# CL Asset Holdings Limited

ABN 38 104 475 345

**Annual Report**

for the financial year ended 30 June 2012

# Annual Report
# for the financial year ended 30 June 2012

## Contents

## Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of CL Asset Holdings Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

### Directors

The names and details of the Directors of CL Asset Holdings Limited in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

| Name | Qualifications, experience and special responsibilities |
|---|---|
| Theodore Baker | <u>Managing Director and Acting Chairman</u><br>Mr Baker is the founding shareholder and CEO of CL Asset Holdings Limited and is responsible for the Group's overall management, financial matters 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 48. |
| Gary Dainton | <u>Non-Executive Director</u><br>BSc (Hons) Economics, FCA, GAICD<br>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 the chairman of the audit, remuneration and nomination committees of the Company. Age 47. |
| Peter Mitropoulos | <u>Non-Executive Director</u><br>ADME, GDipAppFin<br>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 firm) 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, remuneration and nomination committees of the Company. Age 49. |

# 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

As at the date of this report, the interests of the Directors in shares and options of the Company directly or indirectly were:

| Directors | Fully paid ordinary shares Number | Share options Number |
|---|---|---|
| Theodore Baker | 2,377,169 | - |
| Peter Mitropoulos | 44,589 | - |

### 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 10 to 13.

### 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, online retailing, property funds management and an investment in a marketing services and travel company.

The Group now operates and/or has an investment in six distinct markets, being:

1. funds management (Kinsmen Securities Limited);
2. marketing services, customer loyalty and travel (Ignite Travel Group Limited (formerly known as RewardsCorp Limited));
3. ICT hardware sales (Asset Trading Group Pty Ltd);
4. property development and rental (Waratah One Pty Limited and others);
5. short-term lending (CL Asset Holdings Limited); and
6. online retailing (My247deals Pty Ltd).

During the year My247deals Pty Ltd was established which specialises in online retailing.

# Directors' report (cont'd)

## Operating results

Total revenue for the financial year was $24 million, a 69% increase over last year.

The Group's net profit for the year after income tax was $0.23 million (2011: net loss after income tax of $0.35 million). The increase in sales for the year was principally as a result of the Group increasing its sales volume of ITC hardware and the disposal of two inventory properties.

Earnings per share for the year attributed to the ordinary equity holders of the Company were positive 4.2 cents. Earnings per share for last year were negative 7.8 cents.

The Group's statement of financial position remains strong with no debt. Cash at bank as of 30 June 2012 was $6.3 million.

Net tangible asset backing per share was $4.34, an increase of 1.2 % compared to last year (2011: $4.29).

## Review of operations

### Land holdings and rental accommodation

The Group continues to work towards the sale of its land holdings. Two properties were sold during the year, being the Waratah Stage 3 and Rockhampton sites. A status report of all other sites owned by the Group and an overview of what is being considered with respect to the sites, is presented below:

| | | |
|---|---|---|
| 1. | Waratah, NSW | a) Stage 2 - (consisting of 25 student units) is occupied, providing a stable rental return.<br>b) Stage 3 – was sold in June 2012. |
| 2. | Bendigo, VIC | The Company has obtained planning permit consent for 21 townhouse-style dwellings. 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. In the meantime the Company intends commencing demolition and earth works on the site during the course of the year. |
| 3. | Rockhampton, QLD | The site was sold in March 2012. |
| 4. | Maryborough, QLD | The Company had obtained development application ("DA") approval for a 78 lot mobile home park facility for this site however the DA expired 12 December 2010. 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. Due to the successful solicitation of a new major supplier, its business increased significantly.

# Directors' report (cont'd)

**Review of operations (cont'd)**

**Kinsmen Securities Limited**
The Company has an 82.5% (2011: 59%) stake in Kinsmen Securities Limited ("Kinsmen"). Kinsmen is in the business of funds management 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 to further enhance their value and their realisation. Kinsmen reported a small profit for the year. The Board has decided to retain the impairment in the Company's investment which has a carrying value of $nil at year end.

**Ignite Travel Group Limited**
The Company has a 44% stake in Ignite Travel Group Ltd ("Ignite Travel", formerly known as: RewardsCorp Limited). Ignite Travel is in the business of the design and implementation of leisure-based sales promotions, customer loyalty rewards programs and incentives, as well as the provision of retail travel services under its brand, The Holiday Centre.

The Group's investment in Ignite Travel was fully impaired as at 30 June 2009. In February 2012 one of Ignite Travel's air travel suppliers, Air Australia, entered into voluntary administration and its holiday packages business was affected. Despite that event Ignite Travel reported an after tax profit of $153,900 (2011: $824,299) for the year.

**Short-term lending**
The Group is not actively pursuing new loan opportunities. The Groups primary focus in this area is the collection of outstanding loans including commencing or continuing with formal recovery action as required.

**Online retailing**
My247deals Pty Ltd was founded in August 2011 as an online retailing business. The intent of this on-line retail business is to sell, amongst other things, products that are sourced from its subsidiaries (ATG and Ignite Travel). The business plan is to gradually increase its product offerings to include fast moving and high demand consumer goods and services. Due to its start-up nature, the loss for the first year of operation was $190,000.

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

**Significant changes in the state of affairs**
During the financial year there was no other significant change in the state of affairs of the Group.

**Matters subsequent to the end of the financial year**
In September 2012 the Company signed a deed of settlement and release with a borrower in relation to an overdue loan with a book value of $756,851. The settlement entails the sale of 3 of the borrower's properties which, subject to the amount realised from the sale of the properties, will result in the repayment of the outstanding amount plus interest.

In the same month the Company requested its removal from the official list of ASX, and the request was approved subject to the approval by an ordinary resolution of shareholders of the Company.

Other than the matters referred to above 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 Group, the results of those operations, or the state of affairs of the Group in future financial years, which has not been disclosed in the financial statements.

**Likely developments and expected results of operations**

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

# Directors' report (cont'd)

**Environmental regulation**

The consolidated entity has procedures in place that are designed to ensure that, where operations are subject to any particular and significant environment regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified and appropriately addressed.

The Directors have determined that there have not been any breaches of those obligations during the financial year.

**New carbon tax**

The Directors have determined that the new carbon tax will not have any material impact on the Group.

**Dividends**

No dividends have been paid, declared or recommended by the Company during the financial year ended 30 June 2012.

**Meetings of Directors**

The number of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2012, and the number of meetings attended by each Director were:

| Directors | Board of Directors | | Nomination & Remuneration committee | | Audit committee | |
|---|---|---|---|---|---|---|
| | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| Theodore Baker | 6 | 6 | N.A. | N.A. | N.A. | N.A. |
| Gary Dainton | 6 | 6 | 1 | 1 | 2 | 2 |
| Peter Mitropoulos | 6 | 6 | 1 | 1 | 2 | 2 |

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

**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 corporate against a liability incurred by the auditor.

# Directors' report (cont'd)

## 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 of the consolidated entity, HLB Mann Judd (NSW Partnership), and its related practices for non-audit services provided during the year are disclosed in note 33 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 33 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 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

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 21.

## Auditor

HLB Mann Judd (NSW Partnership) continues in office in accordance with section 327 of the *Corporations Act 2001*.

# Directors' report (cont'd)

### Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board:

- capital expenditure and revenue commitments above a certain size require prior Board approval;
- all non-routine expenses and purchases are approved by the Managing Director;
- 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;
- financial reporting accuracy; and
- compliance with the financial reporting regulatory framework.

### Financing reporting

The Managing Director and 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

To ensure compliance with internal controls and risk management programs, the Managing Director regularly reviews the effectiveness of the Company's compliance and control systems.

# Directors' report (cont'd)

## Remuneration report

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required by section 308(3C) of the Act. This remuneration report details the remuneration arrangements of CL Asset Holdings Limited's Directors and the Group's key management personnel.

The remuneration report is presented under the following sections:

- 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, are:

- Henry Kam (Company Secretary and Financial Controller of CL Asset Holdings Limited)
- Craig Watson (Director and Company Secretary of Kinsmen Securities Limited)

### Remuneration policy

The remuneration committee is responsible for remuneration policies and packages applicable to the Board members and executives of the Group. The committee reviews key management personnel packages annually by reference to the Group performance, executive performance and comparable information from industry sectors. 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 Group's performance.

### Remuneration of Directors and key management personnel

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 including long service leave;
- termination benefits; and
- share-based payment, which was the fair value of share options granted to current Directors in December 2006. See note 32 to the financial statements for details.

