CL Asset Holdings Limited

ABN 38 104 475 345

Annual Report

for the financial year ended 30 June 2010

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Contents

Corporate governance statement

Unless disclosed below, all the recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2010.

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") 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 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 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 2010. 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 FY2010. 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

The Directors of CL Asset Holdings Limited submit herewith the annual report of the Company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2010, the Directors report as follows:

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	<u>Managing Director and Acting Chairman</u> Mr Baker is the founding shareholder and CEO of CL Asset Holdings 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 46.
Gary Dainton	<u>Non-Executive Director</u> 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 45.
Peter Mitropoulos	<u>Non-Executive Director</u> 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 over a period of approximately 25 years. Mr Mitropoulos commenced his career as a construction engineer working for predominantly 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 47.

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: none

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	2,993,585	-
Gary Dainton	-	30,000
Peter Mitropoulos	44,589	30,000

Remuneration of Directors and senior management

Information about the remuneration of Directors and senior management is set out in the remuneration report included in 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 during the financial year included property development, rental accommodation management, the provision of secured short-term loans, wholesale product trading, property funds management and an investment in a marketing services and travel company.

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

1. funds management (Kinsmen Securities Limited);
2. marketing services, customer loyalty and travel (RewardsCorp Ltd);
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 the financial year was $17.7 million, a 12% increase over last year.

The Group's net loss for the year after income tax was $0.1 million (2009: net loss after income tax of $3.2 million). The loss for last year was principally as a result of the Group making a $3.4 million impairment loss on its investment in an associate (RewardsCorp Ltd).

Earnings per share for the year attributed to the ordinary equity holders of the Company were negative 1.7 cents. Earnings per share for last year were negative 68 cents.

The Group's statement of financial position remains strong with no debt. Cash at bank as of 30 June 2010 was $3.3 million.

Net tangible asset backing per share was $4.36, a decrease of 0.2% compared to last year.

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 Hervey Bay property with a book value of $900,000, which was sold for $1 million in March 2010. 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) Stage 1 - (consisting of 40 student units) was sold in August 2010 for $2.5 million. Its book value was $2.1 million.
   - b) Stage 2 - (consisting of 25 student units) is occupied, providing a stable rental return.
   - c) Stage 3 - A DA for the development and construction of 59 attached and semi-detached dwellings has been approved. Considering the improved conditions in the housing sector, the Company is currently re-evaluating the feasibility of undertaking the development and construction of this site.

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. 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

Asset Trading Group Pty Ltd ("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 sells the majority of its stock to overseas buyers typically in the Asian region. It is the intent of ATG during the course of the 2011 financial year 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
The Company has a 59% stake in 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. It is also intended that Kinsmen will work with the Company's existing properties in order to further enhance their value and their realisation. However, due to the continued downturn of the property market, Kinsmen suffered a loss for the year and the Board has decided to retain the impairment in the Company's investment in this subsidiary, with a carrying value of $nil at year end.

RewardsCorp Limited
The Company has a 44% stake in RewardsCorp Ltd ("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.

The Group's investment in RewardsCorp was fully impaired as of 30 June 2009. While the operating results of RewardsCorp have improved and reported a small profit for the year 2010, the Board has concluded that its future financial performance is not yet sufficiently certain to justify any reversal of the previously booked impairment loss in the year. Its profit after tax for the 2010 year was $677,615.

Short-term lending
The Company continues to provide short-term secured loans. During the year, one new loan provision for $621,217 has been made. With that exception, 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 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
Considering the improved conditions in the housing sector, the Company is currently re-evaluating the feasibility of undertaking the development and construction of the site of Stage 3 of Waratah NSW.

Further information on 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 end of the financial year.

Dividends

No dividends have been paid, declared or recommended by the Company during the financial year ended 30 June 2010.

Shares under option

Details of unissued ordinary shares under option at the date of this report are as follows:

Issuing entity	Number of shares under option	Exercise price of option	Expiry date of options
CL Asset Holdings Limited	60,000	$5.00	30/11/2011

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 auditor 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 36 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 36 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 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 19 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 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 requires 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 key management personnel for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and key management personnel details;
- Remuneration policy;
- Relationship between the remuneration policy and company performance;
- Remuneration of Directors and key management personnel; and
- Key terms of employment contracts.

Director and key management personnel 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 key management personnel of the Group, excluding the Directors of the Company, being:

- Henry Kam (Company Secretary and Financial Controller of CL Asset Holdings Limited)
- Paul Zahara (Director of Kinsmen Securities Limited, resigned in August 2010)
- Craig Watson (Director of Kinsmen Securities Limited)
- Jim Papanicolaou (General Manager of Kinsmen Securities Limited, resigned in February 2010).

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 key management personnel are linked to the Company's or the Group's performance.

Elements of Director and key management personnel 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 Directors in December 2006. See note 35 to the financial statements for details.

Directors' report (cont'd)

Remuneration report (cont'd)

Remuneration of Directors and key management personnel

2010	Short-term employee benefits	Post-employment benefits	Other long-term employee benefits	Other employee benefits	Share-based payment	Total
	Salary & fees	Super-annuation	Long service leave	Termination pay	Options	
	$	$	$	$	$	$
Directors						
Theodore Baker	229,358	20,642	-	-	-	250,000
Gary Dainton	30,000	-	-	-	-	30,000
Peter Mitropoulos	30,000	-	-	-	-	30,000
Other key management personnel						
Henry Kam	129,425	11,648	-	-	-	141,073
Paul Zahara^	148,333	-	-	-	-	148,333
Craig Watson^	93,772	-	-	-	-	93,772
Jim Papanicolaou*	82,569	7,796	-	4,055	-	94,420
Total	743,457	40,086	-	4,055	-	787,598

^ Reported as consulting fees
* Employment terminated in February 2010

2009	Salary & fees	Super-annuation	Long service leave	Termination pay	Options	Total
Directors						
Theodore Baker	229,358	20,642	-	-	-	250,000
Gary Dainton	30,000	-	-	-	600	30,600
Peter Mitropoulos	30,000	-	-	-	600	30,600
Other key management personnel						
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

No Director or key management personnel appointed during the periods received a payment as part of his consideration for agreeing to hold the position, and has not been paid performance based benefits.

Directors' report (cont'd)

Remuneration report (cont'd)

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

The financial controller of the Company has a non-fixed employment contract with a base pay of $141,073. Notice periods and payments in lieu of notice for employer-initiated termination and employee-initiating termination are both 4 weeks. If the position becomes redundant, the Company will pay 8 weeks pay after 4 years of continuous service.

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 month's base salary.

Craig Watson, via Majestic Investments (SA) Pty Ltd and Paul Zahara, via Cedar Hill Pty Ltd, have rolling consultancy agreements with Kinsmen for their services. Their agreements are with no fixed terms, however, at year end the agreed rates were $5,000 per month (reduced on 1 March 2010 from 8,333 and $16,666 respectively), excluding GST.

