is material for these purposes.

In accordance with this definition and further independence guidelines outlined in the ASXCGC best practice recommendations, the following Director is not considered to be independent: Mr Theodore Baker – Managing Director and Acting Chairman (appointed Acting Chairman 17 June 2005).

The other 2 current non-executive Directors have been assessed as independent Directors and their names are Mr Gary Richard Dainton and Mr Peter Mitropoulos. They are considered to be independent, having no business or other relationship which could comprise their unfettered and independent judgement. Any arrangements entered into between the Company and a Director or its associates have been at arm's length and entered into bona fide and for value.

The Board will regularly assess whether each non-executive Director is independent.

CL Asset Holdings Limited applied the best practice recommended with regard to having the Chairman as an independent Director on the Board until 17 June 2005, after which the Managing Director was appointed Acting Chairman. The Board considers that given its size, no efficiencies or other benefits are gained by separating these roles at present.

Corporate governance statement (cont'd)

Principle 2 - Structure the Board to add value (cont'd)

Nomination committee

The Board's nomination committee consists of the two non-executive Directors and will oversee the appointment and induction process for Directors, and the selection, appointment and succession planning of the Company's Managing Director as required. When a vacancy exists or there is a need for particular skills, the committee will determine the selection criteria based on the skills deemed necessary. The committee will identify potential candidates with advice from external consultants as necessary. The Board will then appoint the most suitable candidate. Board candidates will then stand for election at the next general meeting of shareholders.

The nomination committee has a charter which includes a description of their duties and responsibilities. The charters are available in the Corporate Governance section of the Company's website.

Performance of the Board

Having regard to the small size of the Company, the Board itself conducts an annual review of itself and its members. The process for conducting the Board's performance review consists of the Chairman conducting individual interviews with each of the Directors.

Directors' appointment

The Board's present policy, taking into account the size of the Company and its operations, is that the Board should consist of three Directors, that the majority should be non-executive Directors and that the Chairman should preferably be a non-executive Director. The Board will replace Mr Theodore Baker as Acting Chairman with an independent Director if there is a compelling advantage to the Company in the evolution of its business for an independent Director to be Chairman.

Directors' appointments are based on their ability to contribute proper skills required to assist the Company in its operations and future development. The adequacy of the Board from time to time and the appointment of new Directors will be reviewed periodically by the existing Board on a case by case basis and in conformity with the requirements of the Listing Rules and Corporations Act.

The Directors' terms of appointment are governed by the Company's Constitution which provides that Directors are subject to periodic re-election, with one third of the Directors, or if the number is not a multiple of three then the number nearest to three, retiring at each annual general meeting and, if eligible, the retiring Directors may offer themselves for re-election. Accordingly, one Director must retire at each annual general meeting, but is eligible for re-election.

Independent Professional Advice

Each Director has the right to seek independent legal or other professional advice at the Company's expense concerning any aspect of CL Asset Holdings' operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Membership

It is not a requirement for qualification as a Director that a Director holds shares in the Company.

Principle 3 - Promote ethical and responsible decision-making

Ethical Standards

The Company recognises the need for Directors, employees and consultants to observe the highest standards of behaviour and business ethics when engaging in corporate activities. All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Corporate governance statement (cont'd)

Principle 3 - Promote ethical and responsible decision-making (cont'd)

Code of Conduct

The Company has adopted a corporate code of conduct which includes a requirement to conduct all CL Asset Holdings' business in accordance with applicable laws and regulations in the jurisdictions in which the Company operates, and in a way that enhances its reputation in the marketplace. A copy of the code is available on the Company's website.

Trading Policy

The restrictions imposed by law on dealings by Directors in the securities of the Company have been supplemented by the Board adopting guidelines which further limit any such dealings by Directors, senior executives, employees and their related parties. The Company has established a trading policy to ensure that the personal dealing and investment activities in the Company securities by Directors and employees are conducted appropriately. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the share price. A summary of the trading policy is available on the Company's website.

Principle 4 - Safeguard integrity in financial reporting

The Company has established an audit committee, the main objective of which is to assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, auditing, financial reporting and compliance practices of the Company. The formal charter of the audit committee has been posted on the Company's website.

The key matters which will be dealt with by the audit committee include the review of:

- the nomination of external auditors;
- the adequacy of external audit arrangements, with particular emphasis on the scope and quality of the audit;
- the effectiveness of the internal audit function;
- all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- the effectiveness of management information or other systems of internal control;
- the financial statements of the Company with both management and external auditors;
- any letter of resignation from the Company's external auditors;
- monitoring compliance with the Corporations Act and the Listing Rules; and
- monitoring compliance with the requirements from time to time of the Australian Taxation Office, ASIC and ASX.

ASXCGC best practice recommendation 4.2 recommends that the audit committee should consist only of non-executive Directors and have at least three members. In view of the small size of the Company its audit committee consists of only two non-executive and independent Directors, Mr Gary Dainton and Mr Peter Mitropoulos. The audit committee is chaired by Mr Gary Dainton. The audit committee meets with the external auditors as required from time to time to discuss the audit reviews and reports.

Principle 5 - Make timely and balanced disclosure

The Company has a continuous disclosure policy to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.

It is the Company's policy that any price-sensitive material for public announcement, including annual and interim financial reports will be lodged with ASX and posted on the Company's website as soon as practical.

Corporate governance statement (cont'd)

Principle 6 - Respect the rights of shareholders

The Company respects the rights of shareholders and facilitates the effective exercise of those rights. The Company has a communications policy for promoting effective communication with shareholders.

The Company's website contains links to recent announcements, presentations (where applicable), and past and current reports to shareholders. CL Asset Holdings encourages shareholders to participate in general meetings. The Company will choose a date, venue and time considered convenient to the greatest number of its shareholders. The external auditor will be requested to attend each AGM and be available to answer questions about the conduct of the audit, and the preparation and contents of the auditor's report. Notices of meetings will be accompanied by explanatory notes on the items of business. Shareholders are encouraged to attend the meeting or, if unable to attend, to vote on the motions proposed by appointing a proxy.

Principle 7 - Recognise and manage risk

The Company has in place a range of policies and procedures for the oversight and management of material business risk and are periodically reviewed by the Board and the audit committee.

The Company's management has reported to the Board on the effectiveness of the management of material business risks faced by the Group for the year ended 30 June 2009. The Board has also received a declaration from the Managing Director and the financial controller that the financial statements are founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

Risk management

The Board has established and implemented a risk management system for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Group. Once particular operational or financial risks are identified, it is the responsibility of the Board to ensure that management takes such action as is required to minimise the risk.

Further information regarding the Company's system of risk oversight and management is set out in the risk management report on page 14.

Principal 8 - Remunerate fairly and responsibly

The Company's remuneration committee consists of its two non-executive Directors and there is a charter.

The remuneration committee reviews and makes recommendations to the Board from time to time on remuneration packages and policies applicable to the Directors and senior executives. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

Remuneration of Directors

Non-executive Directors are paid an annual fee for their service on the Board and/or committees of the Board within the maximum aggregate sum approved by shareholders which is currently set at $200,000. It is not intended to distribute the full amount by way of fees in FY09. The remuneration and terms and conditions of employment for the Managing Director are covered by an executive services contract and will otherwise be determined and approved by the Board. The contract specifies the duties and obligations to be fulfilled by the Managing Director.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of CL Asset Holdings Limited (formerly Community Life Limited) and the entities it controlled at the end, or during, the year ended 30 June 2009.

Directors

The names and particulars of the Company's Directors in office during the financial year and until the date of this report are as follows:

Name	Particulars
Theodore Baker	Managing Director and Acting Chairman Mr Baker is the founding shareholder and CEO of CL Asset Holdings Limited (formerly Community Life Limited) and is responsible for the Group's overall management and strategic direction. Prior to this, Mr Baker was the founder and Chief Executive Officer of an IT multinational, responsible for growing the company from a small business in the early '90s into a global operation. He also has experience in property development within the residential and commercial property sectors. Mr Baker has managed public as well as private companies for over 20 years and has a sound working knowledge of corporate governance. Age 45.
Gary Dainton	Non-Executive Director BSc (Hons) Economics, FCA, GAICD Mr Dainton was appointed as non-executive Director on 20 June 2005. He worked for 15 years at KPMG Corporate Finance, the investment banking side of KPMG's business, in the UK, Australia and the US. As a partner of the firm, Mr Dainton advised public and private companies on all areas of mergers and acquisitions, capital raisings, and corporate restructuring projects. In 2003 he founded Odyssey Capital Partners, a boutique Corporate Advisory and Funds Management business based in Sydney. Its Corporate Advisory business provides investment banking advice to listed and unlisted middle-market companies. Mr Dainton is a Fellow of the Institute of Chartered Accountants (England and Wales) and a Graduate Member of the Australian Institute of Company Directors. He is also a member of the audit committee of the Company. Age 44.
Peter Mitropoulos	Non-Executive Director ADME, GDipAppFin Mr Mitropoulos was appointed as non-executive Director on 20 June 2005. He has obtained specialist corporate knowledge and skills in the property development and construction sector for a period of approximately 25 years. Mr Mitropoulos commenced his career as a construction engineer working for predominately listed building and development companies. He founded Medland Mitropoulos (a national Construction Engineering Consultancy) where, during his tenure, he generated growth from a small Brisbane firm into a successful national company with offices in Sydney, Melbourne and Brisbane. He holds a Diploma of Engineering from QUT and a Post Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia. He is also a member of the audit committee of the Company. Age 46.

Directors' report (cont'd)

Directorships of other listed companies

Directorships of other listed companies held by the Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Peter Mitropoulos	LV Living Limited	5/2006 – 6/2006

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and options in shares of the Company directly or indirectly as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
Theodore Baker	2,942,585	10,000
Gary Dainton	-	30,000
Peter Mitropoulos	44,589	30,000

In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The number of shares and options held by the Directors have been adjusted accordingly.

Remuneration of Directors and senior management

Information about the remuneration of Directors and senior management is set out in the remuneration report of this Directors' report, on pages 15 to 17.

Share options granted to Directors and senior management

During and since the end of the financial year no share options were granted to Directors and senior management.

Company Secretary

Henry Kam

Company Secretary and Financial Controller

Mr Kam CPA was appointed as the Company Secretary of the Company in 2005. He has had extensive experience in the corporate accounting environment.

Principal activities

The principal activities of the consolidated entity at the start of the financial year included property development, rental accommodation management, the provision of secured short-term loans and an investment in a marketing services and travel company. In August 2008 the Company established a new subsidiary which sells distressed information and communication technologies ("ICT") hardware to overseas and local buyers. In December 2008 the Company acquired a subsidiary that is engaged in property funds management.

CL Asset Holdings now operates and/or has an investment in five distinct markets being:

1. funds management (Kinsmen Securities Limited);
2. marketing services and travel (RewardsCorp Limited);
3. ICT hardware sales (Asset Trading Group Pty Ltd);
4. property development and rental (CL Asset Holdings Limited); and
5. short-term lending (CL Asset Holdings Limited).

Directors' report (cont'd)

Operating results

Total revenue for FY2009 was $15.8 million, a substantial increase over last year. The increase in revenue from last year was principally a consequence of the sales achieved by the new ICT hardware sales division during the course of the year.

Net loss after tax for the year was $3.2 million. Net loss was $0.4 million for the prior year. The loss for the year was principally as a result of the Group making a $3.4 million impairment loss on its investment in an associate (RewardsCorp Limited).

Earnings per share for the year were negative 68.0 cents. Earnings per share for last year were negative 9.6 cents.

The Group's balance sheet remains strong with no debt. Cash at bank as of 30 June 2009 was $1.3 million.