# Directors' report (cont'd)

## Remuneration report (cont'd)

### Remuneration of Directors and key management personnel (cont'd)

| | Short-term employee benefits | Post-employment benefits | Long-term employee benefits | Other employee benefits | Share-based payment | Total |
|---|---|---|---|---|---|---|
| | Salary & fees | Super-annuation | Long service leave | Termination pay | Options | |
| | $ | $ | $ | $ | $ | $ |
| **2012** | | | | | | |
| **Non-executive Directors** | | | | | | |
| Gary Dainton | 35,000 | - | - | - | - | 35,000 |
| Peter Mitropoulos | 30,000 | - | - | - | - | 30,000 |
| **Executive Director** | | | | | | |
| Theodore Baker | 275,230 | 24,770 | - | - | - | 300,000 |
| **Other key management personnel** | | | | | | |
| Henry Kam | 140,000 | 12,600 | - | - | - | 152,600 |
| Craig Watson^ | 135,000 | - | - | - | - | 135,000 |
| Total | 615,230 | 37,370 | - | - | - | 652,600 |

^ Reported as consulting fees

| | Short-term employee benefits | Post-employment benefits | Long-term employee benefits | Other employee benefits | Share-based payment | Total |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| **Non-executive Directors** | | | | | | |
| Gary Dainton | 33,750 | - | - | - | - | 33,750 |
| Peter Mitropoulos | 30,000 | - | - | - | - | 30,000 |
| **Executive Director** | | | | | | |
| Theodore Baker | 310,605 | 27,954 | - | - | - | 338,559 |
| **Other key management personnel** | | | | | | |
| Henry Kam | 140,000 | 12,600 | - | - | - | 152,600 |
| Craig Watson^ | 98,750 | - | - | - | - | 98,750 |
| Total | 613,105 | 40,554 | - | - | - | 653,659 |

^ 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, or has been paid performance based benefits.

Other than the above key management personnel there are no other executives employed by the Group.

# 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.

Remuneration and other terms of employment for the Managing Director and financial controller are formalised in services agreements and employment contracts. Major provisions of the agreements relating to remuneration are set out below.

| Name | Term of agreement | Base salary including superannuation * | Termination benefit ** |
|---|---|---|---|
| Theodore Baker, Managing Director | 5 years commencing 19 November 2004 and thereafter on-going | $300,000 | 3 months base salary |
| Henry Kam, Financial Controller | On-going commencing 20 June 2005 | $152,600 | 8 weeks base salary |

*Base salaries quoted are for the year ended 30 June 2012; they are reviewed annually by the remuneration committee.
**Termination benefits are payable on early termination by the Company, other than for gross misconduct, unless otherwise indicated.

Craig Watson, via Majestic Investments (SA) Pty Ltd, has a rolling consultancy agreement with Kinsmen Securities Limited for his services. The agreement is with no fixed term, however at year end the agreed rate was $11,250 per month 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 |
|---|---|---|---|---|---|---|
| 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 rights. 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 all 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 |
| **2012** | | | | | | |
| **Directors** | | | | | | |
| Gary Dainton | 30,000 | - | 30,000 | - | - | - |
| Peter Mitropoulos | 30,000 | - | 30,000 | - | - | - |
| | 60,000 | - | 60,000 | - | - | - |

| | 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 |
| **2011** | | | | | | |
| **Directors** | | | | | | |
| Gary Dainton | 30,000 | - | - | 30,000 | 30,000 | - |
| Peter Mitropoulos | 30,000 | - | - | 30,000 | 30,000 | - |
| | 60,000 | - | - | 60,000 | 60,000 | - |

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

## Directors' report (cont'd)

**Shares under option**
There were no unissued ordinary shares under option at the date of this report.

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

This report is made in accordance with a resolution of the Directors.

On behalf of the Directors

Theodore Baker
Acting Chairman & Managing Director
Sydney, 28 September 2012

## Corporate governance statement

Unless disclosed below, all the recommendations of the ASX Corporate Governance Council (including amendments) have been applied for the entire financial year ended 30 June 2012.

The Board of Directors of CL Asset Holdings Limited is responsible for establishing the corporate governance framework of the Group. 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
- monitoring financial performance including approval of the annual and half-year financial reports 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 the 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 responsibility for the day to day financial matters, operation and administration of the Group is delegated, by the Board, to the Managing Director. 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 recommends 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 considered 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).

Non-executive Directors, Mr Gary Richard Dainton and Mr Peter Mitropoulos, have been assessed as independent Directors. 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 its duties and responsibilities. The charter is 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 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 2001*.

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.

## Corporate governance statement (cont'd)

### 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.

**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.

Under the Company's trading policy, an executive or Director must not trade in any shares of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those shares. Before commencing to trade, an executive or Director must first obtain the approval of the Chairman to do so and the Chairman must first obtain approval of the Board.

As required by the ASX listing rules, the Company notifies the ASX of any transaction conducted by Directors in the shares of the Company.

A summary of the trading policy is available on the Company's website.

**Diversity policy**

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Company has developed a diversity policy which outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the next coming 3 to 5 years as Director and senior executive positions become vacant and appropriately skilled candidates are available:

| | **Objective** | | **Actual** | |
|---|---|---|---|---|
| | **Number** | **%** | **Number** | **%** |
| Number of women employees in the whole organisation | 5 | 50 | 3 | 30 |
| Number of women in senior executive positions | 1 | 50 | - | - |
| Number of women on the Board | - | - | - | - |

## Corporate governance statement (cont'd)

### 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 main responsibility of the committee is to review, assess and approve the annual report, the half-year financial report and all other financial information published by the Company or released to the market. The formal charter of the audit committee has been posted on the Company's website.

Other key matters which will be dealt with by the audit committee include the review and monitoring 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;
- the appointment, removal and remuneration of the external auditors;
- related party transactions and assessing their propriety;
- the compliance with the *Corporations Act 2001* and the Listing Rules; and
- the 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. All members of the audit committee are financially literate and it is chaired by Mr Gary Dainton, who has relevant qualification and experience by virtue of being a former partner of a major international accounting firm. Details of these Directors' qualifications and attendance at audit committee meetings are set out in the Directors' Report on pages 3 and 7. The audit committee meets with the external auditors as required from time to time to discuss the audits 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.

### Principle 6 - Respect the rights of shareholders

The Company respects the rights of shareholders and facilitates the effective exercise of those rights. There is 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.

# Corporate governance statement (cont'd)

**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 these are periodically reviewed by the Board and the audit committee.

The Company's Managing Director 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 2012. The Board has also received a declaration from the Managing Director that the financial statements are founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board and that the Group's risk management and internal compliance and control system is operating effectively in all material respects.

**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 9.

**Principal 8 - Remunerate fairly and responsibly**

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

ASXCGC recommendation 8.2 recommends that the remuneration committee should consist of a majority of independent Directors, be chaired by an independent chair and have at least three members. In view of the small size of the Company its remuneration committee consists of only two non-executive and independent Directors, Mr Gary Dainton, the chairperson, and Mr Peter Mitropoulos. 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 FY2012. 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.

HLB Mann Judd

Accountants | Business and Financial Advisers

**CL ASSET HOLDINGS LIMITED**

**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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

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

**S Grivas**
**Partner**

**Sydney**
**27 September 2012**



**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**
Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190
Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

**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 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity as set out on pages 24 to 71. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' Responsibility for the Financial Report***

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

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 of the financial report to give a true and fair view 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.

***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 27 September 2012, would be in the same terms if provided to the directors as at the time of this auditor's report.



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HLB Mann Judd

**CL ASSET HOLDINGS LIMITED**

**INDEPENDENT AUDITOR'S REPORT (continued)**

***Matters relating to the electronic presentation of the audited financial report***

This auditor's report relates to the financial report and remuneration report of CL Asset Holdings Limited and it's controlled entities for the financial year ended 30 June 2012 included on CL Asset Holdings Limited ('CLS'), website. The company's directors are responsible for the integrity of the CLS website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial 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 2012 and of its performance for the year ended on that date; and

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

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

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

**HLB MANN JUDD**
**Chartered Accountants**

S. Gi

**S Grivas**
**Partner**

**Sydney**
**28 September 2012**

# CL Asset Holdings Limited

# ABN 38 104 475 345

## DIRECTORS' DECLARATION

## FOR THE YEAR ENDED 30 JUNE 2012

1. In the Directors' opinion:

   (a) the financial statements and notes set out on pages 25 to 71 are in accordance with the *Corporations Act 2001*, including:

      (i) complying with Australian Accounting Standards, 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 2012 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 as issued by the International Accounting Standards Board.

3. The Directors have been given the declarations by the Managing Director and Financial Controller 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, 28 September 2012

## Index to the consolidated financial statements

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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 28 September 2012. The Directors have the power to amend and reissue the financial report.