Share-based compensation

Options
Options over shares in CL Asset Holdings Limited are granted under an ownership-based compensation scheme for Directors of the Company. 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.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Number of options	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	% Vested
15/9/04	50,000	19/11/04	20/9/09	$10	$4.045	100%
1/12/06	20,000	30/06/07	30/11/11	$5	$0.060	100%
1/12/06	20,000	30/06/08	30/11/11	$5	$0.060	100%
1/12/06	20,000	30/06/09	30/11/11	$5	$0.060	100%

Options granted under the plan carry no dividend or voting right. There are no vesting conditions for the 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 vested and 50,000 options lapsed. Also no options have been granted since the end of the financial year.

Directors' report (cont'd)

Remuneration report (cont'd)

Option holdings

	Balance at start of the year	Granted as compensation	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
	Number	Number	Number	Number	Number	Number
2010						
Directors						
Theodore Baker	10,000	-	(10,000)	-	-	-
Gary Dainton	30,000	-	-	30,000	30,000	-
Peter Mitropoulos	30,000	-	-	30,000	30,000	-
Former Directors						
Michael Milman	20,000	-	(20,000)	-	-	-
Curt Rendall	10,000	-	(10,000)	-	-	-
Greg Robinson	10,000	-	(10,000)	-	-	-
	110,000	-	(50,000)	60,000	60,000	-

All vested options are exercisable at the end of the year.

2009						
Directors						
Theodore Baker	10,000	-	-	10,000	10,000	-
Gary Dainton	30,000	-	-	30,000	30,000	-
Peter Mitropoulos	30,000	-	-	30,000	30,000	-
Former Directors						
Michael Milman	20,000	-	-	20,000	20,000	-
Curt Rendall	10,000	-	-	10,000	10,000	-
Greg Robinson	10,000	-	-	10,000	10,000	-
	110,000	-	-	110,000	110,000	-

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

On behalf of the Directors

Theodore Baker
Acting Chairman & Managing Director
Sydney, 30 September 2010

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CL Asset Holdings Limited:

As lead auditor for the audit of CL Asset Holdings Limited for the year ended 30 June 2010, 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 D Muller
Partner

Sydney
29 September 2010

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CL ASSET HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of CL Asset Holdings Limited:

Report on the Financial Report

We have audited the accompanying financial report of CL Asset Holdings Limited ("the company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 76.

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 the consolidated financial statements comply 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 judgement, 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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HLB Mann Judd

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 2010, 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 consolidated entity's financial position as at 30 June 2010 and of its 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 consolidated financial statements also comply 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 18 of the directors' report for the year ended 30 June 2010. 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 2010 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

M. Muller

M D Muller
Partner

Sydney
30 September 2010

CL Asset Holdings Limited

ABN 38 104 475 345

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2010

1. In the directors' opinion:

   (a) the financial statements and notes set out on pages 23 to 76 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 other mandatory professional reporting requirements; and
      (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

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

2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2010 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, 30 September 2010

Index to the consolidated financial statements

Contents

This financial report covers 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 30 September 2010. The Directors have the power to amend and reissue the financial report.

Statement of comprehensive income
For the year ended 30 June 2010

	Note	Consolidated 2010 $	2009 $
Revenue from continuing operations	6	17,690,619	15,798,066
Cost of sales of ICT hardware	7	(14,452,425)	(12,252,087)
Cost of sales of non-current assets classified as held for sale		-	(701,752)
Cost of sales of non-current inventories		(790,910)	-
Impairment of investment in associate	12	-	(3,401,203)
Impairment of goodwill	17	-	(237,739)
Impairment of trade receivables	10	(71,160)	(136,320)
Impairment of loans		(543,763)	(85,048)
Impairment of inventory properties		-	(126,276)
Employee and Director benefits expenses	7	(874,209)	(762,661)
Depreciation and amortisation	7	(261,513)	(163,809)
Loss on disposal of property, plant and equipment		-	(8,929)
Property expenses and outgoings		(268,949)	(245,838)
Consulting and professional fees		(465,306)	(371,868)
Listing and filing expenses		(22,786)	(33,889)
Occupancy expenses		(69,254)	(124,767)
Insurance expenses		(158,062)	(85,182)
Finance costs		-	(15,812)
Telephone expenses		(16,407)	(14,553)
Other expenses		(278,938)	(156,266)
Share of profits/(loss) of associate accounted for using the equity method	12	298,150	(52,327)
Loss before income tax		(284,913)	(3,178,260)
Income tax (expense)/benefit	8	165,404	(51,410)
Loss for the year		**(119,509)**	**(3,229,670)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(119,509)**	**(3,229,670)**
Total comprehensive income for the year is attributable to:			
Owners of CL Asset Holdings Limited		(80,276)	(3,190,981)
Non-controlling interests		(39,233)	(38,689)
		(119,509)	**(3,229,670)**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic (cents per share)		(1.7)	(68.0)
Diluted (cents per share)		(1.7)	(68.0)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
As at 30 June 2010

	Note	Consolidated 2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	9	3,260,003	1,302,704
Trade and other receivables	10	1,419,961	1,482,161
Financial assets	11	6,354,134	7,541,668
Non-current assets classified as held for sale	14	2,106,969	-
Other assets		156,971	107,953
Total current assets		**13,298,038**	**10,434,486**
Non-current assets			
Inventories	13	5,237,381	5,969,600
Investments accounted for using the equity method	12	298,150	-
Property, plant and equipment	15	2,098,651	4,456,078
Deferred tax assets	16	595,331	467,497
Total non-current assets		**8,229,513**	**10,893,175**
TOTAL ASSETS		**21,527,551**	**21,327,661**
LIABILITIES			
Current liabilities			
Trade and other payables	18	940,863	594,315
Provisions	19	112,962	102,542
Total current liabilities		**1,053,825**	**696,857**
Non-current liabilities			
Deferred tax liabilities	20	6,218	43,787
Total non-current liabilities		**6,218**	**43,787**
TOTAL LIABILITIES		**1,060,043**	**740,644**
NET ASSETS		**20,467,508**	**20,587,017**
EQUITY			
Contributed equity	21	23,696,428	23,696,428
Reserves	22	3,600	205,850
Accumulated losses	23	(3,359,598)	(3,481,572)
Capital and reserves attributable to owners of CL Asset Holdings Limited		**20,340,430**	**20,420,706**
Non-controlling interests		127,078	166,311
TOTAL EQUITY		**20,467,508**	**20,587,017**

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

Statement of changes in equity
For the year ended 30 June 2010

	Consolidated					
	Attributable to owners of CL Asset Holdings Limited					
	Contributed equity	**Reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2008	23,696,428	204,650	(290,591)	23,610,487	-	23,610,487
Total comprehensive income for the year	-	-	(3,190,981)	(3,190,981)	(38,689)	(3,229,670)
Transactions with owners in their capacity as owners:						
Share-based payment	-	1,200	-	1,200	-	1,200
Non-controlling interests 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**
Total comprehensive income for the year	-	-	(80,276)	(80,276)	(39,233)	(119,509)
Transactions with owners in their capacity as owners:						
Share-based payment transfer (out) in	-	(202,250)	202,250	-	-	-
Balance at 30 June 2010	**23,696,428**	**3,600**	**(3,359,598)**	**20,340,430**	**127,078**	**20,467,508**

