CL Asset Holdings Limited

ABN 38 104 475 345

Preliminary Final Report

for the financial year ended 30 June 2010

Rule 4.3A

Appendix 4E

Preliminary Final Report

Name of entity

CL Asset Holdings Limited

ABN:	38 104 475 345

1. Reporting period

Report for the financial year ended	30 June 2010
Previous corresponding period is the financial year ended	30 June 2009

2. Results for announcement to the market

Revenue from ordinary activities	up	12 %	from	$15,798,066	to	$17,690,619
Net loss from ordinary activities after tax attributable to members	down	97 %	from	($3,190,981)	to	($80,276)
Net loss for the period attributable to members	down	97 %	from	($3,190,981)	to	($80,276)

Dividends	Amount per security	Franked amount per security
Interim dividend	NIL	NIL
Final dividend	NIL	NIL
Record date for determining entitlements to the dividend	N/A	

3.

Statement of comprehensive income for the financial year ended 30 June 2010

	Note	Consolidated 2010 $	2009 $
Revenue from continuing operations	3	17,690,619	15,798,066
Cost of sales of ICT hardware		(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		-	(3,401,203)
Impairment of goodwill		-	(237,739)
Impairment of receivables		(71,160)	(136,320)
Impairment of loans		(543,763)	(85,048)
Impairment of inventory properties		-	(126,276)
Employee and Director benefits expenses	4	(874,209)	(762,661)
Depreciation and amortisation		(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		298,150	(52,327)
Loss before income tax		(284,913)	(3,178,260)
Income tax (expense)/benefit	5	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.

4.

Statement of financial position as at 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
ASSETS			
Current assets			
Cash and cash equivalents		3,260,003	1,302,704
Trade and other receivables	6	1,419,961	1,482,161
Financial assets	7	6,354,134	7,541,668
Non-current assets classified as held for sale	10	2,106,605	-
Other assets	12	156,971	107,953
Total current assets		**13,297,674**	**10,434,486**
Non-current assets			
Inventories	8	5,237,381	5,969,600
Investments accounted for using the equity method	9	298,150	-
Property, plant and equipment	11	2,099,015	4,456,078
Deferred tax assets		595,331	467,497
Total non-current assets		**8,229,877**	**10,893,175**
TOTAL ASSETS		**21,527,551**	**21,327,661**
LIABILITIES			
Current liabilities			
Trade and other payables	14	940,863	594,315
Provisions	16	112,962	102,542
Total current liabilities		**1,053,825**	**696,857**
Non-current liabilities			
Deferred tax liabilities		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		23,696,428	23,696,428
Reserves		3,600	205,850
Accumulated losses		(3,359,598)	(3,481,572)
Capital and reserves attributable 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.

5.

Statement of cash flows
for the financial year ended 30 June 2010

	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 (outflow) from operating activities	**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 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		
Repayment of loans by related parties	-	-
Loans to related parties	-	-
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 the beginning of the financial year	1,302,704	4,690,561
Cash and cash equivalents at the end of the financial year	**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. Basis of preparation

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Company's previous full year financial reports and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year. Where necessary, comparative figures have been adjusted with changes in the presentation in the current year.

2. 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.

Notes to the financial statements (cont'd)

2 Segment information (cont'd)

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:

Operating segments	**Property development and rental**	**Lending**	**Wholesale trading**	**Funds manage-ment**	**Unalloc-ated items**	**Total**
2010	**$**	**$**	**$**	**$**	**$**	**$**
Revenue						
Sales to external customers	1,513,133	635,562	14,680,731	725,802	135,391	17,690,619
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	1,513,133	635,562	14,680,731	725,802	135,391	17,690,619
Segment net profit (loss) before tax	382,196	91,799	169,517	(95,693)	(832,732)	(284,913)
Interest revenue	-	-	1,222	25	40,792	42,039
Depreciation and amortisation	(76,053)	-	-	(1,330)	(184,130)	(261,513)
Impairment of investment in associate	-	-	-	-	-	-
Share of profit (loss) of associate	-	-	-	-	298,150	298,150
Goodwill impairment	-	-	-	-	-	-
Impairment of other assets	-	(543,763)	-	-	(71,160)	(614,923)
Income tax benefits	-	-	-	-	165,404	165,404
Total segment assets	8,866,602	6,354,134	1,042,365	980,399	4,284,051	21,527,551
Total assets includes:						
Addition to non-current assets (other than financial assets and deferred tax)	58,691	-	-	-	11,055	69,746
Total segment liabilities	2,241	5,445	321,343	472,813	258,201	1,060,043