# Consolidated statement of comprehensive income
# For the year ended 30 June 2012

| | Notes | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| **Revenue from continuing operations** | 6 | 23,701,336 | 14,031,696 |
| | | | |
| Cost of sales of ICT hardware | | (17,212,450) | (9,935,120) |
| Cost of sales of non-current assets classified as held for sale | | - | (2,106,969) |
| Cost of sales of non-current inventories | | (3,565,566) | - |
| Cost of sales of others | | (237,609) | - |
| Impairment of trade receivables (reversal) and bad debt expense | 7 | 4,329 | (169,645) |
| Impairment of loans | 12 | - | (394,918) |
| Impairment of inventory properties | | - | (50,560) |
| Impairment of artefact | 7 | (262,500) | - |
| Employee and Director benefits expense | 7 | (953,388) | (984,951) |
| Depreciation and amortisation expense | 7 | (223,086) | (220,751) |
| Property expenses and outgoings | | (140,837) | (177,486) |
| Consulting and professional fees | | (552,952) | (435,928) |
| Listing and filing expenses | | (25,102) | (25,499) |
| Occupancy expenses | | (80,185) | (73,263) |
| Insurance expenses | | (142,027) | (173,151) |
| Telephone expenses | | (7,928) | (12,193) |
| Other expenses | | (216,418) | (279,685) |
| Share of profit of associate accounted for using the equity method | 13 | 67,716 | 362,691 |
| **Profit/(Loss) before income tax** | | 153,333 | (645,732) |
| Income tax benefit | 8 | 72,235 | 298,231 |
| | | | |
| **Profit/(Loss) for the year** | | **225,568** | **(347,501)** |
| | | | |
| **Other comprehensive income** | | - | - |
| | | | |
| **Total comprehensive income/(loss) for the year** | | **225,568** | **(347,501)** |
| | | | |
| **Total comprehensive income/(loss) for the year is attributable to:** | | | |
| Owners of CL Asset Holdings Limited | | 198,604 | (364,329) |
| Non-controlling interests | | 26,964 | 16,828 |
| | | **225,568** | **(347,501)** |
| | | | |
| **Earnings per share attributable to the ordinary equity holders of the Company:** | | **Cents** | **Cents** |
| Basic earnings per share | | 4.2 | (7.8) |
| Diluted earnings per share | | 4.2 | (7.8) |

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

# Consolidated statement of financial position
## As at 30 June 2012

| | Notes | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 6,252,095 | 3,850,025 |
| Trade and other receivables | 10 | 3,062,773 | 866,947 |
| Inventories | 11 | 32,250 | - |
| Financial assets | 12 | 1,301,088 | 7,366,694 |
| Other assets | | 75,460 | 103,012 |
| **Total current assets** | | **10,723,666** | **12,186,678** |
| **Non-current assets** | | | |
| Trade and other receivables | 10 | 181,182 | - |
| Financial assets | 12 | 6,413,035 | - |
| Investments accounted for using the equity method | 13 | 238,921 | 440,841 |
| Inventories | 14 | 1,703,874 | 5,214,960 |
| Property, plant and equipment | 15 | 1,958,463 | 1,919,049 |
| Deferred tax assets | 16 | 974,511 | 887,344 |
| **Total non-current assets** | | **11,469,986** | **8,462,194** |
| **TOTAL ASSETS** | | **22,193,652** | **20,648,872** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 1,689,827 | 413,643 |
| Employee benefits | 19 | 143,268 | 115,172 |
| **Total current liabilities** | | **1,833,095** | **528,815** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 20 | 14,932 | - |
| **Total non-current liabilities** | | **14,932** | **-** |
| **TOTAL LIABILITIES** | | **1,848,027** | **528,815** |
| **NET ASSETS** | | **20,345,625** | **20,120,057** |
| **EQUITY** | | | |
| Contributed equity | 21 | 23,696,428 | 23,696,428 |
| Reserves | 22 | 86,238 | 3,600 |
| Accumulated losses | 23 | (3,521,723) | (3,723,927) |
| **Capital and reserves attributable to owners of CL Asset Holdings Limited** | | **20,260,943** | **19,976,101** |
| Non-controlling interests | | 84,682 | 143,956 |
| **TOTAL EQUITY** | | **20,345,625** | **20,120,057** |

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

# Consolidated statement of changes in equity
# For the year ended 30 June 2012

| | Attributable to owners of CL Asset Holdings Limited | | | | | |
|---|---|---|---|---|---|---|
| | Contributed equity | Reserves | Accumulated losses | Total | Non-controlling interests | Total equity |
| | $ | $ | $ | $ | $ | $ |
| **Balance at 31 July 2010** | 23,696,428 | 3,600 | (3,359,598) | 20,340,430 | 127,078 | 20,467,508 |
| **Total comprehensive income/(loss) for the year** | - | - | (364,329) | (364,329) | 16,828 | (347,501) |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Capital contribution of non-controlling interest | - | - | - | - | 50 | 50 |
| **Balance at 30 June 2011** | **23,696,428** | **3,600** | **(3,723,927)** | **19,976,101** | **143,956** | **20,120,057** |
| **Total comprehensive income/(loss) for the year** | - | - | 198,604 | 198,604 | 26,964 | 225,568 |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Transactions with non-controlling interest | - | 86,238 | - | 86,238 | (86,238) | - |
| Share-based payment transfer (out) in | - | (3,600) | 3,600 | - | - | - |
| **Balance at 30 June 2012** | **23,696,428** | **86,238** | **(3,521,723)** | **20,260,943** | **84,682** | **20,345,625** |

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

## Consolidated statement of cash flows
## For the year ended 30 June 2012

| | Notes | 2012 $ | 2011 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 17,088,229 | 11,865,305 |
| Payments to suppliers and employees | | (18,919,114) | (12,755,959) |
| Interest received | | 129,137 | 183,543 |
| Dividends received | | 269,636 | 220,000 |
| **Net cash outflow from operating activities** | 31 | **(1,432,112)** | **(487,111)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | - | (41,149) |
| Loans advanced | | (1,436,088) | (1,807,776) |
| Loans repaid | | 563,657 | 401,008 |
| Proceeds from sale of non-current assets classified as held for sale and other inventory properties | | - | 2,525,000 |
| Proceeds from sale of non-current inventory properties | | 4,706,613 | - |
| Payment for acquisition of subsidiary, net of cash acquired | | - | 50 |
| **Net cash inflow from investing activities** | | **3,834,182** | **1,077,133** |
| | | | |
| **Cash flows from financing activities** | | | |
| **Net cash inflow (outflow) from financing activities** | | **-** | - |
| | | | |
| **Net increase in cash and cash equivalents** | | 2,402,070 | 590,022 |
| Cash and cash equivalents at the beginning of the financial year | | 3,850,025 | 3,260,003 |
| **Cash and cash equivalents at end of year** | 9 | **6,252,095** | **3,850,025** |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the consolidated financial statements

## 1 General information

CL Asset Holdings Limited (the Company) is a public company listed on the Australian Securities 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, sales of ICT hardware, funds management and online retailing. There have been no significant changes in the nature of these activities during the year other than the new online retailing business which commenced trading during the year.

## 2 Summary of significant accounting policies

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

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards including interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

(i) Compliance with IFRS
The consolidated financial statements of CL Asset Holdings Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention
These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of financial assets.

(iii) Critical accounting estimates
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.

# Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CL Asset Holdings Limited ("Company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. 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 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 to account for business combinations by the Group.

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

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 respectively.

(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 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 other comprehensive income 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 as reduction of the carrying amount of the investment.

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

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

# Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (b) Principles of consolidation (cont'd)

(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 interests 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 within 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 remeasured 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.

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.

### (c) Segment reporting

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.

### (d) Foreign currency translation

(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.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income with finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

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 recognised in other comprehensive income.

# Notes to the consolidated 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. The Group also sells properties held as inventories and revenue is recognised when the transaction settles. 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 as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(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.

(vi) Management fees
Management fees earned from managed investment schemes and/or trusts are calculated based on the agreed percentage of funds under management and agreed percentages of schemes' or trusts' acquisitions or disposals. The management fees are recognised on an accruals basis. Whilst the time to collect some receivables is considerably longer in the current market conditions, there is a clear legal right for the Group to charge management fees and there is an expectation that these fees will be paid in full over time.

# Notes to the consolidated 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 countries 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 end of the reporting period 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 where the Company 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.

CL Asset Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates 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.

# Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (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 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 27). 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 income on a straight-line basis over the lease term (note 27). The respective leased assets are included in the statement of financial position based on their nature.

### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations, 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 asset or liability resulting from a 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 and the amount of any non-controlling interest in the acquiree over the fair value 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.

## Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (i) Impairment of assets

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

### (j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

### (k) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30-60 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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

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

# Notes to the consolidated 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.

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, and development and borrowing costs, if any, during 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 and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less cost to sell. A gain is recognised for any subsequent increase in fair value less cost to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributed to the liabilities of a non-current asset classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position.

### (n) Investments and other financial assets

**Classification**

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.

(i) 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 if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables, mainly secured short-term loans to unrelated parties, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such loans and receivables are carried at amortised cost. 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. Short-term loans with maturities less than 12 months are classified as non-current if their repayments will be extended or it is uncertain whether repayment will occur.

# Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (n) Investments and other financial assets (cont'd)

**Impairment**
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

### (o) Property, plant and equipment

Land and buildings 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 re-valued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated 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.

Increases in the carrying amounts arising on revaluation of land and buildings are not recognised.