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

Statement of cash flows
For the year ended 30 June 2010

	Note	Consolidated 2010 $	2009 $
Cash flows from operating activities			
Receipts from customers		16,784,325	13,755,665
Payments to suppliers and employees		(16,447,690)	(13,989,830)
Interest and other costs of finance paid		-	(15,812)
Interest received		42,039	231,254
Dividends received		-	171,782
Net cash inflow from operating activities	34	**378,674**	**153,059**
Cash flows from investing activities			
Payments for property, plant and equipment		(69,747)	(815,221)
Payments for acquisition of equity investment		-	(66,666)
Loans advanced		(2,572,258)	(6,029,045)
Loans repaid		3,219,086	2,844,747
Proceeds from sale of non-current assets classified as held for sale and other inventory properties		1,001,544	1,000,000
Payment for acquisition of subsidiary, net of cash acquired		-	(474,731)
Net cash inflow (outflow) from investing activities		**1,578,625**	**(3,540,916)**
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		-	-
Net increase (decrease) in cash and cash equivalents		1,957,299	(3,387,857)
Cash and cash equivalents at beginning of the financial year		1,302,704	4,690,561
Cash and cash equivalents at end of the financial year	9	**3,260,003**	**1,302,704**

The above statement of cash flows 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.

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 Group's principal activities are property development, rental accommodation operation, the provision of secured short-term loans, sale of ICT hardware and funds management. There have been no significant changes in the nature of these activities during the year.

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 statements comprise the consolidated financial statements of the Group.

The annual report does not include separate financial statements for the parent, which have been historically required by entities preparing financial reports in accordance with the Corporations Act 2001. The recent changes to the Corporations Act 2001 have removed the requirement for reporting the separate financial statements of the Parent when consolidated financial statements are prepared. Refer to note 37 for parent company information.

(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*.

<u>Compliance with International Financial Reporting Standards (IFRS)</u>
The consolidated financial statements of CL Asset Holdings Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

<u>Historical cost convention</u>
These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of financial assets and inventories.

<u>Critical accounting estimates</u>
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

<u>Financial statement presentation</u>
The Group has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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.

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 acquisition method of accounting is used for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for 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.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements as a reduction of the carrying amount of the investment.

When the Group's share of losses of 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.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(b) Principles of consolidation (cont'd)

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.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve with equity attributable to owners of CL Asset Holdings Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iv) Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 Consolidated and Separate Financial Statements became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 Investment in Associates.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposal therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associate, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequent, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(c) Operating segments

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

Change in accounting policy
The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. Comparatives for 2009 have been restated if necessary.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

(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 profit or loss, 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, 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 and 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.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(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 economic 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:

(i) Sale of goods
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.

(ii) Interest from loans
The Group's loans are typically repaid by the borrowers through the sale or refinancing of properties held as security. In the prevailing debt markets, it is difficult for the borrowers to seek refinancing. In most cases the Group only recognises interest from loans when it receives full loan repayments. No interest accrual will be recognised as it does not meet the criteria of being reliably measurable and probable of receipt.

(iii) Other interest revenue
Other 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.

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

(v) Dividends
Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Change in accounting policy
The Group has changed its accounting policy for dividends paid out of pre-acquisition profits from 1 July 2009 when the revised AASB 127 Consolidated and Separate Financial Statements became operative. Previously, dividends paid out of pre-acquisition profits were deducted from the cost of the investment. In accordance with the transition provisions, the new accounting policy is applied prospectively. It was therefore not necessary to make any adjustments to any of the amounts previously recognised in the financial statements.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 are recognised in profit or loss, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances
Companies within the Group may be entitled to claim special tax deductions for investment in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(f) Income tax (cont'd)

(ii) Tax consolidation legislation
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-consolidation group are treated as having no tax consequence.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidation 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-consolidation 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-consolidation group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 8.

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 profit or loss 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 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss 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 profit or loss on a straight-line basis over the lease term (note 28).

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(h) Business combinations

The acquisition 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. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy
A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included as goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the acquisition of a deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009, but had no impact as the Group has had no acquisitions after that date.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(i) Impairment of non-financial assets other than goodwill

Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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 that 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 tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposit 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. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

(k) Trade receivables

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

Collectibility 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 profit or loss within other expenses. When a trade receivable for which an impairment allowance had 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 profit or loss. Changes in the carrying amount of an allowance account are recognised in profit or loss.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(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.

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 other 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.

Financial assets at fair value through profit or loss

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.

Loans and receivables

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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting 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.

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. Any impairment reversal in relation to a financial asset classified as available for sale is posted to the revaluation reserve.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(o) Property, plant and equipment

Land and buildings classified as inventories or as held for sale are shown at fair value, based on periodic valuations by the Directors or external valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Furniture, fittings, equipment and leasehold improvement	3-5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(p) Goodwill and impairment

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 assets at the date of acquisition. Goodwill on acquisitions 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(q) Trade and other payables

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

(r) Borrowings

Borrowings are initially recognised at cost, 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 profit or loss 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 extent 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. An increase in a provision resulting from the passage of time is recognised as interest expense.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave is not expected to be settled within 12 months after the end of the period in which the employees render service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to Directors via the CL Asset Holdings Limited Employee Option Plan. Information relating to these schemes is set out in note 35.

The fair value of options granted under the CL Asset Holdings Limited Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(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 profit or loss and the consideration paid during any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(v) Dividends

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

(w) 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.

(x) 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 statement of financial position.

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

(y) Comparative amounts

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

Notes to the financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment (to the extent relevant to CL Asset Holdings Limited) of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective 1 January 2013)

AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. AASB 9 also simplifies requirements for embedded derivatives and removes the tainting rules associated with held to maturity assets. For financial instruments carried at amortised cost, there will no longer be a need to separate fair value embedded derivatives. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. Also, if financial assets need to be sold, it no longer harms their classification. All investments in equity instruments are to be measured at fair value. AASB 9 also provides an opportunity to fair value those investments to other comprehensive income, with no separate impairment test, whilst taking dividends to income. The Group will be required to reclassify its financial assets when there is a change in the entity's business model, which is expected to occur only rarely. The Group will apply the amended standards from 1 July 2013. However, there will be no impact on the Group's financial statements.

AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvement Process (effective 30 June 2011)

The standard affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 124 Related Party Disclosures (effective 1 January 2011)

The revised AASB 124 limits the disclosure requirements for government-related entities to those transactions that are individually or collectively significant and simplifies the definition of related party, clarifying its intended meaning and eliminating inconsistencies from the definition including; the identification of a subsidiary and an associate with the same investor as related parties of each other, entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other and identifies that whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems in place to capture the necessary information. The Group will apply the amended standards from 1 January 2011. However, there will be no impact on the Group's financial statements.