Net tangible asset as of 30 June 2009 was $20.6 million with NTA backing per share of $4.35. The Company consolidated its shares on a 10 to 1 basis in May 2009.

Review of operations

Land holdings and rental accommodation

The Group continues to work towards the sale of its land holdings. One property was sold during the year, being the Caboolture property with a book value of $701,752 which was sold for $1 million in July 2008. A status report of all other sites owned by the Company's subsidiaries, and an overview of what is being considered with respect to the sites, is presented below:

1. Waratah, NSW
   a) Phase 1 - (consisting of 40 student units) is occupied providing a stable rental return.
   b) Phase 2 - (consisting of 25 student units) is occupied providing a stable rental return.
   c) Phase 3 - A DA for the development and construction of 59 attached and semi-detached dwellings has been approved. The site is being actively marketed for sale by a leading Newcastle real estate agent.

2. Bendigo, VIC — The Company has obtained a planning permit consent for 21 townhouse styled dwellings. The site is being actively marketed for sale by a leading Bendigo real estate agent.

3. Rockhampton, QLD — The Company has obtained development application consent for 24 townhouses. The site is being actively marketed for sale by a leading Rockhampton real estate agent.

4. Hervey Bay, QLD — The Company has obtained a development application consent for a 23 unit seniors'/ retirement accommodation facility.

5. Maryborough, QLD — The Company has obtained development application approval for a 78 lot mobile home park facility. The site is being marketed for sale by a leading Maryborough real estate agent.

Asset Trading Group Pty Ltd

The Company established a subsidiary called Asset Trading Group Pty Ltd ("ATG") in August 2008. ATG engages in the sale of distressed Information and Communication Technology ("ICT") hardware which includes mobile phones, personal digital assistant devices (PDAs), ICT accessories, etc. ATG generally sells the majority of its stock to overseas' buyers typically in the Asian region. It is the intent of ATG during the course of FY2010 to expand its sales efforts into other countries including the Middle East and Europe.

Directors' report (cont'd)

Review of operations (cont'd)

Kinsmen Securities Limited

In early December 2008 the Company completed its acquisition of Kinsmen Securities Limited ("Kinsmen"). Kinsmen is a boutique fund manager and is the responsible entity for five registered property schemes and the manager of one unregistered property scheme. The CL Asset Holdings Board is of the view that Kinsmen will provide a platform from which the Company can benefit from a property turnaround in the years to come by leveraging Kinsmen's expertise and proven track record. It is also intended that Kinsmen will work with the Company's existing properties in order to further enhance their value and the realisation of the same. However, due to the continued downturn of the property market, Kinsmen suffered a loss for the year and the Board has decided to impair the Company's investment in this subsidiary to zero.

RewardsCorp Limited

The Company has a 44% stake in RewardsCorp Limited ("RewardsCorp"). RewardsCorp is in the business of the design and implementation of leisure based sales promotions, customer loyalty rewards programs and incentives for national and international organisations.

RewardsCorp has continued to under-perform against budget and has made a significant loss in the full-year. Whilst improved performance continues to be budgeted by its management, against the backdrop of a consumer spending slowdown and fierce competitive tension in the travel and accommodation industry generally, the Board has taken a prudent view and taken a provision for impairment against the carrying value of the investment.

Short-term lending

The Company continues to provide short-term secured loans. During the year, previously impaired loans totalling $612,405 were recovered. Two new loan provisions totalling $697,454 have been made in the period. The Company's loans are typically predicated on the borrower repaying the loan through the sale or refinancing of property held as security – the Group's provisioning approach in part acknowledges the broader issues in debt markets and an expectation that borrowers seeking to refinance will find it more difficult to do so. With the exception of the aforementioned loans, the current loan book is performing satisfactorily.

Other Opportunities

The Company continues to consider other opportunities (related and unrelated to the Company's existing business), which may generate future sustainable growth and earnings for its shareholders and form the basis of the Company's longer term strategy.

Changes in the state of affairs

During the financial year, the consolidated entity entered into ICT hardware sales and funds management businesses through new subsidiaries. Other than the aforementioned, there was no other significant change in the state of affairs of the consolidated entity.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, which has not been disclosed in the financial statements.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Directors' report (cont'd)

Environmental regulations

The consolidated entity is not subject to any particular or significant environment regulation under either State or Commonwealth legislation. To the extent that any aspect of the activities of the consolidated entity are subject to any environment regulation under either State or Commonwealth, the Directors are not aware of any breach by the consolidated entity of such regulations during or since the financial year.

Dividends

No dividends have been paid, declared or recommended by the Company during the financial year ended 30 June 2009.

Shares under option or issued on exercise of options

Details of unissued shares or interest under options as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
CL Asset Holdings Limited	50,000	Ordinary	$10.00	20/09/2009
CL Asset Holdings Limited	60,000	Ordinary	$5.00	30/11/2011

In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The number and exercise price of options held by the Directors have been adjusted accordingly.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Shares issued as a result of exercise of options
No shares were issued during or since the end of the financial year as a result of exercise of any option.

Indemnification of officers and auditors

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has agreed to indemnify every officer of the Company and its wholly owned subsidiaries against certain claims made against them whilst acting in their capacity as officers of the Company and its subsidiaries. This indemnification is a continuing indemnity and applies even if the person is not an officer at the time the claim is made.

During the year, the Company paid a premium in respect of a contract insuring its Directors and officers against a liability, other than a wilful breach of duty, of a nature that is required to be disclosed under section 300(8) of the Corporations Act 2001. In accordance with section 300(9), further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

The Company has not, during or since the financial year, indemnified or agreed to indemnity the auditors of the Company or any related body corporation against a liability incurred by the auditor.

Directors' report (cont'd)

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

Directors	Board of Directors		Nomination & Remuneration committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
Theodore Baker	7	7	N.A.	N.A.	N.A.	N.A.
Gary Dainton	7	7	1	1	2	2
Peter Mitropoulos	7	7	1	1	2	2

The auditor, Managing Director and financial controller are invited to audit committee meetings at the discretion of the committee.

Proceedings on behalf of the Company

No person has applied for leave of 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.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 34 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 34 to the financial statements do not compromise the external auditor's independence, based on advice received from the audit committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

No officer of the Company was formerly a partner or director of any audit firm used.

Auditor's independence declaration

The auditor's independence declaration is included on page 18 of the annual report.

Directors' report (cont'd)

Risk management

Oversight of the risk management system

The Board oversees the establishment, implementation, and annual review of the Company's risk management system. Management has established and implemented the risk management system for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Group. The Managing Director has declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively.

Risk management and compliance and control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The Board's policy on internal control is comprehensive and comprises the Company's internal compliance and control systems.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- financial exposures are controlled;
- management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Financing reporting

The Managing Director and the financial controller have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies by the Board.

Financial results are reported to and reviewed by the Board on a regular basis.

Internal control

Management assists the Board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the Company's compliance and control systems.

Directors' report (cont'd)

Remuneration report

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of CL Asset Holdings Limited's Directors and the Group's senior management for the financial year ended 30 June 2009. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details;
- remuneration policy;
- relationship between the remuneration policy and company performance;
- remuneration of Directors and senior management; and
- key terms of employment contracts.

Director and senior management details

The following persons acted as Directors of the Company during or since the end of the financial year:

- Theodore Baker (Acting Chairman & Managing Director)
- Gary Dainton (Non-executive)
- Peter Mitropoulos (Non-executive)

The term 'senior management' is used in this remuneration report to refer to the following persons:

- Henry Kam (Company Secretary and Financial Controller of CL Asset Holdings Limited)
- Paul Zahara (Director of Kinsmen Securities Limited)
- Craig Watson (Director of Kinsmen Securities Limited)
- Jim Papanicolaou (General Manager of Kinsmen Securities Limited)

Remuneration policy

The remuneration committee is responsible for remuneration policies and packages applicable to the Board members and executives of the Group. The committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The Board's remuneration policy is also to ensure the remuneration package properly reflects the person's duties and responsibilities. The remuneration structures take into account the capability and experience of the key management personnel, and the key management personnel's ability to control the Group's performance.

Non-executive Directors are paid an annual fee for their service on the Board and/or committees of the Board within the maximum aggregate sum approved by shareholders which is currently set at $200,000. It is not intended to distribute the full amount by way of fees in the financial year. Fees for non-executive Directors are not linked to the performance of the Company or the Group and they are not entitled to any retirement benefits.

Relationship between the remuneration policy and company performance

Currently no elements of the remuneration of the Directors and senior management are linked to the Company's or the Group's performance.

Elements of Director and senior management remuneration

Remuneration packages contain the following key elements:

- short-term employee benefits include cash salaries, fees, annual leave and sick leave as determined on an accruals basis for executives and Directors;
- post-employment benefits include superannuation payments;
- other long-term employee benefits include long service leave; and
- share-based payment which was the fair value of share options granted to current and former Directors in September 2004 and December 2006. See note 31 to the financial statements for details.

Directors' report (cont'd)

Remuneration report (cont'd)
Remuneration of Directors and senior management

	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Super-annuation	Long service leave	Options	
2009	$	$	$	$	$
Directors					
Theodore Baker	229,358	20,642	-	-	250,000
Gary Dainton	30,000	-	-	600	30,600
Peter Mitropoulos	30,000	-	-	600	30,600
Senior management					
Henry Kam	120,460	10,841	-	-	131,301
Paul Zahara*^	116,667	-	-	-	116,667
Craig Watson*^	58,331	-	-	-	58,331
Jim Papanicolaou*	69,725	6,275	-	-	76,000
Total	654,541	37,758	-	1,200	693,499

* From 2 December 2008, the date of acquisition of Kinsmen Securities Limited
^ Reported as consulting fees

2008					
Directors					
Theodore Baker	229,358	20,642	-	-	250,000
Gary Dainton	30,000	-	-	600	30,600
Peter Mitropoulos	30,000	-	-	600	30,600
Senior management					
Henry Kam	104,208	9,378	-	-	113,586
Total	393,566	30,020	-	1,200	424,786

No Directors or senior management have been paid performance based benefits.

During the financial year, the following share-based payment arrangements were in existence.

Options series	Grant date	Expiry date	Grant date fair value	Vesting date
(1) Issued 15/9/04	15/9/04	20/9/09	$4.045	19/11/04
(2) Issued 1/12/06	1/12/06	30/11/11	$0.060	30/06/07
(3) Issued 1/12/06	1/12/06	30/11/11	$0.060	30/06/08
(4) Issued 1/12/06	1/12/06	30/11/11	$0.060	30/06/09

In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The number, exercise price and grant date fair value of options held by the Directors have been adjusted accordingly.

Directors' report (cont'd)

Remuneration report (cont'd)

Gary Dainton and Peter Mitropoulos were granted share options of 300,000 each on 1 December 2006. In the case of each holder, the options issued vest over a three year period with the first tranche of 100,000 vesting on 30 June 2007, the second tranche of 100,000 vesting on 30 June 2008 and the balance of 100,000 vesting on 30 June 2009. The fair value of the options is calculated at the date of grant using a Black-Scholes pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. There are no performance conditions attached to the options. Further details of the options are contained in note 31. Post share and option consolidation in May 2009, means the number of options granted consolidates to 30,000 options.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

There were no forfeitures during the period.

During the year there were no options granted, exercised or lapsed. Also no options have been granted since the end of the financial year.

The number of options that have vested during the year is 20,000 (post option consolidation).

Key terms of employment contracts
There are no employment contracts in place with any Non-executive Director.

There are standard consultancy agreements in place with the two directors of Kinsmen Securities Limited.

There are standard contracts of employment with other executives of the Group which contain no unusual terms.