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 |
| Artefact | Not depreciated |

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 re-valued assets are sold, it is the Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

# Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (p) Goodwill and impairment

Goodwill is measured as described in note 2(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it 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.

Impairment losses recognised for goodwill are not subsequently reversed.

### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are carried at amortised cost and due to their short-term nature they are not discounted.

### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in 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 relates.

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.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### (s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a 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 end of reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

# Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (t) Employee benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave are recognised in respect of employees' services up to the end of reporting date. They 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

(ii) Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the report date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service.

(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 32.

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 and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance 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-marketing 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.

### (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.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of CL Asset Holdings Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of CL Asset Holdings Limited.

# Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (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, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(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 as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the 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 consolidated 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 2012 reporting periods. The Group's assessment is that these new standards and interpretations (to the extent relevant to the Group) will not have a material impact on the financial report of the Group.

### (aa) Parent entity financial information

The financial information for the parent entity, CL Asset Holdings Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

**Investment in subsidiaries, associates and joint venture entities**
Investments in subsidiaries, associates and joint venture entities are accounted for at cost and subsequently tested for impairment in the financial statements of CL Asset Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

**Tax consolidation legislation**

CL Asset Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax-consolidated legislation.

The head entity, CL Asset Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, CL Asset Holdings Limited 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.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate CL Asset Holdings Limited for any current tax payable assumed and are compensated by CL Asset Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to CL Asset Holdings Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

# Notes to the consolidated financial statements (cont'd)

## 2 Summary of significant accounting policies (cont'd)

### (aa) Parent entity financial information (cont'd)

**Financial guarantees**
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

**Share-based payments**
The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## 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.

**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 years 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.

Recovery of deferred tax amounts
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the coming years together with future tax planning strategies.

## Notes to the consolidated financial statements (cont'd)

## 4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

Risk management is carried out by the Managing Director under policies approved by the Board of Directors.

The Group holds the following financial instruments:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 6,252,095 | 3,850,025 |
| Trade and other receivables | 3,243,955 | 866,947 |
| Loans and receivables | 7,714,123 | 7,366,694 |
| | 17,210,173 | 12,083,666 |
| **Financial liabilities** | | |
| Trade and other payables | 1,689,827 | 413,643 |
| | 1,689,827 | 413,643 |

At the reporting date there are no financial assets or financial liabilities designated at fair value through profit or loss.

**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.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Bank deposits in US dollars | 123,669 | 131,744 |

**Foreign exchange sensitivity analysis**

Based on the US dollar deposits held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have been $12,370 higher/lower (2011: $13,174 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated bank deposits as detailed in the above table.

# Notes to the consolidated 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.

As at the end of the reporting period, the Group had the following mix of financial assets and liabilities exposed to interest rate risk:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 6,252,095 | 3,850,025 |
| Trade and other receivables | 3,243,955 | 866,947 |
| Loans and receivables | 7,714,123 | 7,366,694 |
| | 17,210,173 | 12,083,666 |
| **Financial liabilities** | | |
| Bank overdrafts | - | - |
| Net exposure | 17,210,173 | 12,083,666 |

The Group is exposed to interest rate risk as it has bank deposits at variable 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 30 June 2012, if interest rates had increased by or decreased by 1% from the year end deposit rate with all the other variables held constant, pre tax profit or loss for the year would have been $45,406 higher or lower (2011: $38,000), mainly as a result of higher/lower interest income from cash and cash equivalents.

**Credit risk**
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, trade and other receivables and loans extended.

The credit risk on cash and cash equivalents is limited because all 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 Managing Director.

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 Managing Director.

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. There are significant concentrations of credit risk as loans are not spread amongst a number of borrowers due to the reduction in number of borrowers in the current year (refer to related party note 25(d)). The Board is monitoring this concentration of credit risk closely and it is expected to be improved in the coming year.

**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.

# Notes to the consolidated financial statements (cont'd)

## 4 Financial risk management (cont'd)

**Liquidity risk (cont'd)**

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 (2011: $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 tables include both interest and principal cash flow.

**Contractual maturities of financial liabilities**

| | Weighted average effective interest rate | Less than 1 month | 1-3 months | 3 month to 1 year | Total contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **At 30 June 2012** | | | | | | |
| Trade payables | - | 1,689,827 | - | - | 1,689,827 | 1,689,827 |
| **Total non-derivatives** | | 1,689,827 | - | - | 1,689,827 | 1,689,827 |
| **At 30 June 2011** | | | | | | |
| Trade payables | - | 413,643 | - | - | 413,643 | 413,643 |
| **Total non-derivatives** | | 413,643 | - | - | 413,643 | 413,643 |

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**

| | Weighted average effective interest rate | Less than 1 month | 1 - 3 months | 3 months to 1 year | Over 1 year | Total contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| **At 30 June 2012** | | | | | | | |
| Non-interest bearing | - | 2,652,061 | 122,221 | 288,491 | 181,182 | 3,243,955 | 3,243,955 |
| Variable interest rate instruments | 2.8 | 6,252,095 | - | - | - | 6,252,095 | 6,252,095 |
| Fixed interest rate instruments | 0.4 | - | - | 1,301,088 | 6,413,035 | 7,714,123 | 7,714,123 |
| **Total non-derivatives** | | 8,904,156 | 122,221 | 1,589,579 | 6,594,217 | 17,210,173 | 17,210,173 |
| **At 30 June 2011** | | | | | | | |
| Non-interest bearing | - | 866,947 | - | - | - | 866,947 | 866,947 |
| Variable interest rate instruments | 4.9 | 3,850,025 | - | - | - | 3,850,025 | 3,850,025 |
| Fixed interest rate instruments | 2.1 | - | - | 7,366,694 | - | 7,366,694 | 7,366,694 |
| **Total non-derivatives** | | 4,716,972 | - | 7,366,694 | - | 12,083,666 | 12,083,666 |

## Notes to the consolidated financial statements (cont'd)

## 4 Financial risk management (cont'd)

**Other price risks**

The Group is exposed to property price risks arising from loans extended to parties with property as collateral. To limit this risk the Managing Director monitors 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.

## 5 Segment information

**Description of segments**

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The operating segments are identified by the Directors based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Board on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products sold and/or the services provided, as these are the sources of the Group's major risks.

**Types of products and services**

- 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.
- Online retailing — Online retailing business commenced this financial year.

**Accounting policies and inter-segment transactions**

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior year. There are no significant inter-segment transactions.

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 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 consolidated financial statements (cont'd)

## 5 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 2012 is as follows:

| 2012 | Property development and rental | Lending | Wholesale trading | Funds management | Online retailing | Unallocated items | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Total segment revenue | 4,928,143 | 31,941 | 17,522,959 | 967,889 | 110,858 | - | 23,561,790 |
| Inter-segment revenue | - | - | (38,445) | 30,000 | - | - | (8,445) |
| **Revenue from external customers** | 4,928,143 | 31,941 | 17,484,514 | 997,889 | 110,858 | - | 23,553,345 |
| **Segment profit/(loss) before tax** | 1,167,250 | (230,559) | 270,429 | 105,469 | (191,696) | - | 1,120,893 |
| Depreciation | 36,758 | - | - | 738 | - | 185,590 | 223,086 |
| Impairment of assets | - | 262,500 | - | (4,329) | - | - | 258,171 |
| Share of profit from associates | - | - | - | - | - | 67,716 | 67,716 |
| **Total segment assets** | 3,059,019 | 7,976,623 | 2,718,716 | 677,907 | 44,255 | - | 14,476,520 |
| Total assets include: Additions to non-current assets | - | 525,000 | - | - | - | - | 525,000 |
| **Total segment liabilities** | 4,597 | - | 1,373,764 | 104,601 | 42,177 | - | 1,525,139 |

# Notes to the consolidated financial statements (cont'd)

## 5 Segment information (cont'd)

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2011 is as follows:

| **2011** | Property development and rental | Lending | Wholesale trading | Funds management | Unallocated items | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Total segment revenue | 2,774,948 | 148,895 | 10,035,401 | 906,579 | - | 13,865,823 |
| Inter-segment revenue | - | - | - | (30,000) | - | (30,000) |
| **Revenue from external customers** | 2,774,948 | 148,895 | 10,035,401 | 876,579 | - | 13,835,823 |
| **Segment profit/(loss) before tax** | 323,570 | (246,023) | 69,017 | 56,566 | - | 203,130 |
| Depreciation | 39,200 | - | - | 1,147 | 180,404 | 220,751 |
| Impairment of assets | 50,560 | 394,918 | - | 169,645 | - | 615,123 |
| Share of profit from associates | - | - | - | - | 362,691 | 362,691 |
| **Total segment assets** | 6,662,783 | 7,366,694 | 262,235 | 932,403 | - | 15,224,115 |
| Total assets include: | | | | | | |
| Additions to non-current assets | - | - | - | - | 41,149 | 41,149 |
| **Total segment liabilities** | 3,711 | - | 729 | 565,506 | - | 569,946 |

# Notes to the consolidated financial statements (cont'd)

## 5 Segment information (cont'd)

**Other segment information**

(i) Segment revenue

Sales and services between segments are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of comprehensive income.