Notes to the financial statements (cont'd)

2 Segment information (cont'd)

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2009 is as follows:

Operating segments 2009	Property development and rental $	Lending $	Wholesale trading $	Funds manage-ment $	Unalloc-ated items $	Total $
Revenue						
Sales to external customers	1,476,191	889,227	12,630,809	489,576	312,263	15,798,066
Inter-segment sales	-	-	-	-	-	-
Total segment revenue	1,476,191	889,227	12,630,809	489,576	312,263	15,798,066
Segment net profit (loss) before tax	276,172	804,179	350,477	(94,363)	(4,514,725)	(3,178,260)
Interest revenue	29		2,062		229,163	231,254
Depreciation and amortisation	(100,913)	(4,500)		(424)	(57,972)	(163,809)
Impairment of investment in associate	-	-	-	-	(3,401,203)	(3,401,203)
Share of loss of associate	-	-	-	-	(52,327)	(52,327)
Goodwill impairment	-	-	-	-	(237,739)	(237,739)
Impairment of other assets	(126,276)	(85,048)	-	-	(136,320)	(347,644)
Income tax expenses	-	-	-	-	(51,410)	(51,410)
Total segment assets	9,645,213	7,541,668	1,253,814	682,030	2,204,936	21,327,661
Total assets includes:						
Addition to non-current assets (other than financial assets and deferred tax)	28,910	-	-	3,886	782,425	815,221
Total segment liabilities	2,940	33,384	32,838	276,393	395,089	740,644

Notes to the financial statements (cont'd)

3. 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)

4. Expenses

	Consolidated 2010 $	Consolidated 2009 $
Cost of sales		
ITC hardware	(14,452,425)	(12,252,087)
Non-current assets held for sale	-	(701,752)
Non-current inventories	(790,910)	-
Finance costs:		
Costs incurred with borrowings	-	(15,812)
Employee and Directors' benefits expense:		
Salaries	(746,289)	(648,582)
Directors' fees	(60,000)	(60,000)
Superannuation expense	(67,920)	(52,879)
Share-based payment	-	(1,200)
	(874,209)	(762,661)
Depreciation and amortisation		
Depreciation of non-current assets	(261,513)	(163,809)
Impairment of trade receivables	(71,160)	(136,320)
Impairment losses-financial assets		
Loans	(543,763)	(85,048)
Impairment losses-intangible assets		
Goodwill	-	(237,739)
Impairment of inventory properties	-	(126,276)
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)

5. Income taxes

	Consolidated 2010 $	Consolidated 2009 $
(a) Income tax recognised in profit or loss		
Tax expense/(benefit) comprises:		
Current tax expense/(benefit)	-	-
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	(165,404)	51,410
Income tax expense/(benefit) reported in the income statement	(165,404)	51,410

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

	2010 $	2009 $
Accounting profit/(loss) before income tax:	(284,913)	(3,178,260)
Income tax expense/(benefit) calculated at 30%	(85,474)	(953,478)
Adjustments:		
Under provision of income tax in previous year	28,077	-
Other tax effect and timing differences	(108,007)	1,004,888
Income tax expense/(benefit) per income statement	(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.

	2010 $	2009 $
(b) Deferred tax balances		
Deferred tax assets comprise:		
Tax losses – revenue	140,118	226,667
Temporary differences	455,213	240,830
	595,331	467,497
Deferred tax liabilities comprise:		
Temporary differences	6,218	43,787

Notes to the financial statements (cont'd)

6. Trade and other receivables

	Consolidated	
	2010	**2009**
	$	**$**
<u>Current</u>		
Trade receivables (i)	1,435,032	1,486,575
Allowance for doubtful debts	(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

(i) Trade receivables are non-interest bearing and are generally on 0-30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Impairment loss of $71,160 was recognised by the Group in the current year.