The nature and amount of compensation and the terms and conditions of employment for the Managing Director are covered by an executive services agreement and will otherwise be determined and approved by the Board after seeking professional advice. The principal terms are detailed below:

- Term of agreement – 5 years commencing 19 November 2004.
- Base salary, inclusive of superannuation commencing at $250,000 per year to be reviewed on 1 July 2005 and each anniversary of that date.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 months base salary.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Theodore Baker
Acting Chairman & Managing Director
Sydney, 29 September 2009

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CL Asset Holdings Limited:

As lead auditor for the audit of CL Asset Holdings Limited (formerly Community Life Limited) for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CL Asset Holdings Limited and the entities it controlled during the period.

M. Muller

M D Muller
Partner

HLB Mann Judd

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Sydney
29 September 2009

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289
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HLB Mann Judd

Accountants | Business and Financial Advisers

CL ASSET HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of CL Asset Holdings Limited (formerly Community Life Limited):

We have audited the accompanying financial report of CL Asset Holdings Limited ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the company and the CL Asset Holdings Limited Group ("the consolidated entity"), as set out on pages 21 to 73. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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CL ASSET HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT
(continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of CL Asset Holdings Limited on 29 September 2009, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of CL Asset Holdings Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 17 of the directors' report for the year ended 30 June 2009.The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of CL Asset Holdings Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

M. Muller

M D Muller
Partner

HLB Mann Judd

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Sydney
29 September 2009

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2009

1. In the directors' opinion:

(a) the financial statements and notes set out on pages 22 to 73 are in accordance with the *Corporations Act 2001*, including:
   - (i) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date;
     and

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

2. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2008 required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors

Theodore Baker
Acting Chairman and Managing Director
Sydney, 29 September 2009

Index to the financial report

Contents

This financial report covers both the separate financial statements of CL Asset Holdings Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of CL Asset Holdings Limited and its subsidiaries. The financial report is presented in the Australian currency.

The financial report was authorised for issue by the Directors on 29 September 2009. The Directors have the power to amend and reissue the financial report.

Income statements
For the year ended 30 June 2009

		Consolidated		Company	
		2009	2008	2009	2008
Continuing Operations	**Note**	$	$	$	$
Revenue	4	15,798,066	1,506,455	1,575,671	1,034,327
Share of profits/(loss) of associate accounted for using the equity method	10	(52,327)	245,403	-	-
Cost of sales of ICT hardware		(12,252,087)	(171,000)	(208,290)	(171,000)
Cost of sales on non-current assets classified as held for sale		(701,752)	-	-	-
Impairment of investment in subsidiary	5	-	-	(532,739)	-
Impairment of investment in associate	5	(3,401,203)	-	(3,413,170)	-
Impairment of goodwill	5	(237,739)	-	-	-
Impairment of receivables	5	(136,320)	-	(136,320)	-
Impairment of loans	5	(85,048)	(700,222)	(85,048)	(700,222)
Impairment of inter-company loans	5	-	-	(18,617)	(139,235)
Impairment of inventory properties	5	(126,276)	(70,950)	-	-
Employee and Director benefits expenses	5	(762,661)	(513,570)	(540,620)	(513,570)
Depreciation and amortisation	5	(163,809)	(129,727)	(62,472)	(23,687)
Loss on disposal of property, plant and equipment		(8,929)	-	(8,929)	-
Property expenses and outgoings		(245,838)	(266,791)	-	-
Consulting and professional fees		(371,868)	(149,739)	(157,629)	(138,194)
Listing and filing expenses		(33,889)	(38,658)	(30,190)	(35,902)
Occupancy expenses	5	(124,767)	(78,499)	(109,933)	(78,499)
Insurance expenses		(85,182)	(39,962)	(29,662)	(39,962)
Finance costs		(15,812)	(9,826)	-	-
Telephone expenses		(14,553)	(15,183)	(14,553)	(15,183)
Other expenses		(156,266)	(125,523)	(31,139)	(124,101)
Loss before income tax		(3,178,260)	(557,792)	(3,803,640)	(945,228)
Income tax (expense)/benefit	6	(51,410)	109,451	9,372	286,770
Loss for the year		**(3,229,670)**	**(448,341)**	**(3,794,268)**	**(658,458)**
Attribute to:					
Equity holders of the Company		(3,190,981)	(448,341)	(3,794,268)	(658,458)
Minority interest		(38,689)	-	-	-
		(3,229,670)	**(448,341)**	**(3,794,268)**	**(658,458)**
Earnings per share attributable to equity holders of the Company:					
Basic (cents per share)	23	(68.0)	(9.6)		
Diluted (cents per share)	23	(68.0)	(9.6)		

In May 2009 the Company consolidated its shares on a 10 to 1 basis. The weighted average number of shares for 2009 has been adjusted to reflect this conversion for the whole of the year, and the 2008 comparative weighted average number of shares has also been restated to reflect this consolidation.

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets
As at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
ASSETS					
Current assets					
Cash and cash equivalents	29	1,302,704	4,690,561	941,752	4,680,228
Trade and other receivables	7	1,482,161	113,215	6,593	92,664
Inventories	9	-	59,090	-	59,090
Financial assets	8	7,541,668	4,338,386	7,541,668	4,338,386
Non-current assets classified as held for sale	11	-	701,752	-	-
Other assets	13	107,953	115,159	3,284	99,159
Total current assets		**10,434,486**	**10,018,163**	**8,493,297**	**9,269,527**
Non-current assets					
Inventories	9	5,969,600	6,066,966	-	-
Investments accounted for using the equity method	10	-	3,625,312	-	-
Financial assets	8	-	-	9,645,636	13,000,195
Property, plant and equipment	12	4,456,078	3,813,595	783,189	43,255
Deferred tax assets	6	467,497	609,809	583,454	719,974
Total non-current assets		**10,893,175**	**14,115,682**	**11,012,279**	**13,763,424**
TOTAL ASSETS		**21,327,661**	**24,133,845**	**19,505,576**	**23,032,951**
LIABILITIES					
Current liabilities					
Trade and other payables	17	594,315	347,548	344,670	347,548
Employee entitlements	19	102,542	41,120	50,487	41,120
Total current liabilities		**696,857**	**388,668**	**395,157**	**388,668**
Non-current liabilities					
Borrowings	18	-	-	493,530	234,326
Deferred tax liabilities	6	43,787	134,690	-	-
Total non-current liabilities		**43,787**	**134,690**	**493,530**	**234,326**
TOTAL LIABILITIES		**740,644**	**523,358**	**888,687**	**622,994**
NET ASSETS		**20,587,017**	**23,610,487**	**18,616,889**	**22,409,957**
EQUITY					
Issued capital	20	23,696,428	23,696,428	23,696,428	23,696,428
Reserves	21	205,850	204,650	205,850	204,650
Accumulated losses	22	(3,481,572)	(290,591)	(5,285,389)	(1,491,121)
Capital and reserves attributable to equity holders of CL Asset Holdings Limited		**20,420,706**	**23,610,487**	**18,616,889**	**22,409,957**
Minority interest		166,311	-	-	-
TOTAL EQUITY		**20,587,017**	**23,610,487**	**18,616,889**	**22,409,957**

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity
For the year ended 30 June 2009

Consolidated — **Attributable to members of CL Asset Holdings Limited**

	Issued capital $	Reserves $	Accumulated profits/(losses) $	Total $	Minority interest $	Total equity $
Balance at 1 July 2008	23,696,428	204,650	(290,591)	23,610,487	-	23,610,487
Loss for the year	-	-	(3,190,981)	(3,190,981)	(38,689)	(3,229,670)
Share-based payment	-	1,200	-	1,200	-	1,200
Minority interest on acquisition of subsidiary	-	-	-	-	205,000	205,000
Balance at 30 June 2009	**23,696,428**	**205,850**	**(3,481,572)**	**20,420,706**	**166,311**	**20,587,017**
Balance at 1 July 2007	23,696,428	203,450	157,750	24,057,628	-	24,057,628
Loss for the year	-	-	(448,341)	(448,341)	-	(448,341)
Share-based payment	-	1,200	-	1,200	-	1,200
Balance at 30 June 2008	**23,696,428**	**204,650**	**(290,591)**	**23,610,487**	**-**	**23,610,487**

Company

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2008	**23,696,428**	**204,650**	**(1,491,121)**	**22,409,957**
Loss for the year	-	-	(3,794,268)	(3,794,268)
Share-based payment	-	1,200	-	1,200
Balance at 30 June 2009	**23,696,428**	**205,850**	**(5,285,389)**	**18,616,889**
Balance at 1 July 2007	**23,696,428**	**203,450**	**(832,663)**	**23,067,215**
Loss for the year	-	-	(658,458)	(658,458)
Share-based payment	-	1,200	-	1,200
Balance at 30 June 2008	**23,696,428**	**204,650**	**(1,491,121)**	**22,409,957**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statements
For the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash flows from operating activities					
Receipts from customers		13,755,665	1,942,304	1,521,026	1,463,689
Payments to suppliers and employees		(13,989,830)	(2,022,180)	(1,393,276)	(1,677,638)
Interest and other costs of finance paid		(15,812)	-	-	-
Interest received		231,254	134,304	229,163	134,257
Dividends received		171,782	-	171,782	-
Net cash flows provided by/(used in) operating activities	29	**153,059**	**54,428**	**528,695**	**(79,692)**
Cash flows from investing activities					
Payments for property, plant and equipment		(815,221)	(11,230)	(811,335)	(11,230)
Payments for acquisition of equity investment		(66,666)	(397,000)	(66,666)	(397,000)
Loans advanced		(6,029,045)	(5,403,341)	(6,029,045)	(5,403,341)
Loans repaid		2,844,747	9,070,130	2,844,747	9,070,130
Proceeds from sale of non-current assets classified as held for sale		1,000,000	-	-	-
Payment for acquisition of subsidiary, net of cash acquired		(474,731)	-	(532,839)	-
Net cash flows provided by/(used in) investing activities		**(3,540,916)**	**3,258,559**	**(4,595,138)**	**3,258,559**
Cash flows from financing activities					
Loan proceeds from wholly owned subsidiaries		-	-	9,094,115	352,258
Loan payments to wholly owned subsidiaries		-	-	(8,766,148)	(228,360)
Net cash flows provided by financing activities		-	-	**327,967**	**123,898**
Net increase/(decrease) in cash and cash equivalents		(3,387,857)	3,312,987	(3,738,476)	3,302,765
Cash and cash equivalents at the beginning of the financial year		4,690,561	1,377,574	4,680,228	1,377,463
Cash and cash equivalents at the end of the financial year	29	**1,302,704**	**4,690,561**	**941,752**	**4,680,228**

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 General information

CL Asset Holdings Limited (the Company) is a public company listed on the Australia Stock Exchange (trading under the symbol "CLS"), incorporated in Australia and operating in Australia. In May 2009 the Company changed its name from Community Life Limited (trading under the symbol "CLF") to CL Asset Holdings Limited.

CL Asset Holdings Limited's registered office and principal place of business is as follows:

Registered office and principal place of business

Level 2
28 Clarke Street
Crows Nest NSW 2065

Tel: (02) 9432 3999
Fax: (02) 9460 9888

The entity's principal activities are property development, rental accommodation operation, the provision of secured short-term loans, sale of ICT hardware and funds management.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for CL Asset Holdings Limited as an individual entity and the consolidated entity consisting of CL Asset Holdings Limited and its subsidiaries.

(a) Basis of preparation

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with International Financial Reporting Standards (IFRS)

The financial report of CL Asset Holdings Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 the notes to the financial statements.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CL Asset Holdings Limited ("Company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended 30 June 2009. CL Asset Holdings Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(b) Principles of consolidation (cont'd)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for subsidiaries by the Group (refer to note 2(h)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statements. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interest in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for initially at cost in the individual financial statements of CL Asset Holdings Limited. Investments in subsidiaries are written down immediately to their recoverable amount if the investments' carrying amount is greater than its estimated recoverable amount (refer to note 2b(i)).