Segment revenue reconciliation to the statement of comprehensive income:

| | **2012** $ | **2011** $ |
|---|---|---|
| **Total segment revenue** | 23,561,790 | 13,865,823 |
| Intersegment eliminations | (8,445) | (30,000) |
| Interest revenue | 129,137 | 183,543 |
| Other revenue | 18,854 | 12,330 |
| **Total revenue** | 23,701,336 | 14,031,696 |

The Group operates in Australia only and exports ICT hardware to overseas countries, mainly Hong Kong, Singapore and USA. The amount of its revenue from external customers in Australia is $6,068,831 (2011: $3,800,651), and the total revenue from external customers in other countries is $17,484,514 (2011: $10,035,401).

Revenues of approximately $17.5 million (2011: $10 million) are derived from a single external customer in Hong Kong. These revenues are attributable to the wholesale trading segment.

(ii) Segment profit before tax

Interest revenue, corporate expenses and depreciation are not allocated to segments.

Segment profit before tax reconciliation to the statement of comprehensive income

| | **2012** $ | **2011** $ |
|---|---|---|
| **Segment profit before tax** | 1,120,893 | 203,130 |
| Intersegment eliminations | 188,964 | (102,182) |
| Depreciation | (223,086) | (180,404) |
| Unallocated corporate charges | (1,149,145) | (1,124,840) |
| Interest revenue | 129,137 | 183,543 |
| Other | 18,854 | 12,330 |
| Share of profit from associates | 67,716 | 362,691 |
| **Total profit/(loss) before tax per the statement of comprehensive income** | 153,333 | (645,732) |

# Notes to the consolidated financial statements (cont'd)

## 5 Segment information (cont'd)

### Other segment information (cont'd)

(iii) Segment assets

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

Segment assets reconciliation to the statement of financial position

| | 2012 $ | 2011 $ |
|---|---|---|
| **Segment assets** | 14,476,520 | 15,224,115 |
| Intersegment eliminations | (47,913) | (33,000) |
| Unallocated: | | |
| Investments in associates | 238,921 | 440,841 |
| Deferred tax assets | 974,511 | 887,344 |
| Other | 6,551,613 | 4,129,572 |
| **Total assets as per the statement of financial position** | 22,193,652 | 20,648,872 |

(iv) Segment liabilities

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Segment liabilities reconciliation to the statement of financial position

| | 2012 $ | 2011 $ |
|---|---|---|
| **Segment liabilities** | 1,525,139 | 569,946 |
| Intersegment eliminations | (47,913) | (327,818) |
| Unallocated: | | |
| Deferred tax liabilities | 14,932 | - |
| Other | 355,869 | 286,687 |
| **Total liabilities as per the statement of financial position** | 1,848,027 | 528,815 |

## 6 Revenue

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

| | 2012 $ | 2011 $ |
|---|---|---|
| Revenue consisted of the following items: | | |
| Revenue from the sale of non-current asset classified as held for sale | - | 2,525,000 |
| Revenue from the sale of inventory property | 4,706,613 | - |
| Revenue from rental accommodation | 221,530 | 249,948 |
| Revenue from secured loans | 31,941 | 148,895 |
| Sale of goods | 17,595,372 | 10,035,401 |
| Funds management fees | 997,889 | 876,579 |
| Interest revenue | 129,137 | 183,543 |
| Other revenue | 18,854 | 12,330 |
| | 23,701,336 | 14,031,696 |

## Notes to the consolidated financial statements (cont'd)

### 7 Expenses

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Profit (loss) before income tax includes the following specific expenses:** | | |
| **Employee and Directors' benefits expenses:** | | |
| Salaries | 817,145 | 845,743 |
| Directors' fees | 65,000 | 63,750 |
| Superannuation expenses | 71,243 | 75,458 |
| | 953,388 | 984,951 |
| **Depreciation and amortisation** | | |
| Buildings | 35,619 | 35,618 |
| Plant and equipment | 38,599 | 33,822 |
| Leasehold improvements, furniture and fittings | 148,868 | 151,311 |
| Total depreciation and amortisation | 223,086 | 220,751 |
| **Impairment losses** | | |
| Impairment/(recovery) of trade receivables (refer note 10) | (4,329) | 169,645 |

The recovery of impairment loss in 2012 relates to fees payable to Kinsmen Securities Limited

| | | |
|---|---|---|
| Impairment of loans (refer note 12) | - | 394,918 |

The impairment loss in 2011 related to a loan that was in excess of 90 days past due and where the Directors had reasonable grounds to believe that the loan was 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 (refer note 14) | - | 50,560 |

The impairment loss of inventories in 2011 relates to the Bendigo site where the Directors' assessment of net realisable value is lower than the cost.

| | | |
|---|---|---|
| Impairment of artefact (refer note 15) | 262,500 | - |

The impairment of artefact loss in 2012 relates to an artefact which was provided to the Group as security for a loan that was acquired by the Company due to borrower's repayment default. It was recognised at the carrying value of the loan and the impairment loss was subsequently recognised based on the Directors' estimate of its recoverable amount. The Directors believe that it is not readily convertible to cash.

| | | |
|---|---|---|
| **Foreign exchange losses** | | |
| Net foreign exchange losses/(gain) | (5,485) | 29,566 |
| **Occupancy expenses** | | |
| Rental expense relating to operating leases | | |
| Minimum lease payments | 80,185 | 73,263 |

# Notes to the consolidated financial statements (cont'd)

## 8 Income tax

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **(a) Income tax benefit** | | |
| Deferred tax benefit relating to the origination and reversal of temporary differences | | |
| Deferred tax | (72,235) | (298,231) |
| Total income tax benefit | (72,235) | (298,231) |
| Deferred income tax benefit included in income tax benefit comprises: | | |
| Increase in deferred tax assets | (87,167) | (292,013) |
| (Decrease) increase in deferred tax liabilities | 14,932 | (6,218) |
| | (72,235) | (298,231) |

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

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Profit/(loss) before income tax: | 153,333 | (645,732) |
| Tax at the Australian tax rate of 30% (2011: 30%) | 46,000 | (193,720) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income (loss): | | |
| Tax offset for franked dividend | (121,666) | - |
| Share of net loss (profit) of associate | (20,315) | (80,400) |
| Other | 23,746 | (24,111) |
| Income tax (benefit) | (72,235) | (298,231) |

## 9 Current assets - Cash and cash equivalents

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Cash at bank and in hand | 6,252,095 | 3,850,025 |
| | 6,252,095 | 3,850,025 |

**Reconciliation to cash at 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:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Balance as above | 6,252,095 | 3,850,025 |
| Balance per statement of cash flows | 6,252,095 | 3,850,025 |

**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 cash and cash equivalents mentioned above.

# Notes to the consolidated financial statements (cont'd)

## 10 Current and non-current assets - Trade and other receivables

| | 2012 $ | 2011 $ |
|---|---|---|
| Current | | |
| Trade receivables | 3,062,773 | 964,345 |
| Goods and services tax recoverable | - | 8,474 |
| Allowance for impairment of receivables | - | (105,872) |
| | 3,062,773 | 866,947 |
| Non-current | | |
| Trade receivables | 181,182 | - |
| | 3,243,955 | 866,947 |

There were no loans to key management personnel, associates and other related parties (2011: $nil), other than as disclosed in note 25.

**(a) Impaired trade receivables**

As at 30 June 2012 trade receivables of the Group with a nominal value of $nil (2011: $105,872) were impaired. The amount of the allowance was $nil (2011: $105,872).

The ageing of these receivables is as follows:

| | 2012 | 2011 |
|---|---|---|
| Up to 3 months | - | - |
| 3 to 6 months | - | - |
| Over 6 months | - | 105,872 |
| | - | 105,872 |

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

| | 2012 | 2011 |
|---|---|---|
| At 1 July | 105,872 | 207,480 |
| Allowance for impairment recognised during the year | - | 169,645 |
| Receivables written off during the year as uncollectible | (67,373) | (271,253) |
| Unused amount reversed | (38,499) | - |
| At 30 June | - | 105,872 |

Bad debts of $34,170 were written off during the year that was not provided for (2011: $nil).

Trade receivables are non-interest bearing and are generally on 0-60 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The receivables written off by the Group during the last year as uncollectible were for the fees due from a related party.

**(b) Past due but not impaired**

As at 30 June 2012, trade receivables of $591,894 (2011: $662,072) were past due but not considered impaired.