3 Critical accounting estimates and judgements

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

Notes to the financial statements (cont'd)

3 Critical accounting estimates and judgements (cont'd)

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(p). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

4 Financial risk management

The Group's principal financial instruments comprise cash and deposits, receivables, loans, payables and borrowings.

The Group manages its exposure to key financial risks, including interest rate risk, foreign exchange 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 targets while protecting future financial security. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and foreign exchange rates and assessments of market forecasts for interest rates and foreign exchange rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of cash flow forecasts.

Financial risk management is carried out by the Directors under policies approved by the Board of Directors.

The Group holds the following categories of financial instruments:

	Consolidated	
	2010	**2009**
	$	**$**
Financial assets		
Cash and cash equivalents	3,260,003	1,302,704
Trade and other receivables	1,419,961	1,482,161
Loans and receivables	6,354,134	7,541,668
	11,034,098	10,326,533
Financial liabilities		
Trade and other payables	940,863	594,315
	940,863	594,315

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.

Notes to the financial statements (cont'd)

4 Financial risk management (cont'd)

Interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents and loans extended. There are no borrowings.

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

	Consolidated	
	2010	**2009**
	$	**$**
Financial assets		
Cash and cash equivalents	3,260,003	1,302,704
Loans	6,354,134	7,541,668
	9,614,137	8,844,372
Financial liabilities		
Bank overdrafts	-	-
Net exposure	9,614,137	8,844,372

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

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 statement of financial position 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 $1,000 (2009: $500).

Notes to the financial statements (cont'd)

4 Financial risk management (cont'd)

Foreign exchange risk

The Group exports goods internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. It is the Group's preference not to enter into transactional currency other than Australian dollars. Transactions in other currencies are minimal and settlement must be made in a very short term.

The Group has minimal foreign exchange risk and occasionally uses derivative financial instruments such as foreign exchange forward contracts to hedge foreign exchange risk exposures. Foreign exchange contracts are exclusively used for hedging purposes.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and loans extended.

The credit risk on cash equivalents is limited because all cash deposits are held with major Australian banks. For trade receivables the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The ageing of trade receivables is regularly monitored by the Directors.

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 Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of financial assets.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay the financial liabilities as and when 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 at the end of the reporting period (2009: $nil).

The following tables detail the Group'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)

4 Financial risk management (cont'd)

Contractual maturities of financial liabilities

Consolidated	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total contractual cash flows	Carrying amount
	%	$	$	$	$	$
2010						
Trade payables	-	940,863	-	-	940,863	940,863
Total non-derivates		940,863	-	-	940,863	940,863
2009						
Trade payables	-	594,315			594,315	594,315
Total non-derivates		594,315	-	-	594,315	594,315

The following tables detail the Group'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 anticipates that the cash flow will occur in a different period.

Contractual maturities of financial assets

Consolidated	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total contractual cash flows	Carrying amount
	%	$	$	$	$	$
2010						
Non-interest bearing	-	1,419,961	-	-	1,419,961	1,419,961
Variable interest rate instruments	2.7	3,260,003	-	-	3,260,003	3,260,003
Fixed interest rate instruments	9.2	-	-	6,354,134	6,354,134	6,354,134
Total non-derivates		4,679,964	-	6,354,134	11,034,098	11,034,098
2009						
Non-interest bearing	-	1,482,161	-	-	1,482,161	1,482,161
Variable interest rate instruments	3.2	1,302,704	-	-	1,302,704	1,302,704
Fixed interest rate instruments	14.2	-	-	7,541,668	7,541,668	7,541,668
Total non-derivates		2,784,865	-	7,541,668	10,326,533	10,326,533

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.

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.

Notes to the financial statements (cont'd)

5 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. There are no inter-segment sales.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segment disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Types of products and services by segment:

- Property development and rental — The development and sale of residential and commercial properties and 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 information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2010 is as follows:

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Consolidated			
	Segment revenue		Segment profit/(loss)	
	2010 $	2009 $	2010 $	2009 $
Property development and rental	1,513,133	1,476,191	382,196	276,172
Lending	635,562	889,227	91,799	804,179
Wholesale trading	14,680,731	12,630,809	169,517	350,477
Funds management	725,802	489,576	(95,693)	(94,363)
Total of all segments	17,555,228	15,485,803	547,819	1,336,465
Unallocated	135,391	312,263	(832,732)	(4,514,725)
Loss before tax (continuing operations)	17,690,619	15,798,066	(284,913)	(3,178,260)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2009: $nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and Directors' salaries and fees, investment revenue, loss of associate and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the financial statements (cont'd)

5 Segment information (cont'd)

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:

	Consolidated			
	Assets		Liabilities	
	2010 $	2009 $	2010 $	2009 $
Property development and rental	8,866,602	9,645,213	2,241	2,940
Lending	6,354,134	7,541,668	5,445	33,384
Wholesale trading	1,042,365	1,253,814	321,343	32,838
Funds management	980,399	682,030	472,813	276,393
Total segment assets and liabilities	17,243,500	19,122,725	801,842	345,555
Unallocated assets and liabilities	4,284,051	2,204,936	258,201	395,089
Consolidated total assets and liabilities	21,527,551	21,327,661	1,060,043	740,644

Other segment information

	Consolidated			
	Depreciation and amortisation of segment assets		Additions to non-current segment assets	
	2010 $	2009 $	2010 $	2009 $
Property development and rental	76,053	100,913	58,691	28,910
Lending	-	4,500	-	-
Funds management	1,330	424	-	3,886

In addition to the depreciation and amortisation reported above, impairment losses of $nil (2009: $126,276) were recognised in respect of inventory. These impairment losses were attributable to the following reportable segments:

	Consolidated	
	2010 $	2009 $
Inventory		
Property development and rental	-	126,276
Total impairment loss	-	126,276

Notes to the financial statements (cont'd)

5 Segment information (cont'd)

Geographical information

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

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

	Revenue from external customers	
	2010 $	2009 $
Australia	2,882,694	4,401,114
Asia and USA	14,672,534	11,084,689
	17,555,228	15,485,803

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

Information about major customers

Included in revenues arising from wholesale trading of $14.7 million (2009: $12.6 million) are revenues of approximately $10.5 million (2009: $nil) which arose from sales to the Group's largest customer.