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 10).

The Group's share of its associate's post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of a loss in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(c) Segment information

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is CL Asset Holdings Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are transferred into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economics benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

<u>Sale of goods</u>

The Group sells a range of ICT hardware in the wholesale market, both in Australia and overseas. Revenue from the sale of goods is recognised when a group entity has delivered products to the buyer.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(e) Revenue recognition (cont'd)

Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest revenue.

Rental income

Revenue from operating leases is recognised in accordance with the Group's accounting policy outlined in note 2(g).

Dividends

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

(f) Income tax

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

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

Deferred tax assets are recognised 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(f) Income tax (cont'd)

Tax consolidation

The Company and all its wholly-owned Australian controlled entities are part of a tax-consolidation group under Australian taxation law. CL Asset Holdings Limited is the head entity in the tax-consolidation group. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach based on the allocation specified in the tax funding arrangement.

The tax funding arrangement requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequence.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credit of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 6.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the lease property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Rental income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 26).

(h) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(h) Business combinations (cont'd)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(i) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

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

(k) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(l) Inventories

Current inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are assigned to individual items of inventory on the basis of weighted average costs.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(l) Inventories (cont'd)

Non-current inventories, including properties, are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Cost is assigned by specific identification and includes the cost of acquisition, the carrying amount of assets at the date of transfer from property, plant and equipment to inventory property and costs of development.

(m) Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(n) Investments and financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Gains or losses on investments held for trading are recognised in profit or loss.

<u>Loans and receivables</u>

Loans and receivables include loans to related and unrelated parties with or without fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

<u>Impairment of financial assets</u>

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Where a trade receivable is uncollected, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(o) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Land is carried at cost and not depreciated. Buildings are carried at cost less accumulated depreciation and any impairment losses recognised after the date of the revaluation by the Directors of the Company.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

• Land	Not depreciated
• Buildings	40 years
• Plant and equipment	3-5 years

The assets' residual values, useful lives and amortisation method are reviewed, and adjusted if appropriate, at each financial year end.

(p) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(q) Share-based payments

The Group provides benefits to its Directors under the Executive Share Option Plan. Equity-settled share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural consideration. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it related.

(t) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employees benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(u) Contributed equity

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid during any directly attributable incremental costs (net of income taxes) is recognised directly in equity .

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(w) 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 taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or 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 taxation authority is included with other receivables or payables in the balance sheet.

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

(x) Comparative amounts

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment (to the extent relevant to CL Asset Holdings Limited) of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(y) New accounting standards and interpretations (cont'd)

(ii) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 2 (h) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see Note 2 (b)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interest from 1 July 2009.

(iii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 and AASB 2007-3 are effective for annual report periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will apply AASB 8 and AASB 2007-3 from 1 July 2009 i.e. for 30 June 2010 financial statements. Application of AASB 8 may result in different segments, segment results and types of information being reported in the segment note of the financial report. However, at this stage it is not expected to affect any of the amounts recognised in the financial statements.

Notes to the financial statements (cont'd)

3 Segment information

The Group's primary segment reporting format is business segment. There are no inter-segment sales.

Information reported to the Group's chief operating decision makers for the purposes of resource allocation and assessment of performance is focused on the following five operating divisions – property development, rental, lending, wholesale trading and funds management. The Group's reportable segments under AASB 114 are as follows:

- Property development — The development and sale of residential and commercial accommodation.
- Rental — The rental accommodation operation.
- Lending — The provision of secured short-term bridging, business, investment and commercial loans.
- Wholesale trading — Wholesale trading of ICT hardware to local and overseas buyers.
- Funds management — Issuing property investment products and managing funds on behalf of investors.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment result	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Property development	1,000,000	-	115,381	(96,326)
Rental	476,191	472,081	160,791	117,913
Lending	889,227	664,110	804,179	(36,112)
Wholesale trading	12,630,809	170,800	350,477	(200)
Funds management	489,576	-	(94,363)	-
Total of all segments	15,485,803	1,306,991	1,336,465	(14,725)
Unallocated			(4,514,725)	(543,067)
Loss before tax			(3,178,260)	(557,792)
Income tax (expense)/benefit			(51,410)	109,451
Loss for the year			**(3,229,670)**	**(448,341)**

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment for the periods under review:

	Assets		Liabilities	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Property development	5,959,600	6,768,718	474	727
Rental	3,685,613	3,770,340	2,466	6,092
Lending	7,541,668	4,338,386	33,384	25,820
Wholesale trading	1,253,814	59,090	32,838	-
Funds management	682,030	-	276,393	-
Total segment assets and liabilities	19,122,725	14,936,534	345,555	32,639
Unallocated assets and liabilities	2,204,936	9,197,311	395,089	490,719
Consolidated total assets and liabilities	21,327,661	24,133,845	740,644	523,358

Notes to the financial statements (cont'd)

3. Segment information (cont'd)

Other segment information

	Depreciation and amortisation of segment assets		Additions to non-current segment assets	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Property development	-	-	28,910	9,283
Rental	100,913	106,039	-	-
Lending	4,500	4,500	-	-
Funds management	424	-	3,886	-

In addition to the depreciation and amortisation reported above, impairment losses of $126,276 (2008: $70,950) were recognised in respect of inventory. These impairment losses were attributable to the following reportable segments:

	2009	**2008**
	$	**$**
Inventory		
Property development	126,276	70,950
Total impairment loss	126,276	70,950

Geographical information

The Group operates in Australia only and exports ICT hardware to Asian countries, mainly Hong Kong and Singapore.

The Group's revenue from external customers by geographic location are detailed below:

	Revenue from external customers	
	2009	**2008**
	$	**$**
Australia	4,401,114	1,306,991
Asia	11,084,689	-
	15,485,803	1,306,991

Revenue from external customers are attributed to individual countries based on the invoiced address for the goods.

Notes to the financial statements (cont'd)

4 Revenue

An analysis of the Group's revenue for the year is as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Revenue consisted of the following items:				
Revenue from the sale of non-current asset classified as held for sale	1,000,000	-	-	-
Revenue from rental accommodation	476,191	472,081	-	-
Interest from bank deposits	231,254	134,304	229,163	134,257
Revenue from secured loans	889,227	664,110	889,227	664,110
Sale of goods	12,630,809	170,800	208,490	170,800
Funds management fees	489,576	-	-	-
Dividend received from associate	-	-	171,782	-
Other revenue	81,009	65,160	77,009	65,160
	15,798,066	1,506,455	1,575,671	1,034,327

5 Expenses

Loss before income tax includes the following expenses:

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Cost of sales				
ICT hardware	(12,252,087)	(171,000)	(208,290)	(171,000)
Non-current assets held for sale	(701,752)	-	-	-
Finance costs:				
Costs incurred with bank overdrafts and insurance funding	(15,812)	(9,826)	-	-
Employee and Directors' benefits expense:				
Salaries	(648,582)	(416,873)	(440,633)	(416,873)
Directors' fees	(60,000)	(60,000)	(60,000)	(60,000)
Superannuation expenses	(52,879)	(35,497)	(38,787)	(35,497)
Share-based payment	(1,200)	(1,200)	(1,200)	(1,200)
	(762,661)	(513,570)	(540,620)	(513,570)
Depreciation and amortisation				
Buildings	(68,627)	(68,629)	-	-
Plant and equipment	(25,744)	(20,495)	(25,122)	(20,264)
Leasehold improvements, furniture and fittings	(69,438)	(40,603)	(37,350)	(3,423)
Total depreciation	(163,809)	(129,727)	(62,472)	(23,687)

Notes to the financial statements (cont'd)

5. Expenses (cont'd)

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Impairment losses				
Impairment of investment in subsidiaries Refer to note 8	-	-	(532,739)	-
Impairment of investment in associate Refer to note 8 and 10	(3,401,203)	-	(3,413,170)	-
Impairment of goodwill Refer to note 14	(237,739)	-	-	-
Impairment of trade receivables	(136,320)	-	(136,320)	-

The impairment loss relates to fees payable by a related party (Gambit Group Pty Ltd). Whilst the Company will continue to pursue repayment of the receivable, at the date of this report, the Directors regard the receivables as being fully impaired.

Impairment of loans	(85,048)	(700,222)	(85,048)	(700,222)

The impairment loss relates to two loans that became in excess of 90 days past due where the Directors have reasonable grounds to believe that they are unlikely to be repaid. Whilst the Company will continue to pursue repayment of these loans, at the date of this report, the Directors regard the loans as being fully impaired.

Impairment of loans to subsidiaries	-	-	(18,617)	(139,235)

The impairment loss relates to loans due from the Company's wholly-owned subsidiaries. Due to the inadequate net assets value of some of these subsidiaries, the Directors regard some of the loans as being impaired.

Impairment of inventory properties	(126,276)	(70,950)	-	-

The impairment loss of inventories in 2009 relates to the Bendigo site where the Directors' assessment of net realisable value is lower than the cost.

Foreign exchange losses				
Net foreign exchange losses	(7,922)	-	-	-
Occupancy expenses				
Operating lease rental expenses:				
Minimum lease payments	(124,767)	(78,499)	(109,933)	(78,499)

Notes to the financial statements (cont'd)

6 Income taxes

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
(a) Income tax recognised in profit or loss				
Tax expense/(benefit) comprises:				
Current tax expense/(benefit) in respect of the current year	-	-	-	-
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	51,410	(109,451)	(9,372)	(286,770)
Total tax expense/(benefit)	51,410	(109,451)	(9,372)	(286,770)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Loss before income tax:	(3,178,260)	(557,792)	(3,803,640)	(945,228)
Income tax expense/(benefit) calculated at 30%	(953,478)	(167,337)	(1,141,092)	(283,569)
Adjustments:				
Goodwill impairment	71,322		-	-
Share of net loss/(profit) of associate	15,698	(73,621)	-	-
Impairment losses of investments in subsidiary and associate	1,020,360	-	1,183,772	-
Other tax effect and timing differences	(102,492)	131,507	(52,052)	(3,201)
Income tax expense/(benefit) per income statement	51,410	(109,451)	(9,372)	(286,770)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(b) Deferred tax balances				
Deferred tax assets comprise:				
Tax losses – revenue	226,667	285,782	226,667	285,782
Temporary differences	240,830	324,027	356,787	434,192
	467,497	609,809	583,454	719,974
Deferred tax liabilities comprise:				
Temporary differences	43,787	134,690	-	-

Notes to the financial statements (cont'd)

6 Income taxes (cont'd)

(b) Deferred tax balances (cont'd)

Taxable and deductible temporary differences arise from the following:

2009	Consolidated Opening balance $	Charges to income $	Closing balance $
Gross deferred tax liabilities:			
Properties, plant and equipment and inventories	(71,047)	27,260	(43,787)
Investments in associates	(63,643)	63,643	-
	(134,690)	90,903	(43,787)
Gross deferred tax assets:			
Financial assets	216,060	9,625	225,685
Share issue expenses	85,131	(85,131)	-
Employee entitlements	22,836	(7,691)	15,145
	324,027	(83,197)	240,830

2009	Company Opening balance $	Charges to income $	Closing balance $
Gross deferred tax assets:			
Properties, plant and equipment and inventories	1,325	208	1,533
Financial assets	324,900	15,209	340,109
Share issue expenses	85,131	(85,131)	-
Employee entitlements	22,836	(7,691)	15,145
	434,192	(77,405)	356,787

Taxable and deductible temporary differences arise from the following:

2008	Consolidated Opening balance $	Charges to income $	Closing balance $
Gross deferred tax liabilities:			
Trade and other receivables	(12,666)	12,666	-
Properties, plant and equipment and inventories	(22,438)	(48,609)	(71,047)
Investments in associates	-	(63,643)	(63,643)
	(35,104)	(99,586)	(134,690)
Gross deferred tax assets:			
Financial assets	2,008	214,052	216,060
Share issue expenses	190,600	(105,469)	85,131
Investments in associates	9,979	(9,979)	-
Employee entitlements	12,200	10,636	22,836
	214,787	109,240	324,027

Notes to the financial statements (cont'd)

6 Income taxes (cont'd)

(b) Deferred tax balances (cont'd)

2008	Company Opening balance $	Charges to income $	Closing balance $
Gross deferred tax liabilities:			
Trade and other receivables	(12,666)	12,666	-
Properties, plant and equipment and inventories	(332)	332	-
	(12,998)	12,998	-
Gross deferred tax assets:			
Properties, plant and equipment and inventories	-	1,325	1,325
Financial assets	69,076	255,824	324,900
Share issue expenses	190,600	(105,469)	85,131
Employee entitlements	12,200	10,636	22,836
	271,876	162,316	434,192

Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is CL Asset Holdings Limited (formerly Community Life Limited). The members of the tax-consolidated group are identified at note 27.