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

7. Financial assets

Loans carried at amortised cost		
<u>Current</u>		
Interest-bearing secured loans (i)	7,595,351	8,239,122
Allowance for impairment of loans	(1,241,217)	(697,454)
	6,354,134	7,541,668

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

Allowance for impairment of loans

Secured loans are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual loan is impaired. An impairment loss of $621,217 (2009: $697,454) has been recognised by the Group in the current year. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Movement in the provision for impairment of loans were as follows:		
At 1 July	697,454	700,222
Provision 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)
	1,241,217	697,454

Notes to the financial statements (cont'd)

7. Financial assets (cont'd)

	Consolidated	
	2010 $	2009 $
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 are past due at the reporting date for which the Group has not provided provision as adequate securities are being held, or there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

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

8. Inventories

Current		
Goods-at cost	-	-
Non-current		
Land and property held for development and resale	5,237,381	5,969,600
	5,237,381	5,969,600

Non-current inventory properties include land and buildings the Group originally acquired for development which are now held for resale. In accordance to 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 land and buildings do not meet these criteria and therefore are classified 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.

During the year inventory properties write-downs recognised as an expense totalled $nil (2009: $126,276) for the Group.

Notes to the financial statements (cont'd)

9. Investments accounted for using the equity method

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

The Group has 44% of the issued capital in the holding company of RewardsCorp.

RewardsCorp 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 1 July	-	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 30 June	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 reported a small profit for the year 2010, the Board has concluded that its future financial performance is not yet sufficient certain to justify any reversal of the previous booked impairment loss in the year. Its profit after tax for the year was $677,615.

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

The Group's investments in the abovementioned associate were fully impaired in last year.

10. Non-current assets classified as held for sale

	Consolidated	
	2010 **$**	**2009** **$**
Property, plant and equipment	2,106,605	-

Contract for sale of 40 units at Waratah was exchanged in March 2010 and settlement was done in August 2010.

Notes to the financial statements (cont'd)

11. 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)	(2,973)	-	(2,106,605)
Depreciation charge	-	(68,628)	(155,090)	(37,795)	(261,513)
Closing net book amount	**196,455**	**1,285,229**	**559,078**	**58,253**	**2,099,015**
At 30 June 2010					
Cost or fair value	196,455	1,424,733	754,572	166,329	2,542,089
Accumulated depreciation	-	(139,504)	(195,494)	(108,076)	(443,074)
Net book amount	**196,455**	**1,285,229**	**559,078**	**58,253**	**2,099,015**

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)

12. Other assets

	Consolidated 2010 $	Consolidated 2009 $
Current		
Security deposits	36,000	16,000
Prepayment	120,971	91,953
	156,971	107,953

13. Non-current assets – Intangible assets

Goodwill

	2010	2009
Gross carrying amount		
Balance at beginning of financial year	237,739	-
Additional amounts recognised from business combinations occurring during the period	-	237,739
Balance at end of financial year	237,739	237,739
Accumulative impairment losses		
Balance at beginning of financial year	237,739	-
Impairment losses for the year	-	237,739
Balance at end of financial 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 and the amount was fully impaired in 2009.

14. Trade and other payables

	2010	2009
Current		
Trade payables	754,247	158,576
PAYG payable	18,551	17,943
Accruals and other payables	130,401	268,422
Unearned interest and others payables	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.

15. Borrowings

Secured – at amortised cost

	2010	2009
Current		
Bank overdrafts	-	-

Notes to the financial statements (cont'd)

16. Provisions

	Consolidated 2010 $	Consolidated 2009 $
Current		
Employee benefits	112,962	102,542

17. Issued capital

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

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

	Company 2010 Number	Company 2010 $	Company 2009 Number	Company 2009 $
Fully paid ordinary shares				
Balance at beginning of financial year	4,692,327	23,696,428	4,692,327	23,696,428
Balance at end of financial year	4,692,327	23,696,428	4,692,327	23,696,428

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

Share options granted under the executive share option plan
In accordance with the provision of the executive share option plan, as at 30 June 2010, the Directors have options over 60,000 ordinary shares (all are vested and exercisable) expiring on 30 November 2011.