6 Revenue

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

	Consolidated	
	2010 $	2009 $
Revenue consisted of the following items:		
Revenue from the sale of non-current asset classified as held for sale	-	1,000,000
Revenue from the sale of inventory property	1,001,544	-
Revenue from rental accommodation	511,589	476,191
Interest from bank deposits	42,039	231,254
Revenue from secured loans	635,562	889,227
Sale of goods	14,680,731	12,630,809
Funds management fees	725,802	489,576
Other revenue	93,352	81,009
	17,690,619	15,798,066

Notes to the financial statements (cont'd)

7 Expenses

	Consolidated 2010 $	2009 $
Loss before income tax includes the following expenses:		
Finance costs:		
Costs incurred with bank overdrafts and insurance funding	-	(15,812)
Employee and Directors' benefits expense:		
Salaries	(746,289)	(648,582)
Directors' fees	(60,000)	(60,000)
Superannuation expenses	(67,920)	(52,879)
Share-based payment	-	(1,200)
	(874,209)	(762,661)
Depreciation and amortisation		
Buildings	(68,628)	(68,627)
Plant and equipment	(37,795)	(25,744)
Leasehold improvements, furniture and fittings	(155,090)	(69,438)
Total depreciation and amortisation	(261,513)	(163,809)
Impairment losses		
Impairment of investment in associate (refer note 12)	-	(3,401,203)
Impairment of goodwill (refer note 17)	-	(237,739)
Impairment of trade receivables (refer note 10)	(71,160)	(136,320)

The impairment loss relates to fees payable by a related party (Gambit Group Pty Ltd). Whilst the Group 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 (refer note 11)	(543,763)	(85,048)

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

Impairment of inventory properties	-	(126,276)

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	(30,520)	(7,922)
Occupancy expenses		
Operating lease rental expenses:		
Minimum lease payments	(69,254)	(124,767)

Notes to the financial statements (cont'd)

8 Income taxes

	Consolidated	
	2010 $	2009 $
(a) Income tax expense		
Current tax expense	-	-
Deferred tax expense (benefit) relating to the origination and reversal of temporary differences	(165,404)	51,410
Total tax expense (benefit)	(165,404)	51,410
Deferred income tax (benefit) expense included in income tax expense (benefit) comprises:		
Decrease (increase) in deferred tax assets	(127,834)	142,312
(Decrease) increase in deferred tax liabilities	(37,570)	(90,902)
	(165,404)	51,410

(b) Reconciliation of income tax expense to prima facie tax payable

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

	2010 $	2009 $
Loss before income tax:	(284,913)	(3,178,260)
Income tax expense (benefit) calculated at 30%	(85,474)	(953,478)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income (loss):		
Goodwill impairment	-	71,322
Share of net loss (profit) of associate	(89,445)	15,698
Impairment losses of investments in subsidiary and associate	-	1,020,360
Share-based payments	-	360
Other tax effect and timing differences	9,515	(102,852)
Income tax expense (benefit)	(165,404)	51,410

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.

Notes to the financial statements (cont'd)

8 Income taxes (cont'd)

Tax consolidation legislation

Members of the tax consolidation group and the tax sharing arrangement
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. The members of the tax-consolidated group are identified at note 31. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

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

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.

Notes to the financial statements (cont'd)

9 Current assets - Cash and cash equivalents

	Consolidated	
	2010	**2009**
	$	**$**
Cash at bank and in hand	3,260,003	1,302,704
	3,260,003	1,302,704

Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balance as above	3,260,003	1,302,704
Bank overdraft	-	-
Balance per statement of cash flows	3,260,003	1,302,704

Risk exposure

The Group's exposure to interest rate risk is discussed in note 4. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above

10 Current assets - Trade and other receivables

Trade receivables	1,435,032	1,486,575
Allowance for impairment of receivables	(207,480)	(136,320)
	1,227,552	1,350,255
Goods and services tax recoverable	192,409	131,906
	1,419,961	1,482,161

(a) Impaired trade receivables

As at 30 June 2010 current trade receivables of the Group with a nominal value of $207,480 (2009: $136,320) were impaired. The amount of the provision was $207,480 (2009: $136,320).

The ageing of these trade receivables is as follows:

Up to 3 months	71,160	71,160
3 to 6 months	-	-
Over 6 months	136,320	65,160
	207,480	136,320

Notes to the financial statements (cont'd)

10 Current assets - Trade and other receivables (cont'd)

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

	Consolidated	
	2010	**2009**
	$	**$**
Balance at beginning of the year	136,320	-
Allowance for impairment recognised during the year	71,160	136,320
Balance at end of the year	207,480	136,320

Trade receivables are non-interest bearing and are generally on 0-30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment loss recognised by the Group in the current year was for the fees due from a related party. Whilst the Group will continue to pursue repayment of these receivables, the Directors regard the amount as being impaired as the repayment date is uncertain. See note 25.

(b) Past due but not impaired

As at 30 June 2010, trade receivables of $817,000 (2009: $40,030) were past due but not considered impaired. Except for the Kinsmen Securities Limited balance noted below, these trade receivables relate to a number of independent customers for whom there is no recent history of default.

The ageing of these trade receivables is as follows:

Up to 3 months	-	40,030
3 to 6 months	-	-
Over 6 months	817,000	-
	817,000	40,030

Kinsmen Securities Limited (KSL) is the responsible entity for six property and financing funds. As at 30 June 2010, KSL had trade and other receivables amounting to $817,000 outstanding from the funds. The receivables relate to unpaid management fees, insurance costs, employee entitlements and other establishment costs relating to the setup of the funds. Due to the changing property market, property valuations and lease renewals currently under negotiation, the directors are uncertain as to the recoverability of the amounts outstanding from the funds. This places an uncertainty on the amounts which will be ultimately collected by KSL however the directors do not consider the trade and other receivables to be impaired at year end.

Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 4.

Fair value and credit risk

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

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 4 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Notes to the financial statements (cont'd)

11 Current assets - Financial assets

	Consolidated	
	2010 **$**	**2009** **$**
Loans carried at amortised cost:		
Current		
Interest-bearing secured loans	7,595,351	8,239,122
Allowance for impairment of loans	(1,241,217)	(697,454)
	6,354,134	7,541,668

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. An allowance for impairment is recognised when there is objective evidence that an individual loan is impaired. An impairment loss of $621,217 (2009: $697,454) has been recognised by the Group 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.

Movements in the allowance for impairment of loans are as follows:

Balance at beginning of the year	697,454	700,222
Allowance for impairment recognised during the year	621,217	697,454
Loans written off during the year as uncollectible	-	(87,817)
Unused amount reversed	(77,454)	(612,405)
Balance at end of the year	1,241,217	697,454

Ageing of past due but not impaired interest-bearing secured loans:

Overdue 0-60 days	-	-
Overdue 60-120 days	180,000	-
Overdue 120 days – 1 year	-	-
Overdue over 1 year	525,000	210,000
Total	705,000	210,000

Included in the Group's loans balance are loans with a carrying amount of $705,000 (2009: $210,000) which were past due at the reporting date for which the Group has not provided an allowance as adequate security was being held and the amounts were considered recoverable.