Tax effect accounting by members of the tax consolidated group

The head entity and the controlled entities in the tax-consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocated approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax-consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, CL Asset Holdings Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability or tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Notes to the financial statements (cont'd)

7 Trade and other receivables

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Current				
Trade receivables (i)	1,486,575	86,027	137,942	65,160
Provision for impairment of receivables	(136,320)	-	(136,320)	-
	1,350,255	86,027	1,622	65,160
Goods and services tax recoverable	131,906	27,188	4,971	27,504
	1,482,161	113,215	6,593	92,664

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of receivables. Collateral is not held as security.

(a) Impaired trade receivables
As at 30 June 2009 current trade receivables of the Group with a nominal value of $136,320 (2008 - $nil) were impaired. The amount of the provision was $136,320 (2008- $nil).

The ageing of these trade receivables is as follows:

Up to 3 months	71,160	-	71,160	-
3 to 6 months	-	-	-	-
Over 6 months	65,160	-	65,160	-
	136,320	-	136,320	-

Movements in the provision for impairment of receivables are as follows:

At 1 July	-	-	-	-
Provision for impairment recognised during the year	136,320	-	136,320	-
	136,320	-	136,320	-

(i) Trade receivables are non-interest bearing and are generally on 0-30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment loss recognised by the Group and the Company in the current year was for the fees due from a related party. Whilst the Company will continue to pursue repayment of these receivables, the Directors regard the amount as being impaired as the repayment date is uncertain. Reference note 33.

(b) Past due but not impaired
As at 30 June 2009, trade receivables of $40,030 (2008 - $nil) were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging of these trade receivables is as follows:

Up to 3 months	40,030	-	-	-
3 to 6 months	-	-	-	-
Over 6 months	-	-	-	-
	40,030	-	-	-

Notes to the financial statements (cont'd)

8 Financial assets

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Loans carried at amortised cost:				
Current				
Interest-bearing secured loans (i)	8,239,122	5,038,608	8,239,122	5,038,608
Provision for impairment of loans	(697,454)	(700,222)	(697,454)	(700,222)
	7,541,668	4,338,386	7,541,668	4,338,386

(i) The Group has provided secured short-term loans to unrelated parties at rates higher than typical commercial borrowing rates of interest.

Due to the short term nature of these loans, their carrying value is assumed to approximate their fair value.

Allowance for impairment of loans
Secured loans are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual loan is impaired. An impairment loss of $697,454 (2008: $700,222) has been recognised by the Group and the Company in the current year.

In determining the recoverability of a secured loan, the Group considers any change in the credit quality of the loan from the date the loan was initially granted up to the reporting date. The Directors believe that there is no further credit provision required in excess of the closing impairment allowance.

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Movements in the provision for impairment of loans are as follows:				
At 1 July	700,222	-	700,222	-
Provision for impairment recognised during the year	697,454	700,222	697,454	700,222
Loans written off during the year as uncollectible	(87,817)	-	(87,817)	-
Unused amount reversed	(612,405)	-	(612,405)	-
	697,454	700,222	697,454	700,222
Ageing of past due but not impaired interest-bearing secured loans				
Overdue 0-60 days	-	-	-	-
Overdue 60-120 days	-	-	-	-
Overdue 120 days – 1 year	-	210,000	-	210,000
Overdue over 1 year	210,000	-	210,000	-
Total	210,000	210,000	210,000	210,000

Included in the Group's loans balance is a loan with a carrying amount of $210,000 (2008: $210,000) which was past due at the reporting date for which the Group has not provided provision as adequate security was being held and the amounts were still considered recoverable. Subsequently this loan was fully repaid on 1 September 2009.

Notes to the financial statements (cont'd)

8 Financial assets (cont'd)

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Loans carried at amortised cost:				
Non-current				
Loans to related parties	-	-	10,026,844	9,949,716
Provision for impairment of loans	-	-	(381,410)	(362,793)
	-	-	9,645,434	9,586,923
Movements in the provision for impairment of loans are as follows:				
At 1 July	-	-	362,793	223,175
Provision for impairment recognised during the year	-	-	18,617	139,235
	-	-	381,410	362,410
Investments carried at cost:				
Non-current				
Investment in subsidiaries (note 28)	-	-	532,941	102
Provision for impairment of investment in subsidiary	-	-	(532,739)	-
Investment in associate company (note 10)	-	-	3,413,170	3,413,170
Provision for impairment of investment in associate company	-	-	(3,413,170)	-
	-	-	202	3,413,272
Movements in the provision for impairment of investment in subsidiary are as follows:				
At 1 July	-	-	-	-
Provision for impairment recognised during the year	-	-	532,739	-
	-	-	532,739	-
Movements in the provision for impairment of investment in associate company are as follows:				
At 1 July	-	-	-	-
Provision for impairment recognised during the year	-	-	3,413,170	-
	-	-	3,413,170	-
Disclosed in the balance sheets as:				
Current financial assets	7,541,668	4,338,386	7,541,668	4,338,386
Non-current financial assets	-	-	9,645,636	13,000,195
	7,541,668	4,338,386	17,187,304	17,338,581

Notes to the financial statements (cont'd)

9 Inventories

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Current				
Goods at cost	-	59,090	-	59,090
Non-current				
Inventory properties	5,969,600	6,066,966	-	-
	5,969,600	6,126,056	-	59,090

Non-current inventory properties consists of land the Group originally acquired for development. In accordance with AASB 5, an entity shall classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and its sale must be highly probable. The Directors have the view that this land does not meet this criteria and therefore have classified it as non-current inventories, instead of non-current assets held for sale.

Inventory properties are stated at the lower of cost and net realisable value.

10 Investments accounted for using the equity method

Investment details	Consolidated	
	2009	2008
	$	$
Unlisted		
RewardsCorp Ltd	-	3,625,312
Investment in associate	-	3,625,312

The Group originally acquired 40% of the issued capital in the holding company of RewardsCorp Ltd in October 2006, a further 3% in May 2007 and an additional 1% in June 2008. The Group's investment in the associate is accounted for in accordance with the accounting policy described in note 2(b).

RewardsCorp Ltd provides reward programs through the packaging of holiday accommodation and travel. It is a company incorporated in Australia and has a 30 June reporting date.

			Ownership interest	
Name of entity	Country of incorporation	Principal activity	2009 %	2008 %
RewardsCorp Ltd	Australia	Marketing services and travel	44	44

Notes to the financial statements (cont'd)

10 Investments accounted for using the equity method (cont'd)

Reconciliation of movements in investments accounted for using the equity method

	Consolidated	
	2009	**2008**
	$	**$**
RewardsCorp Ltd		
Balance 1 July	3,625,312	3,313,243
Purchase price paid	-	-
Purchase price to be paid	-	66,666
Direct costs relating to the acquisition	-	-
Share of profit/(loss) for the year	(52,327)	245,403
Dividends received	(171,782)	-
Impairment of investment in associate	(3,401,203)	-
Balance 30 June	-	3,625,312

Impairment in investments accounted for using the equity method

Operating results for RewardsCorp Ltd have been significantly worse than those budgeted with the associate producing a loss for the financial year ended 30 June 2009. In view of the continued economic downturn, the Board is unable to estimate when the associate will return to profit and therefore has recognised a full impairment loss.

No deferred tax asset for this impairment loss was recognised as the Directors are unable to state that it is probable the tax benefit will be realised.

Summarised financial information

Summarised financial information in respect of the Group's associate is set out below:

Financial position:		
Total assets	6,259,786	4,784,019
Total liabilities	6,065,191	4,080,088
Net assets	**194,595**	**703,931**
Share of associate's net assets (2009: 44%, 2008: 44%)	**85,622**	**309,730**
Financial performance:		
Total revenue	25,145,892	17,470,769
Total profit/(loss) for the year	(118,925)	557,734
Share of associate's profit/(loss) (2009: 44%, 2008: 44%)	**(52,327)**	**245,403**
Share of associate's profit or loss accounted for using the equity method:		
Profit/(loss) before income tax	(77,480)	340,315
Income tax (expense)/benefit	25,153	(94,912)
Profit/(loss) after income tax	**(52,327)**	**245,403**

Dividends received from associate

During the year, the Group received dividends of $171,782 (2008: $nil) from its associate.

Capital commitments and contingent liabilities

The Group's share of the capital commitments and other expenditure commitments of the associate is disclosed in note 24.

The Group's share of the contingent liabilities of the associate is disclosed in note 25.

Notes to the financial statements (cont'd)

11 Non-current assets classified as held for sale

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Land	-	701,752	-	-

During the year, a parcel of vacant land at Caboolture which was originally acquired for development was sold.

12 Property, plant and equipment

	Consolidated				
	Freehold land at cost	Buildings at cost	Furniture & Fittings at cost	Plant and equipment at cost	Total
	$	$	$	$	$
Gross carrying amount					
Balance at 1 July 2007	**1,190,634**	**2,745,116**	**198,882**	**83,285**	**4,217,917**
Additions	-	-	6,034	5,196	11,230
Balance at 1 July 2008	**1,190,634**	**2,745,116**	**204,916**	**88,481**	**4,229,147**
Additions	-	-	723,873	91,348	815,221
Disposals	-	-	(19,017)	(11,698)	(30,715)
Balance at 30 June 2009	**1,190,634**	**2,745,116**	**909,772**	**168,131**	**5,013,653**
Accumulated depreciation/ amortisation and impairment					
Balance at 1 July 2007	-	**(144,550)**	**(106,143)**	**(35,132)**	**(285,825)**
Depreciation expense	-	(68,629)	(40,603)	(20,495)	(129,727)
Balance at 1 July 2008	**-**	**(213,179)**	**(146,746)**	**(55,627)**	**(415,552)**
Depreciation expense	-	(68,627)	(69,440)	(25,742)	(163,809)
Disposals	-	-	12,222	9,564	21,786
Balance at 30 June 2009	**-**	**(281,806)**	**(203,964)**	**(71,805)**	**(557,575)**
Net book value					
As at 30 June 2008	**1,190,634**	**2,531,937**	**58,170**	**32,854**	**3,813,595**
As at 30 June 2009	**1,190,634**	**2,463,310**	**705,808**	**96,326**	**4,456,078**

After recognition as an asset, an item of property, plant and equipment is carried at its cost less accumulated depreciation and any accumulated impairment loss.

The Group reviews the recoverable amount of all its property, plant and equipment at least annually. Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.