The ageing analysis of these trade receivables is as follows:

| | 2012 | 2011 |
|---|---|---|
| Up to 3 months | 122,221 | 141,548 |
| 3 to 6 months | 117,072 | 125,557 |
| Over 6 months | 352,601 | 394,967 |
| | 591,894 | 662,072 |

# Notes to the consolidated financial statements (cont'd)

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

**(b) Past due but not impaired (cont'd)**

Kinsmen Securities Limited (KSL) is the responsible entity for six property and financing funds. As at 30 June 2012, KSL had trade and other receivables amounting to $591,894 (2011: $662,072) outstanding from the funds. $181,182 is classified as non-current trade receivables as its repayment is expected to be more than 12 months or uncertain. 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 timing of 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 consider no trade and other receivables should 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.

## 11 Current assets – Inventories

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Finished goods | 32,250 | - |
| | 32,250 | - |

### 12 Current and non-current assets - Financial assets

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Loans carried at amortised cost: | | |
| Current | | |
| Interest-bearing secured loans | 1,301,088 | 9,002,829 |
| Allowance for impairment of loans | - | (1,636,135) |
| | 1,301,088 | 7,366,694 |
| Non- current | | |
| Interest-bearing secured loans | 8,049,170 | - |
| Allowance for impairment of loans | (1,636,135) | - |
| | 6,413,035 | - |
| | 7,714,123 | 7,366,694 |

The Group has provided secured short-term loans to 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. Short-terms loans are usually with original maturities less than 12 months but if their repayments will be extended or are uncertain are classified as non-current.

**Impaired loans**
All loans are secured and 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 $nil (2011: $394,918) 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.

# Notes to the consolidated financial statements (cont'd)

## 12 Current and non-current assets - Financial assets (cont'd)

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

| | 2012 $ | 2011 $ |
|---|---|---|
| At 1 July | 1,636,135 | 1,241,217 |
| Allowance for impairment recognised during the year | - | 394,918 |
| Loans written off during the year as uncollectible | - | - |
| Unused amount reversed | - | - |
| At 30 June | 1,636,135 | 1,636,135 |

**Past due but not impaired**
As at 30 June 2012, total loans of $6,413,035 (2011: $550,807) were past due but not impaired.

The ageing analysis of these loans is as follows:

| | | |
|---|---|---|
| Up to 3 months | - | - |
| 3 to 6 months | - | - |
| Over 6 months | 6,413,035 | 550,807 |
| | 6,413,035 | 550,807 |

Included in the Group's loans balance are loans with a carrying amount of $6,413,035 (2011: $550,807) which were past due at the reporting date for which the Group has not provided an allowance as adequate security including first and second mortgage on real estate, fixed and floating charges on properties was being held and the amounts were considered recoverable. During the year terms and repayment schedules have been extended for loans totalling $782,658.

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

**(a) Investment details**

| | | |
|---|---|---|
| <u>Unlisted</u> | | |
| Ignite Travel Group Ltd | 238,921 | 440,841 |
| Investments in associates | 238,921 | 440,841 |

Ignite Travel Group Ltd provides customer loyalty programs through the packaging of holiday accommodation and travel, as well as retail travel services under it brand, The Holiday Centre. It is a company incorporated in Australia and has a 30 June reporting date.

| | | | Ownership interest | |
|---|---|---|---|---|
| **Name of entity** | **Country of incorporation** | **Principal activity** | **2012 %** | **2011 %** |
| Ignite Travel Group Ltd | Australia | Holiday and travel | 44 | 44 |

**(b) Movements in carrying amount**

| | 2012 $ | 2011 $ |
|---|---|---|
| **Ignite Travel Group Ltd** | | |
| Carrying amount at the beginning of the financial year | 440,841 | 298,150 |
| Share of profit after income tax | 67,716 | 362,691 |
| Dividends received | (269,636) | (220,000) |
| Carrying amount at the end of the financial year | 238,921 | 440,841 |

## Notes to the consolidated financial statements (cont'd)

## 13 Non-current assets – Investments accounted for using the equity method (cont'd)

**Impairment of investment in associate accounted for using the equity method**
The Group's investment in Ignite Travel was fully impaired as of 30 June 2009. While the operating results of Ignite Travel have improved since then, the Board has concluded that its future financial performance is not yet sufficiently certain to justify the reversal of the previously booked impairment loss. Ignite Travel's profit after tax for the year was $153,900 (2011: $824,299).

### (c) 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:

| | | Company's share of: | | | |
|---|---|---|---|---|---|
| | **Ownership Interest %** | **Assets $** | **Liabilities $** | **Revenues $** | **Profit $** |
| **2012** | | | | | |
| Ignite Travel Group Ltd | 44 | 6,524,470 | 6,214,442 | 23,403,656 | 67,716 |
| **2011** | | | | | |
| Ignite Travel Group Ltd | 44 | 4,644,040 | 4,129,927 | 18,137,575 | 362,691 |

Ignite Travel Group Ltd is an unlisted company incorporated in Australia.

### (d) Contingent liabilities relating to the 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.

## 14 Non-current assets - Inventories

| | **2012 $** | **2011 $** |
|---|---|---|
| Land and property held for development and resale | 1,703,874 | 5,214,960 |
| | 1,703,874 | 5,214,960 |

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.

# Notes to the consolidated financial statements (cont'd)

## 15 Non-current assets - Property, plant and equipment

| | Freehold land | Buildings | Furniture & Fittings | Plant and equipment | Artefact | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **At 1 July 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** |
| **Year ended 30 June 2011** | | | | | | |
| Opening net book amount | **196,455** | **1,285,229** | **558,714** | **58,253** | **-** | **2,098,651** |
| Additions | - | - | - | 41,149 | - | 41,149 |
| Depreciation charge | - | (35,618) | (151,311) | (33,822) | - | (220,751) |
| **Closing net book amount** | **196,455** | **1,249,611** | **407,403** | **65,580** | **-** | **1,919,049** |
| **At 30 June 2011** | | | | | | |
| Cost or fair value | 196,455 | 1,424,733 | 754,572 | 207,477 | - | 2,583,237 |
| Accumulated depreciation | - | (175,122) | (347,169) | (141,897) | - | (664,188) |
| **Net book amount** | **196,455** | **1,249,611** | **407,403** | **65,580** | **-** | **1,919,049** |
| **Year ended 30 June 2012** | | | | | | |
| Opening net book amount | **196,455** | **1,249,611** | **407,403** | **65,580** | **-** | **1,919,049** |
| Additions | - | - | - | - | 525,000 | 525,000 |
| Depreciation charge | - | (35,619) | (148,868) | (38,599) | - | (223,086) |
| Impairment | - | - | - | - | (262,500) | (262,500) |
| **Closing net book amount** | **196,455** | **1,213,992** | **258,535** | **26,981** | **262,500** | **1,958,463** |
| **At 30 June 2012** | | | | | | |
| Cost or fair value | 196,455 | 1,424,733 | 754,572 | 207,477 | 525,000 | 3,108,237 |
| Accumulated depreciation | - | (210,741) | (496,037) | (180,496) | - | (887,274) |
| Impairment | - | - | - | - | (262,500) | (262,500) |
| **Net book amount** | **196,455** | **1,213,992** | **258,535** | **26,981** | **262,500** | **1,958,463** |

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 $1,410,447 (2011: $1,446,066) 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.

The addition of an artefact in 2012 relates to an asset which was pledged as security for a loan that was subsequently acquired by the Group through the enforcement of the pledge agreement rights following the borrower's repayment default. It was booked at the carrying value of the loan as its fair value could not be readily determined on the acquisition date. The artefact is a rare item that in the Directors opinion cannot be reliably valued due to the difficulty in obtaining an independent valuation. The Directors intend to review opportunities for its sale over the coming year, however in the interim have recorded an impairment allowance as per note 7.

No non-current assets are pledged as security by the Group.

# Notes to the consolidated financial statements (cont'd)

## 16 Non-current assets – Deferred tax assets

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Tax losses | 211,153 | 260,653 |
| Properties, plant and equipment and inventories | 84,406 | 62,661 |
| Financial assets | 490,841 | 490,841 |
| Employee benefits | 42,980 | 28,633 |
| Others | 145,131 | 44,556 |
| Total deferred tax assets | 974,511 | 887,344 |
| | | |
| Deferred tax assets expected to be recovered after more than 12 months | 974,511 | 887,344 |

| Movements | Tax losses<br>$ | Property, plant and equipment<br>$ | Financial assets<br>$ | Employee benefits<br>$ | Other<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| **At 1 July 2010** | 140,118 | 24,377 | 372,579 | 27,570 | 30,687 | 595,331 |
| (Charged) /credited to profit or loss | 120,535 | 38,284 | 118,262 | 1,063 | 13,869 | 292,013 |
| **At 30 June 2011** | 260,653 | 62,661 | 490,841 | 28,633 | 44,556 | 887,344 |
| (Charged) /credited to profit or loss | (49,500) | 21,745 | - | 14,347 | 100,575 | 87,167 |
| **At 30 June 2012** | 211,153 | 84,406 | 490,841 | 42,980 | 145,131 | 974,511 |

## Notes to the consolidated financial statements (cont'd)

## 17 Non-current assets - Intangible assets

**Goodwill**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **At 1 July** | | |
| Cost | 237,739 | 237,739 |
| Accumulated impairment | (237,739) | (237,739) |
| Net book amount | - | - |
| **Year ended 30 June** | | |
| Opening net book amount | - | - |
| Impairment charge | - | - |
| Closing net book amount | - | - |
| **At 30 June** | | |
| Cost | 237,739 | 237,739 |
| Accumulated impairment | (237,739) | (237,739) |
| Net book amount | - | - |
| **Year ended 30 June** | | |
| Opening net book amount | - | - |
| Impairment charge | - | - |
| Closing net book amount | - | - |
| **At 30 June** | | |
| Cost | 237,739 | 237,739 |
| Accumulated impairment | (237,739) | (237,739) |
| Net book amount | - | - |

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.