Notes to the financial statements (cont'd)

12 Non-current assets – Investments accounted for using the equity method

Investment details	Consolidated	
	2010 $	2009 $
Unlisted		
RewardsCorp Ltd	298,150	-
Investments in associates	298,150	-

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

			Ownership interest	
Name of entity	Country of incorporation	Principal activity	2010 %	2009 %
RewardsCorp Ltd	Australia	Holiday and travel	44	44

Reconciliation of movement in investments accounted for using the equity method

	Consolidated	
	2010 $	2009 $
RewardsCorp Ltd		
Balance at beginning of the year	-	3,625,312
Share of profit/(loss) for the year	298,150	(52,327)
Dividends received	-	(171,782)
Impairment of investment in associate	-	(3,401,203)
Balance at end of the year	298,150	-

Impairment of investment in associate accounted for using the equity method

The Group's investment in RewardsCorp was fully impaired as of 30 June 2009. While the operating results of RewardsCorp has improved and it reported a small profit for the year 2010, the Board has concluded that its future financial performance is not yet sufficiently certain to justify any reversal of the previous booked impairment loss in the year. Its profit after tax for the year was $677,615.

Notes to the financial statements (cont'd)

13 Non-current assets - Inventories

	Consolidated	
	2010	**2009**
	$	**$**
Land and property held for development and resale	5,237,381	5,969,600
	5,237,381	5,969,600

Non-current inventory properties consist 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 these 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.

14 Non-current assets classified as held for sale

Land and property	2,106,969	-
	2,106,969	-

During the year, the Directors decided to sell Stage 1 of Waratah, NSW which was originally acquired for rental accommodation, consisting of 40 student units. The sale was completed in August 2010.

Notes to the financial statements (cont'd)

15 Non-current assets - Property, plant and equipment

	Consolidated				
	Freehold land at cost $	**Buildings at cost $**	**Furniture & Fittings at cost $**	**Plant and equipment at cost $**	**Total $**
At 1 July 2008					
Cost or fair value	1,190,634	2,745,116	204,916	88,481	4,229,147
Accumulated depreciation	-	(213,179)	(146,746)	(55,627)	(415,552)
Net book amount	1,190,634	2,531,937	58,170	32,854	3,813,595
Year ended 30 June 2009					
Opening net book amount	1,190,634	2,531,937	58,170	32,854	3,813,595
Additions	-	-	728,782	86,439	815,221
Disposals	-	-	(6,795)	(2,134)	(8,929)
Depreciation charge	-	(68,627)	(69,810)	(25,372)	(163,809)
Closing net book amount	**1,190,634**	**2,463,310**	**710,347**	**91,787**	**4,456,078**
At 30 June 2009					
Cost or fair value	1,190,634	2,745,116	914,680	163,223	5,013,653
Accumulated depreciation	-	(281,806)	(204,333)	(71,436)	(557,575)
Net book amount	**1,190,634**	**2,463,310**	**710,347**	**91,787**	**4,456,078**
Year ended 30 June 2010					
Opening net book amount	**1,190,634**	**2,463,310**	**710,347**	**91,787**	**4,456,078**
Additions	-	-	6,794	4,261	11,055
Transferred to non-current assets classified as held for sale	(994,179)	(1,109,453)	(3,337)	-	(2,106,969)
Depreciation charge	-	(68,628)	(155,090)	(37,795)	(261,513)
Closing net book amount	**196,455**	**1,285,229**	**558,714**	**58,253**	**2,098,651**
At 30 June 2010					
Cost or fair value	196,455	1,424,733	754,572	166,329	2,542,089
Accumulated depreciation	-	(139,504)	(195,858)	(108,076)	(443,438)
Net book amount	**196,455**	**1,285,229**	**558,714**	**58,253**	**2,098,651**

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 $1,478,711 (2009: $3,653,944) for rental 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)

16 Non-current assets – Deferred tax assets

	Consolidated	
	2010 $	2009 $
The balance comprises temporary differences attributable to:		
Tax losses	140,118	226,667
Properties, plant and equipment and inventories	24,377	-
Financial assets	372,579	210,367
Employee entitlements	27,570	15,146
Others	30,687	15,317
Total deferred tax assets	595,331	467,497
Deferred tax assets expected to be recovered after more than 12 months	595,331	467,497

Movements

2010	Consolidated		
	Opening balance $	Charges to income $	Closing balance $
Gross deferred tax assets:			
Financial assets	225,685	146,894	372,579
Properties, plant and equipment and inventories	-	24,377	24,377
Other liabilities	-	30,687	30,687
Employee entitlements	15,145	12,425	27,570
	240,830	214,383	455,213

2009	Consolidated		
	Opening balance $	Charges to income $	Closing balance $
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

Notes to the financial statements (cont'd)

17 Non-current assets - Intangible assets

Goodwill

	Consolidated	
	2010	**2009**
	$	**$**
Balance at beginning of the year	237,739	-
Amounts recognised from business combinations occurring during the year	-	237,739
Balance at end of the year	237,739	237,739
Accumulated impairment losses		
Balance at beginning of the year	237,739	-
Impairment losses recognised in the year	-	237,739
Balance at end of the year	237,739	237,739
Net book value		
At the beginning of the financial year	-	-
At the end of the financial year	-	-

The Group assessed the recoverable amount of goodwill associated with the Group's subsidiary, Kinsmen Securities Limited and the amount was fully impaired in 2009.

The impairment loss has been included in expenses in the profit or loss.

18 Current liabilities - Trade and other payables

Trade payables	754,247	158,576
PAYG payable	18,551	17,943
Accruals and other payables	130,401	268,422
Unearned interest and other loans	37,664	149,374
	940,863	594,315

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.

Notes to the financial statements (cont'd)

19 Current liabilities - Provisions

	Consolidated 2010 $	Consolidated 2009 $
Employee benefits		
Annual leave	75,653	63,318
Long service leave	37,309	39,224
	112,962	102,542

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

20 Non-current liabilities – Deferred tax liabilities

The balance comprises temporary differences attributed to:

	2010	2009
Properties, plant and equipment and inventories	6,218	43,787
Total deferred tax liabilities	6,218	43,787
Deferred tax liabilities expected to be settled after more than 12 months	6,218	43,787

Movements

2010	**Consolidated** Opening balance $	Charges to income $	Closing balance $
Gross deferred tax liabilities:			
Properties, plant and equipment and inventories	(43,787)	37,569	(6,218)
	(43,787)	37,569	(6,218)

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)

Notes to the financial statements (cont'd)

21 Contributed equity

Share capital	**Consolidated 2010 $**	**Consolidated 2009 $**
4,692,327 fully paid ordinary shares (2009: 4,692,327)	23,696,428	23,696,428

	2010 Number	**2010 $**	**2009 Number**	**2009 $**
Fully paid ordinary shares				
Balance at beginning of the year	4,692,327	23,696,428	46,923,077	23,696,428
Adjustment for share consolidation	-	-	(42,230,750)	-
Balance at end of the year	4,692,327	23,696,428	4,692,327	23,696,428

In May 2009 the Company consolidated its shares on a 10 to 1 basis.

Ordinary shares

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

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

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share options granted under the executive share option plan

Information relating to the CL Asset Holdings Limited option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 25.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

During 2010 the Group's strategy was unchanged from the prior year.