The Group holds land and buildings with a carrying amount of $3,653,944 (2008: $3,722,571) for rental accommodation purposes. The land and buildings are not classified as an investment property, as the Group provides ancillary services to the occupants of the property and the services provided are significant.

There was no depreciation during the period that was capitalised as part of the cost of other assets.

Notes to the financial statements (cont'd)

12 Property, plant and equipment (cont'd)

	Company		
	Furniture & Fittings at cost $	Plant and equipment at cost $	Total $
Gross carrying amount			
Balance at 1 July 2007	**12,983**	**82,130**	**95,113**
Additions	6,034	5,196	11,230
Balance at 1 July 2008	**19,017**	**87,326**	**106,343**
Additions	723,873	87,462	811,335
Disposals	(19,017)	(11,698)	(30,715)
Balance at 30 June 2009	**723,873**	**163,090**	**886,963**
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2007	**(4,995)**	**(34,406)**	**(39,401)**
Depreciation expense	(3,423)	(20,264)	(23,687)
Balance at 1 July 2008	**(8,418)**	**(54,670)**	**(63,088)**
Depreciation expense	(37,351)	(25,121)	(62,472)
Disposals	12,222	9,564	21,786
Balance at 30 June 2009	**(33,547)**	**(70,227)**	**(103,774)**
Net book value			
As at 30 June 2008	**10,599**	**32,656**	**43,255**
As at 30 June 2009	**690,326**	**92,863**	**783,189**

Aggregate depreciation allocated, whether capitalised as an expense or capitalised as part of the carrying amount of other assets during the year:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Buildings	68,627	68,629	-	-
Furniture and fittings	69,440	40,603	37,351	3,423
Plant and equipment	25,742	20,495	25,121	20,264
	163,809	129,727	62,472	23,687

13 Other assets

Current				
Security deposits	16,000	16,000	-	-
Prepayments	91,953	99,159	3,284	99,159
	107,953	115,159	3,284	99,159

Notes to the financial statements (cont'd)

14 Non-current assets – Intangible assets

Goodwill

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Gross carrying amount				
Balance at beginning of financial year	-	-	-	-
Amounts recognised from business combinations occurring during the period (note 28)	237,739	-	-	-
Balance at end of financial year	237,739	-	-	-
Accumulated impairment losses				
Balance at beginning of financial year	-	-	-	-
Impairment losses for the year	237,739	-	-	-
Balance at end of financial year	237,739	-	-	-
Net book value				
At the beginning of the financial year	-	-	-	-
At the end of the financial year	-	-	-	-

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's subsidiary, Kinsmen Securities Limited was fully impaired due to its significant operation loss in the year.

15 Assets received as collateral

The Group holds collateral for its loans to unrelated entities but is not permitted to sell or repledge in the absence of default by the owners of the collateral.

During the reporting period two properties were obtained by taking possession of collateral the Group held as security and were sold by private treaty. It is the policy of the Group to sell the properties obtained, by taking possession of collateral it holds as security as soon as possible.

The Directors are satisfied that the Group has adequate collateral for those loans which are not impaired at the reporting date.

16 Assets pledged as security

In accordance with the security arrangements of borrowings, as disclosed in note 18 to the financial statements, the Group has no bank overdraft facilities (2008: $2,175,000) and no assets are pledged as security (2008: $3,722,571).

Notes to the financial statements (cont'd)

17 Trade and other payables

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Current				
Trade payables	158,576	36,476	54,404	36,476
PAYG payable	17,943	11,670	11,835	11,670
Accruals and other payables	268,422	101,436	129,057	101,436
Unearned interest	149,374	131,300	149,374	131,300
Payable for investment in associate	-	66,666	-	66,666
	594,315	347,548	344,670	347,548

The average credit period of trade payables is 30 days. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18 Borrowings

Unsecured – at amortised cost				
Non Current				
Loans from related parties	-	-	493,530	234,326
Disclosed in the financial statements as:				
Current borrowings	-	-	-	-
Non-current borrowings	-	-	493,530	234,326
	-	-	493,530	234,326

The carrying amount of the Group's borrowings approximates their fair value. Details regarding interest rate and liquidity risk are disclosed in note 30.

Summary of borrowing arrangements:

(i) In the 2008 year the Group had a bank overdraft facility of $2,175,000, secured by a mortgage over the Group's freehold land and buildings. The Group cancelled the facility in November 2008, and no longer has a bank overdraft facility.

(ii) During the period there were no defaults or breaches of any loan agreement terms.

Notes to the financial statements (cont'd)

19 Employee entitlements

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Current				
Annual leave	63,318	41,120	50,487	41,120
Long service leave	39,224	-	-	-
	102,542	41,120	50,487	41,120

20 Issued capital

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
4,692,327 fully paid ordinary shares (2008: post share consolidation 4,692,327)	23,696,428	23,696,428	23,696,428	23,696,428

In May 2009 the Company consolidated its shares on a 10 to 1 basis. The number of shares on issue for the year 2008 has been adjusted for comparative purposes.

	Company			
	2009		2008	
	Number	$	Number	$
Fully paid ordinary shares				
Balance at beginning of financial year	46,923,077	23,696,428	46,923,077	23,696,428
Adjustment for share consolidation	(42,230,750)	-	-	-
Balance at end of financial year	4,692,327	23,696,428	46,923,077	23,696,428

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options granted under the executive share option plan

In accordance with the provision of the executive share option plan, as at 30 June 2009, the Directors have options (post option consolidation) over 110,000 ordinary shares, all vested in aggregate, with 50,000 of those options expiring on 20 September 2009, and the remainder expiring on 30 November 2011. In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The number of options issued has been adjusted accordingly.

Share options granted under the executive share option plan carry no rights to dividends and no voting rights. Further details of the executive share option plan are contained in note 31 to the financial statements.

Notes to the financial statements (cont'd)

21 Reserves

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Equity-settled employee benefits reserve				
Balance at beginning of financial year	204,650	203,450	204,650	203,450
Share-based payment	1,200	1,200	1,200	1,200
Balance at end of financial year	205,850	204,650	205,850	204,650

The equity-settled employee benefits reserve arises on the grant of share options to executives under the executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to executives is disclosed in note 31 to the financial statements.

22 Accumulated losses

Balance at beginning of financial year	(290,591)	157,750	(1,491,121)	(832,663)
Loss for the year	(3,190,981)	(448,341)	(3,794,268)	(658,458)
Balance at end of financial year	(3,481,572)	(290,591)	(5,285,389)	(1,491,121)

23 Earnings per share

	Consolidated	
	2009	2008
	cents	cents
Basic earnings per share	(68.0)	(9.6)
Diluted earnings per share	(68.0)	(9.6)

Reconciliation of earnings used in the calculation of basic and diluted earnings per share

(a) Earnings used in the calculation of earnings per share

	Consolidated	
	2009	2008
	$	$
Loss for the year	(3,190,981)	(448,341)

(b) Weighted average number of shares

	Consolidated	
	2009	2008
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	4,692,327	4,692,327

The Company had no dilutive potential ordinary shares during the years. Diluted earnings per share therefore are the same as basic earnings per share in both years. In May 2009 the Company consolidated its shares on a 10 to 1 basis. The weighted average number of shares for 2009 has been adjusted to reflect this conversion for the whole year, and the 2008 comparative weighted average number of shares has also been restated to reflect this consolidation.

Notes to the financial statements (cont’d)

24 Commitments for expenditure

(a) Capital expenditure commitments

There were no capital expenditure commitments at year end.

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 26 to the financial statements.

(c) Other expenditure commitments

<u>Group’s share of associate’s other expenditure commitments</u>

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Not longer than one year	48,257	827,529	-	-
Longer than one year but not longer than five years	-	296,665	-	-
	48,257	1,124,194	-	-

25 Contingent liabilities and contingent assets

The Directors are of the opinion that there were no contingent liabilities or contingent assets to report as at 30 June 2009.

Notes to the financial statements (cont'd)

26 Leases

Operating leases

Leasing arrangements
Operating lease commitments-Group as lessee

Operating lease commitments relate to office rental with lease terms of 5 years starting 1 April 2009, with an option to extend for a further 5 years. The lease contract contains a market review clause in the event that the Company exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated		Company	
Non-cancellable operating lease commitments	2009 $	2008 $	2009 $	2008 $
Not longer than one year	13,908	-	13,908	-
Longer than one year but not longer than five years	52,155	-	52,155	-
	66,063	-	66,063	-

As at 30 June 2008 there were no operating lease commitments as the Group prepaid the entire office rental up to the expiry date of the lease period.

Operating lease commitments receivable-Group as lessor
Operating lease commitments receivable relates to properties owned by the Group with mostly lease terms of less than 12 months. The lessees do not have an option to purchase the properties at the expiry of the lease period.

Non-cancellable operating lease receivables				
Not longer than one year	116,026	105,696	-	-
Longer than one year but not longer than five years	580	-	-	-
	116,606	105,696	-	-

Notes to the financial statements (cont'd)

27 Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest 2009 %	2008 %
Bathurst One Pty Limited	Australia	100	100
Bendigo One Pty Limited	Australia	100	100
Caboolture One Pty Limited	Australia	100	100
CL Developments Pty Limited	Australia	100	100
CL Licensor Pty Limited	Australia	100	100
Community Life Pty Limited (Formerly CL Properties Pty Limited)	Australia	100	100
Gunnedah One Pty Limited	Australia	100	100
Hervey Bay One Pty Limited	Australia	100	100
Hervey Bay Two Pty Limited	Australia	100	100
Inverell One Pty Limited	Australia	100	100
Maryborough One Pty Limited	Australia	100	100
Rockhampton One Pty Limited	Australia	100	100
Waratah One Pty Limited	Australia	100	100
Asset Trading Group Pty Limited	Australia	100	-
Kinsmen Securities Limited	Australia	59	-

(i) CL Asset Holdings Limited is the head entity within the tax-consolidated group.

(ii) All the wholly owed subsidiaries are members of the tax-consolidated group.

Notes to the financial statements (cont'd)

28 Business combinations

(a) Summary of acquisition

On 2 December 2008, the Company acquired 59% of the issued shares in Kinsmen Securities Limited, an unlisted public company based in South Australia specialising in funds management, and issuing property investment products.

The acquired business contributed revenues of $489,576 and a net loss of $94,363 to the Group for the period from 2 December 2008 to 30 June 2009. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been $16,133,187 and $3,100,507 respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration (refer to (b) below):	$
Cash paid	500,000
Direct costs relating to the acquisition	32,739
Total purchase consideration	532,739
Fair value of net identifiable assets acquired (refer to (c) below)	295,000
Goodwill (refer to (c) below and note 14)	237,739

(b) Purchase consideration

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	532,739	-	532,739	-
Less: Balance acquired				
Cash	58,008	-	-	-
Outflow of cash	474,731	-	532,739	-

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $	Fair value $
Cash	58,008	58,008
Receivables	452,501	452,501
Loans	81,456	81,456
Trade creditors	(68,871)	(68,871)
Other creditors	(19,710)	(19,710)
GST payable	(3,384)	(3,384)
Net assets	500,000	500,000
Minority interest		(205,000)
Net identifiable assets acquired		295,000

The goodwill on acquisition was attributable to Kinsmen Securities Limited's established position in property funds management and the opportunities that this would generate for the subsidiary in future periods. At the end of the financial year, the Group assessed the recoverable amount of goodwill and determined that the goodwill associated with Kinsmen Securities was fully impaired. No acquisition provisions had previously been made. There were no acquisitions in the year ending 30 June 2008.