Share options granted under the executive share option plan carry no rights to dividends and no voting rights.

18. Reserves

	Consolidated 2010 $	Consolidated 2009 $
Equity-settled employee benefits reserve		
Balance at beginning of financial year	205,850	204,650
Share-based payment	(202,250)	1,200
Balance at end of financial year	3,600	205,850

The equity-settled employee benefits reserve arises on the grant of share options to executives under the executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. In the case when the options are expired amounts are transferred out of the reserve and directly into retained earnings.

Notes to the financial statements (cont'd)

19. Retained earnings/(Accumulated losses)

	Consolidated	
	2010	2009
	$	$
Balance at beginning of financial year	(3,481,572)	(290,591)
Share-based payment reversal	202,250	-
Profit/(loss) for the year	(80,276)	(3,190,981)
Balance at end of financial year	(3,359,598)	(3,481,572)

20. Earnings per share

Basic earnings per share is calculated by dividing the profit attributed to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Consolidated	
	2010	2009
	cents	cents
Basic earnings per share	(1.7)	(68.0)
Diluted earnings per share	(1.7)	(68.0)

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

(a) Earnings used in calculating earnings per share

	Consolidated	
	2010	2009
	$	$
Net profit attributed to ordinary equity holders of the parent	(80,276)	(3,190,981)

(b) Weighted average number of shares

	Consolidated	
	2010	2009
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	4,692,327	4,692,327

The Company had no dilutive potential ordinary shares during the years. Diluted earnings per share therefore are the same as basic earnings per share in both years

21. Business combination

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

6. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2010	N/A	NIL
Final dividend – year ended 30 June 2010	N/A	NIL

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	NIL	NIL	NIL
Previous year	NIL	NIL	NIL

Total dividend on all securities

	Current period $	Previous corresponding Period $
Ordinary securities	NIL	NIL
Other equity instruments	NIL	NIL
Total	NIL	NIL

7. Details of dividend or distribution reinvestment plans in operation are described below:

N/A

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

8. Statement of retained earnings

	Consolidated Entity		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Balance at the beginning of year	(3,481,572)	(290,591)	(5,285,389)	(1,491,121)
Share based payment reversal	202,250	-	202,250	-
Net profit/(loss) attributable to members of the parent entity	(80,276)	(3,190,981)	(922,058)	(3,794,268)
Total available for appropriation	(3,359,598)	(3,481,572)	(6,005,197)	(5,285,389)
Dividend paid	-	-	-	-
Balance at end of year	(3,359,598)	(3,481,572)	(6,005,197)	(5,285,389)

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$4.33	$4.35

10. Details of entities over which control has been gained or lost during the period:

Control gained over entities

Name of entities	N/A
Date(s) of gain of control	N/A
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period	N/A

Loss of control of entities

Name of entities	N/A
Date(s) of loss of control	N/A
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period	N/A

11. Details of associates and joint venture entities

Name of associate or joint venture entity	% Securities held
RewardsCorp Ltd	44%

Aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	2010 $	2009 $
Profit/(loss) from ordinary activities before tax	990,864	(176,091)
Income tax benefit/(expense) on ordinary activities	(313,249)	57,166
Net profit/(loss) from ordinary activities after tax	677,615	(118,925)
Adjustments	-	-
Share of net profit/(loss) of associates and joint venture entities	298,150	(52,327)

12. Significant information relating to the entity's financial performance and financial position

See item 14.

13. The financial information provided in the Appendix 4E has been prepared in accordance with Australian accounting standards

14. Commentary on the results for the period

Total revenue for FY2010 was $17.7 million, a 12% increase over last year.

Net loss after tax for the year was $0.08 million. Net loss was $3.2 million for last year. The loss for last year was principally as a result of the Company making a $3.4 million impairment loss on its investment in associate.

Earnings per share for the year were negative of 1.7 cents. Earnings per share for last year were negative of 68.0 cents.

The Company's balance sheet remains strong with no debt. Cash at bank as of 30 June 2010 was $3.3 million. Net tangible asset backing per share was $4.33, a decrease of 0.5% over last year.

15. Audit of the financial report

The financial report is in the process of being audited.

The financial report is not likely to be the subject of dispute or qualification.