Notes to the financial statements (cont'd)

22 Reserves

	Consolidated	
	2010	**2009**
	$	**$**
Movements in reserves were as follows:		
Equity-settled employee benefits reserve		
Balance at beginning of the year	205,850	204,650
Share-based payment	-	1,200
Transfer of expired options to accumulated losses	(202,250)	-
Balance at end of the year	3,600	205,850

The equity-settled employee benefits reserve records the value of 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. When the options expire amounts are transferred out of the reserve and directly into retained earnings. Further information about share-based payments to executives is disclosed in note 35 to the financial statements.

23 Accumulated losses

Movements in accumulated losses were as follows:

Balance at beginning of the year	(3,481,572)	(290,591)
Share-based payment transfer	202,250	-
Loss for the year	(80,276)	(3,190,981)
Balance at end of the year	(3,359,598)	(3,481,572)

Notes to the financial statements (cont'd)

24 Earnings per share

	Consolidated	
	2010 **cents**	**2009** **cents**
Basic earnings per share attributable to the ordinary equity holders of the Company	(1.7)	(68.0)
Diluted earnings per share attributable to the ordinary equity holders of the Company	(1.7)	(68.0)

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	
	2010 **$**	**2009** **$**
Loss for the year attributable to the ordinary equity holders of the Company	(80,276)	(3,190,981)

(b) Weighted average number of shares

	Consolidated	
	2010 **Number**	**2009** **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

Options granted to the Directors under the CL Asset Holdings Option Plan are not considered to be potential ordinary shares and the Company therefore had no dilutive potential ordinary shares during the year. Diluted earnings per share are the same as basic earnings per share in both years.

Notes to the financial statements (cont'd)

25 Key management personnel disclosures

(a) Key management personnel compensation

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

	Consolidated	
	2010	**2009**
	$	**$**
Short-term employee benefits	743,457	654,541
Post-employment benefits	40,086	37,758
Other long-term benefits	4,055	-
Shared-based payment	-	1,200
	787,598	693,499

Detailed remuneration disclosures are provided in the remuneration report on page 15 to17.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 15 to17.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of CL Asset Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

	Balance at start of the year	Granted as compensation	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
	Number	**Number**	**Number**	**Number**	**Number**	**Number**
2010						
Directors						
Theodore Baker	10,000	-	(10,000)	-	-	-
Gary Dainton	30,000	-	-	30,000	30,000	-
Peter Mitropoulos	30,000	-	-	30,000	30,000	-
Former Directors						
Michael Milman	20,000	-	(20,000)	-	-	-
Curt Rendall	10,000	-	(10,000)	-	-	-
Greg Robinson	10,000	-	(10,000)	-	-	-
	110,000	-	(50,000)	60,000	60,000	-

All vested options are exercisable at the end of the year.

2009						
Directors						
Theodore Baker	10,000	-	-	10,000	10,000	-
Gary Dainton	30,000	-	-	30,000	30,000	-
Peter Mitropoulos	30,000	-	-	30,000	30,000	-
Former Directors						
Michael Milman	20,000	-	-	20,000	20,000	-
Curt Rendall	10,000	-	-	10,000	10,000	-
Greg Robinson	10,000	-	-	10,000	10,000	-
	110,000	-	-	110,000	110,000	-

Notes to the financial statements (cont'd)

25 Key management personnel disclosures (cont'd)

(b) Equity instrument disclosures relating to key management personnel (cont'd)

(iii) Share holdings

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

	Balance at the start of the year	Granted as remuneration	Received during the year on the exercise of options	Acquired during the year	Balance at the end of the year
	Number	Number	Number	Number	Number
2010					
Directors					
Ordinary shares					
Theodore Baker	2,942,585	-	-	51,000	2,993,585
Peter Mitropoulos	44,589	-	-	-	44,589
2009					
Directors					
Ordinary shares					
Theodore Baker	2,928,028	-	-	14,557	2,942,585
Peter Mitropoulos	44,589	-	-	-	44,589

No shares were granted to key management personnel during the reporting period as compensation.

(c) Loans to key management personnel

In 2009 and 2010 there were no loans made to Directors of CL Asset Holdings Limited and other key management personnel of the Group, including their personally related parties.

Notes to the financial statements (cont'd)

25 Key management personnel disclosures (cont'd)

(d) Other transactions with key management personnel

During the year the Company paid a total of $18,180 (2009: $39,138) to The Esplanade One Pty Ltd, a company related to Peter Mitropoulos, for loan brokerage fee and consulting fee.

At 30 June 2010, CL Asset Holdings Limited accrued a receivable from Gambit Group Pty Ltd of $207,480 (2009: $136,320) in management fees for use of office space and related services for three years ended 30 June 2010. 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 $207,480 is impaired at end of the year as the date of repayment is uncertain.

During the year Asset Trading Group Pty Ltd, a subsidiary of the Group issued credit for goods returned by Ezymobiles Pty Ltd totalling $24,909 (2009: sales $117,852) and the amount of trade receivables as of 30 June 2010 was $nil (2009: $68,370). 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 (2009: $25,000) to a company related to Theodore Baker for director fees.

During the year RewardsCorp Ltd, an associate of the Group paid a total of $18,750 (2009: $12,500) 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.

Aggregate amounts of each of the above types of other transactions with key management personnel of CL Asset Holdings Limited:

	Consolidated	
	2010	**2009**
	$	**$**
Amounts recognised as revenue		
Sales	(24,909)	117,852
Management fees	71,160	71,160
	46,251	189,012
Amounts recognised as expense		
Loan brokerage fee and commission	7,380	39,138
Consulting fee	10,800	-
Impairment of receivables	71,160	71,160
	89,340	110,298

Notes to the financial statements (cont'd)

25 Key management personnel disclosures (cont'd)

(d) Other transactions with key management personnel (cont'd)

Aggregate amounts of assets at the end of the reporting period relating to the above types of other transactions with key management personnel of the Group:

	Consolidated	
	2010	**2009**
	$	**$**
Current assets	-	-

Aggregate amounts payable to key management personnel of the Group at the end of the reporting period relating to the above types of other transactions:

Current liabilities	-	-

26 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 2010 (2009: $nil).

27 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 28 to the financial statements.

Notes to the financial statements (cont'd)

28 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	
Non-cancellable operating lease commitments	**2010** **$**	**2009** **$**
Not longer than one year	13,908	13,908
Longer than one year but not longer than five years	38,247	52,155
	52,155	66,063

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	154,806	116,026
Longer than one year but not longer than five years	-	580
	154,806	116,606

Notes to the financial statements (cont'd)

29 Related party transactions

(a) Parent entity
The parent entity within the Group is CL Asset Holdings Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in note 31.

(c) Key management personnel
Disclosures relating to key management personnel are set out in note 25.

(d) Transactions with related parties
Disclosures relating to transactions with related parties are set out in note 25.

(e) Outstanding balances arising from sales/purchases of goods and services

	Consolidated	
	2010	**2010**
	$	**$**
Current receivables (sales of goods and services)		
Other related parties	-	-
Provision for impairment	-	-
	-	-

(f) Loans to/from related parties

During the year, the Group has no loans to/from related parties that are not members of the Group.