Notes to the financial statements (cont'd)

29 Notes to the cash flow statements

(a) Reconciliation of cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statements are reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Cash and cash equivalents	1,302,704	4,690,561	941,752	4,680,228
Bank overdraft	-	-	-	-
	1,302,704	4,690,561	941,752	4,680,228

(b) Financing facilities

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Secured bank overdraft facility:				
▪ amount used	-	-	-	-
▪ amount unused	-	2,175,000	-	-
	-	2,175,000	-	-

In 2008 a bank overdraft facility was arranged with the general terms and conditions being set and agreed to annually. Interest rate was variable and subject to adjustment. The Group cancelled the facility in November 2008.

(c) Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Loss for the year	(3,229,670)	(448,341)	(3,794,268)	(658,458)
Adjustments for:				
Depreciation and amortisation	163,809	129,727	62,472	23,687
(Gain)/loss on disposal of non-current assets	8,929	-	8,929	-
Profit on sale of non-current asset	(298,248)	-	-	-
Share of associates (profit)/loss	52,327	(245,403)	-	-
Impairment of investment in associate	3,401,203	-	3,413,170	-
Impairment of goodwill	237,739	-	-	-
Impairment of inventory properties	126,276	-	-	-
Impairment of loans	(2,768)	700,222	(2,768)	700,222
Impairment of intercompany loans	-	-	18,617	139,235
Net exchange differences	7,922	-	-	-
Equity settled share-based payment	1,200	1,200	1,200	1,200
Increase/(decrease) in deferred tax balances	51,410	(109,451)	(9,373)	(286,770)
Minority interest/Investment in subsidiaries	576,944	-	532,739	-
Changes in assets and liabilities:				
(Increase)/decrease in assets:				
Trade and other receivables	(1,361,743)	(65,794)	116,788	(45,409)
Inventories	59,090	2,577	59,090	(59,090)
Other assets	(16,216)	(101,418)	(16,216)	(85,418)
Increase/(decrease) in liabilities:				
Trade and other payables	313,433	151,786	128,948	151,786
Employee entitlements	61,422	39,323	9,367	39,323
Net cash from operating activities	153,059	54,428	528,695	(79,692)

Notes to the financial statements (cont'd)

30 Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets.

The Group's overall strategy remains unchanged from last year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 20, 21 and 22 respectively.

The Group operates only in Australia, through the Company and subsidiary companies. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's business, as well as to make the routine outflows of tax, and when applicable dividends and the repayment of maturing debt. The Group's policy is to borrow if necessary, to meet anticipated funding requirements. At the reporting date there was no external debt (2008: $nil).

The Directors review the Group's capital structure on a continuous basis.

(b) Categories of financial instruments

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Financial assets				
Trade and other receivables	1,482,161	113,215	6,593	92,664
Loans	7,541,668	4,338,386	17,187,102	13,925,309
Cash and cash equivalents	1,302,704	4,690,561	941,752	4,680,228
Financial liabilities				
Trade and other payables	594,315	347,548	344,670	347,548
Borrowings	-	-	493,530	234,326

Derivatives are not used by the Group. At the reporting date there are no financial assets or financial liabilities designated at fair value through profit or loss.

(c) Financial risk management objectives

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Group's principal financial instruments comprise receivables, loans to unrelated parties, payables, bank loans and overdraft, cash and short-term deposits. The Group manages its exposure to key financial risks, including interest rate risk, credit risk and liquidity risk, in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial target and future financial security. The Directors monitor risks and policies implemented to mitigate risk exposures.

Notes to the financial statements (cont'd)

30 Financial instruments (cont'd)

Financial risk management

The Group takes a proactive approach to risk management. The Group believes that it is crucial for all Directors to be a part of this process, and as such the Board has not established a separate risk management committee. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring market forecasts for interest rate and property prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has policies in place to obtain sufficient collateral where appropriate on loans. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Directors.

There are no significant concentrations of credit risk within the Group and loans extended are spread amongst a number of borrowers to minimise the risk of default of counterparties. The credit risk on cash equivalents is limited because all cash deposits are held with major Australian banks. Trade receivables are minimal therefore the Group has no significant concentration of credit risk.

The carrying amount of financial assets (as shown in the table in this note above), represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group does not hold any derivative financial instruments (2008: $nil).

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flow.

Notes to the financial statements (cont'd)

30 Financial instruments (cont'd)

Financial liabilities

Consolidated	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000
2009					
Non-interest bearing	-	594	-	-	-
		594	-	-	-
2008					
Non-interest bearing	-	187	71	24	-
		187	71	24	-

Company	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000
2009					
Non-interest bearing	-	345	-	-	494
		345	-	-	494
2008					
Non-interest bearing	-	187	71	24	235
		187	71	24	235

The following tables detail the Group's and the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group/Company anticipates that the cash flow will occur in a different period.

Financial assets

Consolidated	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000
2009					
Non-interest bearing	-	1,482	-	-	-
Variable interest rate instruments	3.2	1,302	-	-	-
Fixed interest rate instruments	14.2	-	-	7,542	-
		2,784	-	7,542	-
2008					
Non-interest bearing	-	48	-	-	-
Variable interest rate instruments	7.5	4,691	-	-	-
Fixed interest rate instruments	12.3	737	34	3,567	-
		5,476	34	3,567	-

Notes to the financial statements (cont'd)

30 Financial instruments (cont'd)

Company	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000
2009					
Non-interest bearing	-	7	-	-	9,645
Variable interest rate instruments	3.2	942	-	-	-
Fixed interest rate instruments	14.2	-	-	7,542	-
		949	-	7,542	9,645
2008					
Non-interest bearing	-	28	-	-	9,587
Variable interest rate instruments	7.5	4,680	-	-	-
Fixed interest rate instruments	12.3	737	34	3,567	-
		5,445	34	3,567	9,587

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk is where the value of a financial instrument may fluctuate as a result of changes in market interest rates.

The Group's activities do expose it to the financial risks of changes in foreign currency exchange rates as some short-term receivables are in US dollars. This exposure is not considered to impose a significant risk to the Group and therefore no currency hedges have been taken in respect to this risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(g) Interest rate risk management

At balance date, the Group had the following mix of financial assets and liabilities exposed to interest rate risk:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Financial assets				
Cash and cash equivalents	1,302,704	4,690,561	941,752	4,680,228
Loans	7,541,668	4,338,386	17,187,102	13,925,309
	8,844,372	9,028,947	18,128,854	18,605,537
Financial liabilities				
Bank overdrafts	-	-	-	-
Net exposure	8,844,372	9,028,947	18,128,854	18,605,537

Notes to the financial statements (cont'd)

30 Financial instruments (cont'd)

The Company is exposed to interest rate risk as it has bank deposits at floating interest rates. The Company extends loans only at fixed interest rates.

The Company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Interest rate risk is not specifically managed since the Group has no fixed balance sheet inflow/outflow requirements which would require complex asset-liability management.

Interest rate sensitivity analysis
The Group's sensitivity to interest rates is minimal as the Group has no borrowings. However at reporting date, if interest rates on the Group's bank deposit had been higher or lower, the interest income earned would increase or decrease. This is mainly attributed to the Group's exposure to interest rates on its variable rate bank deposits.

At current interest rates, a movement of +/- 1% from the year end deposit rate with all the other variables held constant, would increase or decrease pre tax profit or loss by $500 (2008: $18,000).

(h) Other price risks
The Group is exposed to property price risks arising from loans extended to unrelated parties with property as collateral. To limit this risk the Directors monitor closely the loan-to-valuation ratio of each loan.

(i) Fair value of financial instruments
The Directors consider that the carrying amount of all financial assets and financial liabilities recorded in the financial statements approximates their fair values.

31 Share-based payments

Employee share option plan

The Group has an ownership-based compensation scheme for the Directors of the Group. In accordance with the provisions of the plan, as approved by shareholders at previous annual general meetings, the Directors have been granted options to purchase parcels of ordinary shares at various exercise prices.

Each executive share option converts into one ordinary share of CL Asset Holdings Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

The following share-based payment arrangements were in existence during the current and comparative reporting years:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
(1) Issued 15 September 2004	50,000	15/09/04	20/09/09	10.00	4.045
(2) Issued 01 December 2006	60,000	01/12/06	30/11/11	5.00	0.060

In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The above number, exercise price and grant date fair value of options held by the Directors have been adjusted accordingly.

Notes to the financial statements (cont'd)

31 Share-based payments (cont'd)

Fair value of options granted

The fair value of the share options granted under the executive share option plan is estimated as at the date of grant using a Black-Scholes Model taking into account the terms and conditions upon which the options were granted. Expected volatility is based on the historical share price volatility of the Company and similar entities.

No options were granted during the current financial year.

The following table lists the inputs to the model used for the options issued on 15 September 2004 and 1 December 2006:

	Option series	
Inputs into the model	**Series 1**	**Series 2**
Grant date share price	$1.00	$0.25
Option exercise price	$1.00	$0.50
Expected volatility	35%	15%
Expected life of option	5 years	5 years
Dividend yield	-	-
Risk-free interest rate	5.5%	6.0%

In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The grant date share price and the option exercise price have not been adjusted in this table in order to show the original fair value calculation.

Summaries of options granted under executive share option plan:

The following reconciles the outstanding share options granted under the executive share option plan at the beginning and end of the financial year:

	2009		2008	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Balance at the beginning of the financial year	110,000	7.3	110,000	7.3
Balance at end of the financial year	110,000	7.3	110,000	7.3
Exercisable at the end of the financial year	110,000	7.3	90,000	7.3

In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The number of options and the option exercise price for 2009 and the 2008 comparative amount have been adjusted in this table to reflect the option consolidation.

Exercised during the financial year

No share options granted under the executive share option plan were exercised during the financial year.

Lapsed during the financial year

No share options granted under the executive share option plan lapsed during the financial year.

Notes to the financial statements (cont'd)

31 Share-based payments (cont'd)

Balance at the end of financial year and range of exercise price

The outstanding balance as at 30 June 2009 is represented by the following table with the effect of the capital consolidation:

	Pre-consolidation		Post-consolidation		Expiry date
	Number on issue	Exercise price	Number on issue	Exercise price	
Tranche 1 option	500,000	$1.00	50,000	$10.00	20/9/2009
Tranche 2 option	200,000	$0.50	20,000	$5.00	30/11/2011
Tranche 3 option	200,000	$0.50	20,000	$5.00	30/11/2011
Tranche 4 option	200,000	$0.50	20,000	$5.00	30/11/2011
Total	1,100,000		110,000		

Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 518 days (2008: 883 days).

Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $5.00 - $10.00 (2008: $0.50 - $1.00 pre-consolidation).

32 Key management personnel compensation

Details of key management personnel

The Directors and other members of key management personnel of the Group during the year were:

- Theodore Baker (Managing Director and Acting Chairman)
- Gary Richard Dainton (Non-executive Director)
- Peter Mitropoulos (Non-executive Director)
- Henry Kam (Company Secretary and Financial Controller)
- Paul Zahara (Director of Kinsmen Securities Limited)
- Craig Watson (Director of Kinsmen Securities Limited)
- Jim Papanicolaou (General Manager of Kinsmen Securities Limited)

Key management personnel compensation policy

No element of the compensation of a key management person is dependent on the satisfaction of a performance condition. Discussion of board policy for determining the nature and amount of compensation of key management personnel are detailed in the Remuneration Report section of the Directors' report.