## 18 Current liabilities - Trade and other payables

| | | |
|---|---|---|
| Trade payables | 1,423,237 | 195,041 |
| PAYG payable | 15,291 | 16,195 |
| Accruals and other payables | 250,464 | 202,407 |
| GST payable | 835 | - |
| | 1,689,827 | 413,643 |

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.

**Financial guarantees**

The Group has not provided any financial guarantees to its associates which commit the Group to make payments on behalf of these entities upon their failure to perform under the terms of the relevant contract.

**Related party payables**

There were no related party payables (2011: $nil).

# Notes to the consolidated financial statements (cont'd)

## 19 Current liabilities – Employee benefits

| Employee benefits | 2012 $ | 2011 $ |
|---|---|---|
| Annual leave | 80,249 | 62,582 |
| Long service leave | 63,019 | 52,590 |
| | 143,268 | 115,172 |

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:**

| | | |
|---|---|---|
| Non-current inventories | 5,750 | - |
| Other | 9,182 | - |
| Total deferred tax liabilities | 14,932 | - |
| Deferred tax liabilities expected to be settled after more than 12 months | 14,932 | - |

| **Movements** | **Non-current inventories $** | **Other $** | **Total $** |
|---|---|---|---|
| **At 1 July 2010** | 6,218 | - | 6,218 |
| Charged/(credited) to profit or loss | (6,218) | - | (6,218) |
| **At 30 June 2011** | - | - | - |
| Charged/(credited) to profit or loss | 5,750 | 9,182 | 14,932 |
| **At 30 June 2012** | 5,750 | 9,182 | 14,932 |

# Notes to the consolidated financial statements (cont'd)

## 21 Contributed equity

| **Share capital** | **2012 $** | **2011 $** |
|---|---|---|
| 4,692,327 fully paid ordinary shares (2011: 4,692,327) | 23,696,428 | 23,696,428 |

| | **2012** | | **2011** | |
|---|---|---|---|---|
| | **Number** | **$** | **Number** | **$** |
| **Fully paid ordinary shares** | | | | |
| Balance at beginning of the year | 4,692,327 | 23,696,428 | 4,692,327 | 23,696,428 |
| Balance at end of the year | 4,692,327 | 23,696,428 | 4,692,327 | 23,696,428 |

**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 they 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.

The Group's strategy was unchanged from the prior year.

## 22 Reserves

| | **2012 $** | **2011 $** |
|---|---|---|
| Movements in reserves were as follows: | | |
| **Share-based payments** | | |
| Balance 1 July | 3,600 | 3,600 |
| Transfer of expired options to accumulated losses | (3,600) | - |
| Balance 30 June | - | 3,600 |
| **Non-controlling interest** | | |
| Balance 1 July | - | - |
| Transaction with non-controlling interests | 86,238 | - |
| Balance 30 June | 86,238 | - |

# .Notes to the consolidated financial statements (cont'd)

## 22 Reserves (cont'd)

**Share-based payments**
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 accumulated losses. Further information about share-based payments to executives is disclosed in note 32 to the financial statements.

**Transactions with non-controlling interests**
In August 2011, CL Assets Holdings Limited acquired an additional 23.5% of the issued shares of Kinsmen Securities Limited for a purchase consideration of $1. The carrying amount of the non-controlling interest in Kinsmen Securities Limited on the date of acquisition was $399,970. The Group recognised a decrease in non-controlling interest of $86,238 and a reserve for transactions with non-controlling interests of the same.

## 23 Accumulated losses

Movements in accumulated losses were as follows:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Balance 1 July | (3,723,927) | (3,359,598) |
| Net profit/(loss) for the year | 198,604 | (364,329) |
| Share-based payment transfer | 3,600 | - |
| Balance 30 June | (3,521,723) | (3,723,927) |

## 24 Earnings per share

| | 2012<br>cents | 2011<br>cents |
|---|---|---|
| Basic earnings per share attributable to the ordinary equity holders of the Company | 4.2 | (7.8) |
| Diluted earnings per share attributable to the ordinary equity holders of the Company | 4.2 | (7.8) |

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

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

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Profit/(Loss) for the year attributable to the ordinary equity holders of the Company | 198,604 | (364,329) |

**(b) Weighted average number of shares**

| | 2012<br>Number | 2011<br>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 |

In 2012 there were no options outstanding. In 2011 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 therefore the same as basic earnings per share in both years.

# Notes to the consolidated financial statements (cont'd)

## 25 Key management personnel disclosures

### (a) Key management personnel compensation

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Short-term employee benefits | 615,230 | 613,105 |
| Post-employment benefits | 37,370 | 40,554 |
| | 652,600 | 653,659 |

Detailed remuneration disclosures are provided in the remuneration report on page 10 to13.

**(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 10 to 13.

(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 |
| **2012** | | | | | | |
| **Directors of CL Asset Holdings Limited** | | | | | | |
| Gary Dainton | 30,000 | - | 30,000 | - | - | - |
| Peter Mitropoulos | 30,000 | - | 30,000 | - | - | - |
| | 60,000 | - | 60,000 | - | - | - |
| **2011** | | | | | | |
| **Directors of CL Asset Holdings Limited** | | | | | | |
| Gary Dainton | 30,000 | - | - | 30,000 | 30,000 | - |
| Peter Mitropoulos | 30,000 | - | - | 30,000 | 30,000 | - |
| | 60,000 | - | - | 60,000 | 60,000 | - |

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

# Notes to the consolidated 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 personally 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/ (sold) during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| | Number | Number | Number | Number | Number |
| **2012** | | | | | |
| **Directors of CL Asset Holdings Limited** | | | | | |
| **Ordinary shares** | | | | | |
| Theodore Baker | 3,043,835 | - | - | (666,666) | 2,377,169 |
| Peter Mitropoulos | 44,589 | - | - | - | 44,589 |
| **2011** | | | | | |
| **Directors of CL Asset Holdings Limited** | | | | | |
| **Ordinary shares** | | | | | |
| Theodore Baker | 2,993,585 | - | - | 50,250 | 3,043,835 |
| Peter Mitropoulos | 44,589 | - | - | - | 44,589 |

### (c) Loans to key management personnel

In 2011 and 2012 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.

### (d) Other transactions with key management personnel

Theodore Baker
As part of the Company's lending business, CL Asset Holdings Limited provided a loan ("SLP loan") to St Leonards Property Pty Ltd and Break Fast Investments Pty Ltd ("Break Fast") (which was guaranteed by a number of other entities). St Leonards Property Pty Ltd is trustee of the St Leonards Centre Unit Trust ('the Trust") in which Theodore Baker has a significant (28.3%) but non-controlling beneficial interest. The security provided for the SLP loan includes assets that are beneficially owned by the Trust. Additional security is also provided by way of a second mortgage against a Sydney property which is owned by another unit trust, One to Four Unit Trust, of which Mr Baker is also a (28.3%) unit holder. A significant portion of the SLP loan is also secured by way of a second ranking mortgage against a property located at East Melbourne that is owned by Break Fast in its capacity as the joint venture manager of a joint venture of which Mr Baker is a joint venture partner with an interest of 40%. At 30 June 2012 the SLP loan balance was $5,630,377 (2011: $5,495,377).

Interest revenue recognised by the Company on the loan during the year was $nil (2011: $nil). This remains consistent with the accounting policy for revenue recognition as disclosed in note 2(e) where interest is recognised on an accruals basis where it is reliably measurable and probable of receipt. The loan attracts a compound interest rate of 24% pa (2011: 19.8% pa). During the year the Sydney and East Melbourne properties were placed in the hands of Receivers and Managers by the first ranking mortgagees. The loan matured on 7 August 2012 and was not repaid. Based on the total current valuation of the mortgaged and other secured properties and based on the latest information available to the Board in respect of the total amount owing to the first mortgagees, the Board is satisfied that presently no provision for loan impairment is required (2011: $nil).

# Notes to the consolidated financial statements (cont'd)

## 25 Key management personnel disclosures (cont'd)

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

Peter Mitropoulos
During the year the Company paid a total of $97,500 (2011: $60,000) to The Esplanade One Pty Ltd, a company related to Peter Mitropoulos, for consulting fees.