Notes to the financial statements (cont'd)

30 Business combinations

(a) Summary of acquisition

There were no business acquisitions during the financial year ended 30 June 2010.

(b) Prior year 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.

Kinsmen Securities Limited incurred a loss of $95,693 in the year to 30 June 2010 (2009: $94,363). This subsidiary contributed total revenue of $725,827 during the year (2009: $489,576).

31 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of subsidiary	Country of incorporation	Equity holding 2010 %	2009 %
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	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	100
Kinsmen Securities Limited	Australia	59	59

Notes to the financial statements (cont'd)

32 Investments in associates

(a) Movements in carrying amounts

	Consolidated	
	2010 $	2009 $
Carrying amount at beginning of the year	-	3,625,312
Share of profits (loss) after income tax	298,150	(52,327)
Dividends received/receivable	-	(171,782)
Impairment of investment in associate	-	(3,401,203)
Carrying amount at end of the year	298,150	-

(b) Summarised financial information of associates

The Group's share of the results of its associate and its aggregated assets (including goodwill) and liabilities are as follows:

		Group's share of:			
	Ownership Interest %	Assets $	Liabilities $	Revenues $	Profit (Loss) $
2010					
RewardsCorp Ltd	44	3,364,002	2,992,582	14,699,940	298,150
2009					
RewardsCorp Ltd	44	2,754,307	2,668,684	11,064,192	(52,327)

RewardsCorp Ltd is an unlisted company incorporated in Australia

(c) Contingent liabilities of associates

The Directors are of the opinion that there were no contingent liabilities relating to liabilities of the associate for which the Company is severally liable.

33 Events occurring after the reporting period

During August 2010, the company successfully sold Stage 1 of Waratah, NSW, for $2.5m. The asset was classified as non-current assets classified as held for sale in the statement of financial position as per note 14.

Except for the matter noted above, 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.

Notes to the financial statements (cont'd)

34 Reconciliation of profit after income tax to net cash flow from operating activities

	Consolidated	
	2010 $	2009 $
Loss for the year	(119,509)	(3,229,670)
Adjustments for:		
Depreciation and amortisation	261,513	163,809
(Gain)/loss on disposal of non-current assets	-	8,929
Profit on sale of non-current asset	(210,634)	(298,248)
Share of associates (profit)/loss	(298,150)	52,327
Impairment of investment in associate	-	3,401,203
Impairment of goodwill	-	237,739
Impairment of inventory properties	-	126,276
Impairment of loans	540,707	(2,768)
Equity settled share-based payment	-	1,200
Increase/(decrease) in deferred tax balances	(165,404)	51,410
Minority interest/Investment in subsidiaries	-	576,944
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	62,200	(1,353,821)
Inventories	-	59,090
Other assets	(49,018)	(16,216)
Increase/(decrease) in liabilities:		
Trade and other payables	346,549	313,433
Employee entitlements	10,420	61,422
Net cash inflow from operating activities	378,674	153,059

Notes to the financial statements (cont'd)

35 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.

Set out below are summaries of share options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated and parent entity - 2010								
15/9/04	20/9/09	$10	50,000	-	-	(50,000)	-	-
1/12/06	30/11/11	$5	60,000	-	-		60,000	60,000
			110,000	-	-	(50,000)	60,000	60,000
Weighted average exercise price			$7.3	-	-	$10	$5	$5
Consolidated and parent entity - 2009								
15/9/04	20/9/09	$10	50,000	-	-	-	50,000	50,000
1/12/06	30/11/11	$5	60,000	-	-	-	60,000	60,000
			110,000	-	-	-	110,000	110,000
Weighted average exercise price			$7.3	-	-	-	$7.3	$7.3

The weighted average remaining contractual life of share options outstanding at the end of the year was 153 days (2009: 518 days).

Notes to the financial statements (cont'd)

35 Share-based payment (cont'd)

Expenses arising from share-based payment transactions

	Consolidated	
	2010	**2009**
	$	**$**
Options issued under employee option plan	-	1,200

50,000 options issued to Directors on 15/09/2004 expired on 20/09/2009. The fair values of these options were reversed from reserve.

36 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and non-related audit firms:

HLB Mann Judd		
Audit and review of financial reports	71,990	64,262
Preparation of the tax return	16,575	6,750
	88,545	71,012
Non-HLB Mann Judd audit firms		
Audit of financial report	2,220	-
Preparation of the tax return	7,450	-
	9,670	-
Total auditors' remuneration	98,215	71,012

Notes to the financial statements (cont'd)

37 Parent entity information

The following information has been extracted from the books and records of the Parent and has been prepared in accordance with the accounting standards.

	Parent	
	2010	**2009**
	$	**$**
Assets		
Current assets	9,138,237	8,493,297
Total assets	18,488,010	19,505,576
Liabilities		
Current liabilities	171,415	395,157
Total liabilities	793,180	888,687
Shareholders' equity		
Issued capital	23,696,428	23,696,428
Reserves	3,600	205,850
Accumulated losses	(6,005,197)	(5,285,389)
	17,694,831	18,616,889
Profit (loss) for the year	(922,058)	(3,794,268)
Other comprehensive income	-	-
Total comprehensive income	(922,058)	(3,794,268)

Contingent liabilities

At 30 June 2010 CL asset Holdings Limited had no contingent liabilities (2009: $nil).

Contractual commitments

At 30 June 2010 CL Asset Holdings Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2009: $nil).

Guarantees

CL Asset Holdings Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Additional stock exchange information as at 1 September 2010

Number of holders of equity securities

Ordinary share capital

4,692,327 fully paid ordinary shares are held by 369 individual shareholders.

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

Options

60,000 options are held by 2 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	236	-
1,001 - 5,000	94	-
5,001 - 10,000	18	-
10,001 - 100,000	15	2
100,001 and over	6	-
Total number of shareholders	369	2

There are 167 shareholders with less than a marketable parcel.

Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares Number	Percentage
NCJ Holdings Pty Ltd	2,885,049	61.5
Rekab NSW Pty Ltd	273,583	5.8
	3,158,632	67.3

Twenty largest holders of quoted equity securities

	Ordinary shareholders	Fully paid ordinary shares Number	Percentage
1	NCJ Holdings Pty Ltd	2,885,049	61.5
2	Rekab NSW Pty Ltd	273,583	5.8
3	Shyzi Pty Ltd	204,135	4.4
4	Spinite Pty Ltd	161,259	3.4
5	Sean Dennehy	136,500	2.9
6	TTB Holdings Pty Ltd	108,146	2.3
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	Cedara Properties Pty Td	40,000	0.9
11	Charles Comino	37,780	0.8
12	TRE Pty Ltd	35,000	0.7
13	Margriet Nakken	30,000	0.6
14	Arthur Cheswisk	30,000	0.6
15	Dianne Bitter	20,000	0.4
16	Savva Kaponas	20,000	0.4
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
		4,179,412	89.1

Additional stock exchange information (cont'd)

Company secretary
Henry Kam

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

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