Key management personnel compensation

The aggregate compensation of the key management personnel of the Group is set out below:

	Consolidated		**Company**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Short-term employee benefits	654,541	393,566	409,818	393,566
Post-employment benefits	37,758	30,020	31,483	30,020
Other long-term benefits	-	-	-	-
Shared-based payment	1,200	1,200	1,200	1,200
	693,499	424,786	442,501	424,786

Notes to the financial statements (cont'd)

32 Key management personnel compensation (cont'd)

The compensation of each member of the key management personnel of the Group for the current year is set out below:

	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Share-based payment	Total
	Salary & fees	Super-annuation		Options	
2009	**$**	**$**	**$**	**$**	**$**
Directors					
Theodore Baker	229,358	20,642	-	-	250,000
Gary Dainton	30,000	-	-	600	30,600
Peter Mitropoulos	30,000	-	-	600	30,600
Senior management					
Henry Kam	120,460	10,841	-	-	131,301
Paul Zahara*^	116,667	-	-	-	116,667
Craig Watson*^	58,331	-	-	-	58,331
Jim Papanicolaou*	69,725	6,275	-	-	76,000
Total	654,541	37,758	-	1,200	693,499

* From 2 December 2008, the date of acquisition of Kinsmen Securities Limited
^ Reported as consulting fees

The compensation of each member of the key management personnel of the Group for the prior year is set out below:

2008					
Directors					
Theodore Baker	229,358	20,642	-	-	250,000
Gary Dainton	30,000	-	-	600	30,600
Peter Mitropoulos	30,000	-	-	600	30,600
Senior management					
Henry Kam	104,208	9,378	-	-	113,586
Total	393,566	30,020	-	1,200	424,786

Gary Dainton and Peter Mitropoulos were granted 300,000 share options each on 1 December 2006. In the case of each holder, the options issued vest over a three year period with the first tranche of 100,000 vesting on 30 June 2007, the second tranche of 100,000 vesting on 30 June 2008 and the balance of 100,000 vesting on 30 June 2009. The value of options at the grant date during the year is recognised in compensation over the vesting period of the grant. There are no performance conditions attached to the options. Further details of the options are contained in note 31 to the financial statements. In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. Post share and option consolidation, the number of options granted consolidates to 30,000 options.

No terms of share-based payment transactions granted as compensation to a key management person have been altered or modified by the issuing entity during the reporting period.

Contracts for services of key management personnel
Contract for services between key management personnel and the Group are detailed in the Remuneration Report section of the Directors' report.

Notes to the financial statements (cont'd)

33 Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the financial statements.

Equity interests in associates

Details of interests in associates are disclosed in note 10 to the financial statements.

(b) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 32 to the financial statements.

(ii) Loans to key management personnel

There are no loans made to key management personnel of the Group or to their related entities.

(iii) Key management personnel equity holdings

<u>Fully paid ordinary share of CL Asset Holdings Limited</u>

The movement during the reporting period in the number of ordinary shares in CL Asset Holdings Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Acquired during the year	Balance at 30 June
	No.	No.	No.	No.	No.
2009					
Directors					
Theodore Baker	2,928,028	-	-	14,557	2,942,585
Peter Mitropoulos	44,589	-	-	-	44,589
2008					
Directors					
Theodore Baker	2,725,971	-	-	202,057	2,928,028
Peter Mitropoulos	44,589	-	-	-	44,589

No shares were granted to key management personnel during the reporting period as compensation. In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The number of shares held by the Directors has been adjusted accordingly including the comparative holdings in 2008.

Notes to the financial statements (cont'd)

33 Related party transactions (cont'd)

Share options of CL Asset Holdings Limited

	Bal at 1 July	Granted as compensa-tion	Lapsed	Bal at 30 June	Bal vested at 30 June	Vested and exercisable at 30 June	Options vested during year
	No.	No.	No.	No.	No.	No.	No.
2009							
Directors							
Theodore Baker	10,000	-	-	10,000	10,000	10,000	-
Gary Dainton	30,000	-	-	30,000	30,000	30,000	10,000
Peter Mitropoulos	30,000	-	-	30,000	30,000	30,000	10,000
Former Directors							
Michael Milman	20,000	-	-	20,000	20,000	20,000	-
Curt Rendall	10,000	-	-	10,000	10,000	10,000	-
Greg Robinson	10,000	-	-	10,000	10,000	10,000	-
2008							
Directors							
Theodore Baker	10,000	-	-	10,000	10,000	10,000	-
Gary Dainton	30,000	-	-	30,000	20,000	20,000	10,000
Peter Mitropoulos	30,000	-	-	30,000	20,000	20,000	10,000
Former Directors							
Michael Milman	20,000	-	-	20,000	20,000	20,000	-
Curt Rendall	10,000	-	-	10,000	10,000	10,000	-
Greg Robinson	10,000	-	-	10,000	10,000	10,000	-

In May 2009 the Company consolidated its shares and options on a 10 to 1 basis. The number of options held for 2008 and 2009 has been adjusted for comparative purposes.

All executive share options issued to key management personnel were made in accordance with the provisions of the executive share option plan.

During the financial years 2009 and 2008, no options were exercised by Directors.

Further details of the executive share option plan and of share options granted in prior years are contained in note 31 to the financial statements. No share options were granted in 2009 and 2008.

Notes to the financial statements (cont'd)

33 Related party transactions (cont'd)

(iv) Other transactions with key management personnel of the Company

During the year the Company paid a total of $39,138 (2008: $64,266) to The Esplanade One Pty Ltd, a company related to Peter Mitropoulos, for loan brokerage fee and commission.

At 30 June 2009, CL Asset Holdings Limited accrued a receivable from Gambit Group Pty Ltd of $71,160 in fees for use of office space and related services for the year ended 30 June 2009. As such a gross receivable of $71,160 from Gambit Group Pty Ltd is in existence at year end. Theodore Baker does not own any shares in Gambit Group Pty Ltd but has the capacity to significantly influence the decision making of this company, thereby making it a director related entity. The full amount of $71,160 is impaired at year as the date of repayment is uncertain.

At 30 June 2008 there was an accrual receivable for $65,160 from Gambit Group for the fees for use of office space and related services for the year ended 30 June 2008. This amount is fully impaired at year end as the date of repayment is uncertain.

During the year Asset Trading Group Pty Ltd, a subsidiary of the Group sold goods and services to Ezymobiles Pty Ltd totalling $117,852 and the amount of trade receivables as of 30 June 2009 was $68,370. This was done to access alternative markets. Goods are sold to the end customer via Ezymobiles with all the margin on the sale being taken up by Asset Trading Group Pty Ltd. Theodore Baker does not own any shares in Ezymobiles Pty Ltd but has the capacity to significantly influence the decision making of this company, thereby making it a director related entity.

During the year RewardsCorp Ltd, an associate of the Group paid a total of $25,000 (2008: $38,958) to a company related to Theodore Baker for director fees.

During the year RewardsCorp Ltd, an associate of the Group paid a total of $12,500 (2008: $18,330) to a company related to Gary Dainton for director fees.

The terms and conditions of the transactions with management personnel were on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Notes to the financial statements (cont'd)

33 Related party transactions (cont'd)

(c) Transactions with other related parties

Other related parties include:

- the parent entity
- subsidiaries
- associates
- other related parties.

Transactions between CL Asset Holdings Limited and its related parties:

During the year, CL Asset Holdings Limited recognised a gross receivable of $9,645,434 (2008: $9,586,923) from its wholly-owned subsidiaries for capital purchases and to meet day to day funding requirements. Loans outstanding between the Company and its wholly owned subsidiaries are at call and are non-interest bearing.

During the year, CL Asset Holdings Limited recognised a gross payable of $493,530 (2008: $234,326) to its wholly-owned subsidiaries for their investing cash flows.

In December 2005 a fully secured loan of $2,064,000 was made from the Company to Randall Deer, a director of RewardsCorp Ltd, the Group's associate. Loans provided are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions. Interest charged and paid for the year was $nil (2008: $184,050). As at 30 June 2009, Mr Randall Deer owed the Company $nil (2008: $147,520).

	Consolidated		Company	
	2009 **$**	**2008** **$**	**2009** **$**	**2008** **$**
Loans to related parties				
Loans to subsidiaries				
Balance at 1 July	-	-	9,586,923	9,838,609
Loans advanced/(repaid)	-	-	77,128	(112,451)
Provision for impairment	-	-	(18,617)	(139,235)
Balance at 30 June	-	-	9,645,434	9,586,923
Loans from related parties				
Loans from subsidiaries				
Balance at 1 July	-	-	234,326	234,538
Loans advanced/(repaid)	-	-	259,204	(212)
Balance at 30 June	-	-	493,530	234,326

(d) Parent entities

The parent entity in the Group is CL Asset Holdings Limited.

Notes to the financial statements (cont'd)

34 Remuneration of auditors

The auditor of CL Asset Holdings Limited is HLB Mann Judd (NSW Partnership) which was appointed as auditor of the Group in November 2006. Appropriate steps have been taken to ensure that independence of auditors is not impacted by other assignments.

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
HLB Mann Judd				
Audit and review of financial reports	64,262	53,845	64,262	53,845
Preparation of the tax return	6,750	6,250	6,750	6,250
	71,012	60,095	71,012	60,095

35 Subsequent events

There has not been any matter or circumstance that has arisen since the end of the period, which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods, which has not been disclosed in the financial report.

Additional stock exchange information as at 1 September 2009

Number of holders of equity securities

Ordinary share capital

4,692,327 fully paid ordinary shares are held by 411 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Options

110,000 options are held by 6 individual optionholders.

Options do not carry a right to vote.

Distribution of holders of equity securities

Size of holding	Fully paid ordinary shares	Options
1 - 1,000	259	-
1,001 - 5,000	103	-
5,001 - 10,000	22	-
10,001 - 100,000	22	-
100,001 and over	5	6
Total number of shareholders	411	6

There are 114 shareholders with less than a marketable parcel.

Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares Number	Percentage
NCJ Holdings Pty Ltd	2,134,502	37.9
TTB Holdings Pty Ltd	807,693	17.2
Spinite Pty Ltd	337,696	11.3
	3,279,891	66.4

Twenty largest holders of quoted equity securities

	Ordinary shareholders	Fully paid ordinary shares Number	Percentage
1	NCJ Holdings Pty Ltd	2,134,502	45.5
2	TTB Holdings Pty Ltd	807,693	17.2
3	Spinite Pty Ltd	337,696	7.2
4	Shyzi Pty Ltd	204,135	4.4
5	Rekab NSW Pty Ltd	110,263	2.3
6	Spring Capital Management Pty Ltd	55,905	1.2
7	Uniting Church in Australia Property Trust (WA)	49,000	1.0
7	Peter Mitropoulos	44,589	1.0
8	John Rowney and Pamela Rowney	44,000	0.9
9	BKC Profitability Pty Ltd	41,499	0.9
10	ANZ Nominees Limited	40,000	0.9
11	Cedara Properties Pty Td	40,000	0.9
12	Sean Dennehy	30,500	0.7
13	Margriet Nakken	30,000	0.6
14	Rex and Lisa Moore	26,500	0.6
15	TRE Pty Ltd	22,500	0.5
16	Peter Cameron	21,647	0.5
17	LSI Investments Pty Ltd	20,000	0.4
18	John Eager and Alvine Eager	18,164	0.4
19	Ryan Thomas	17,500	0.4
20	Grant Cundy	12,208	0.3
		4,108,301	87.8

Additional stock exchange information (cont'd)

Company secretary
Henry Kam

Registered office
Level 2
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Crows Nest NSW 2065

Principal administration office
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Crows Nest NSW 2065
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Fax: (02) 9460 9888

Share register
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Sydney NSW 2000
Tel: 1300 850 505
Fax: (02) 8234 5050

CL Asset Holdings Limited shares are listed on the Australian Stock Exchange

Auditors
HLB Mann Judd (NSW Partnership)
Chartered Accountants
Level 19, 207 Kent Street, Sydney NSW 2000

Legal Advisers
HWL Ebsworth Lawyers
Level 14, Australia Square, 264-278 George Street, Sydney, NSW 2000

Bankers
St. George Bank Limited
1 Chifley Square, Sydney NSW 2000