The terms and conditions of the transactions with key management personnel were on normal commercial terms and conditions that would be reasonable in the circumstances if the Group and the related parties were dealing at arm's length, or on terms that are less favourable to the related parties than these terms.

During the year Ignite Travel Group Ltd, an associate of the Group paid a total of $30,000 (2011: $36,250) to a company related to Theodore Baker for director fees.

During the year Ignite Travel Group Ltd, an associate of the Group paid a total of $30,740 (2011: $43,759) to a company related to Gary Dainton for director fees.

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

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Amounts recognised as revenue** | | |
| Sales | - | - |
| Management fees | - | - |
| | - | - |
| **Amounts recognised as expense** | | |
| Consulting fee | 97,500 | 60,000 |
| | 97,500 | 60,000 |

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:

| | | |
|---|---|---|
| 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 Contingencies

The Directors are of the opinion that there were no contingent liabilities or contingent assets to report as at 30 June 2012 (2011: $nil).

# Notes to the consolidated financial statements (cont'd)

## 27 Commitments

### (a) Capital commitments

There were no capital expenditure commitments at year end (2011: $nil).

### (b) Lease commitments

**Operating lease commitments-Group as lessee**
The major part of the 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 Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Within one year | 45,649 | 13,908 |
| Later than one year but not later than five years | 36,465 | 24,339 |
| | 82,114 | 38,247 |

**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.

Future minimum rentals receivables under non-cancellable operating leases as at 30 June are as follows:

| | | |
|---|---|---|
| Within one year | 80,746 | 107,059 |
| | 80,746 | 107,059 |

### (c) Other commitments

The Group has no other commitments to report.

## 28 Related party transactions

### (a) Parent entities

The parent entity within the Group is CL Asset Holdings Limited. In 2012 there is no ultimate parent company. In 2011 the ultimate parent entity was NCJ Holdings Limited which at 30 June 2011 owned 62.6% of the issued ordinary shares in CL Asset Holdings Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 29.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 25.

# Notes to the consolidated financial statements (cont'd)

## 28 Related party transactions (cont'd)

### (d) Transactions with other related parties

Disclosures relating to transactions with other related parties are set out in note 25. Contributions to superannuation funds on behalf of employees are disclosed in note 7. Dividend received from Ignite Travel Group Ltd, an associate of the Company is disclosed in note 13.

### (e) Loans to/from related parties

During the year, the Group has no loans to/from related parties that are not members of the Group, other than as disclosed in note 25.

## 29 Subsidiaries and transactions with non-controlling interests

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

| | | Equity holding | |
|---|---|---|---|
| | | 2012 | 2011 |
| Name of entity | Country of incorporation | % | % |
| 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 | 82.5 | 59 |
| Newcastle Waratah Investments Pty Limited | Australia | 100 | 100 |
| Trading Corp Pty Ltd | Australia | - | 50 |
| My247deals Pty Ltd | Australia | 100 | - |
| Clarke Property Holdings Pty Ltd | Australia | 100 | - |

In August 2011, the consolidated entity formed a new 100% owned subsidiary, My247deals Pty Ltd, a company specialising in online retailing business. Clarke Property Holdings Pty Ltd was formed in November 2011 however it has not commenced trading as at year end. In August 2011 Trading Corp Pty Ltd was deregistered.

In August 2011, CL Assets Holdings Limited acquired an additional 23.5% of the issued shares of Kinsmen Securities Limited for a purchase consideration of $1. Refer to note 22.

Except those reported there were no other transactions with non-controlling interests in 2011 and 2012.

# Notes to the consolidated financial statements (cont'd)

## 30 Events occurring after the reporting period

In September 2012 the Company signed a deed of settlement and release with a borrower in relation to an overdue loan with a book value of $756,851. The settlement entails the sale of 3 of the borrower's properties which, subject to the amount realised from the sale of the properties, will result in the repayment of the outstanding amount plus interest.

In the same month the Company requested its removal from the official list of ASX, and the request was approved subject to the approval by an ordinary resolution of shareholders of the Company.

Other than the matters referred to above 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 Group, the results of those operations, or the state of affairs of the Group in future financial years, which has not been disclosed in the financial statements.

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

| | **2012**<br>**$** | **2011**<br>**$** |
|---|---|---|
| Profit/(loss) for the year | 225,568 | (347,501) |
| Non-cash flows in profit/(loss): | | |
| Depreciation and amortisation | 223,086 | 220,751 |
| Net gain on sale of non-current asset | (1,141,045) | (418,031) |
| Impairment of inventory properties | - | 50,560 |
| Impairment of receivables and loans | (140,201) | 601,686 |
| Impairment of artefact | 262,500 | - |
| Share of associates (profit)/loss | (67,716) | (362,691) |
| (Increase)/decrease in deferred tax balances | (72,235) | (298,231) |
| Non-controlling interest/Investment in subsidiaries | - | 50 |
| Changes in operating assets and liabilities: | | |
| (Increase)/decrease in assets: | | |
| Trade and other receivables | (2,270,300) | 369,079 |
| Inventories | (32,250) | - |
| Other assets | 277,037 | 222,227 |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | 1,275,348 | (527,220) |
| Employee entitlements | 28,096 | 2,210 |
| Net cash inflow (outflow) from operating activities | (1,432,112) | (487,111) |

## 32 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.

# Notes to the consolidated financial statements (cont'd)

## 32 Share-based payments (cont'd)

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 |
| **2012** | | | | | | | | |
| 1/12/06 | 30/11/11 | $5 | 60,000 | - | - | 60,000 | - | - |
| | | | 60,000 | - | - | 60,000 | - | - |
| Weighted average exercise price | | | $5 | - | - | - | - | - |

| 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 |
| **2011** | | | | | | | | |
| 1/12/06 | 30/11/11 | $5 | 60,000 | - | - | - | 60,000 | 60,000 |
| | | | 60,000 | - | - | - | 60,000 | 60,000 |
| Weighted average exercise price | | | $5 | - | - | - | $5 | $5 |

## 33 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices.

The auditor of the Company is HLB Mann Judd (NSW Partnership).

| **(a) HLB Mann Judd (NSW Partnership)** | **2012** <br> **$** | **2011** <br> **$** |
|---|---|---|
| Audit and review of financial statements | 112,443 | 90,986 |
| Tax compliance services | 11,902 | 12,250 |
| Total remuneration for audit and other services | 124,345 | 103,236 |
| | | |
| **(b) HLB Mann Judd (SA Partnership)** | | |
| Audit and review of financial statements | - | 6,500 |
| Tax compliance services | - | 12,186 |
| Total remuneration for audit and other services | - | 18,686 |
| | | |
| **Total auditors' remuneration** | 124,345 | 121,922 |

# Notes to the consolidated financial statements (cont'd)

## 34 Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | Parent | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Statement of financial position** | | |
| Current assets | 6,034,773 | 11,025,357 |
| Total assets | 16,348,217 | 17,635,639 |
| Current liabilities | 306,093 | 227,956 |
| Total liabilities | 358,655 | 852,608 |
| Shareholders' equity | | |
| Issued capital | 23,696,428 | 23,696,428 |
| Reserves | - | 3,600 |
| Accumulated losses | (7,706,866) | (6,916,996) |
| | 15,989,562 | 16,783,032 |
| **Loss for the year** | (793,470) | (911,798) |
| **Total comprehensive loss** | (793,470) | (911,798) |

### (b) Guarantees entered into by the parent entity

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. The Company has given a letter of support to Kinsmen Securities Limited confirming not to call for repayment of the loan due to CL Asset Holdings Limited, and to provide it with sufficient continuing financial support to enable it to be able to pay its debts as when they become due and payable. The loan balance at year end was $400,000 (2011: $400,000).

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

### (d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2012, CL Asset Holdings Limited had no contractual commitments for the acquisition of property, plant and equipment (2011: $nil).

# The shareholder information set out below was applicable as at 20 September 2012

**Number of equity security holders**

Ordinary share capital

4,692,327 fully paid ordinary shares are held by 295 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

Options

Nil options are held by optionholders. Options do not carry a right to vote.

**Distribution of equity securities**

| Size of holding | Fully paid ordinary shares | Options |
|---|---|---|
| 1 - 1,000 | 187 | - |
| 1,001 - 5,000 | 68 | - |
| 5,001 - 10,000 | 14 | - |
| 10,001 - 100,000 | 20 | - |
| 100,001 and over | 6 | - |
| Total number of shareholders | 295 | - |

There were 140 holders of less than a marketable parcel of ordinary shares.

| Substantial holders | Fully paid ordinary shares | |
|---|---|---|
| Ordinary shares | Number held | Percentage |
| NCJ Holdings Pty Ltd | 2,268,633 | 48.3 |
| Growth 2011 Pty Ltd | 648,579 | 13.8 |
| Rekab NSW Pty Ltd | 275,583 | 5.9 |
| | 3,192,795 | 68.0 |

| Twenty largest quoted equity security holders | | Fully paid ordinary shares | |
|---|---|---|---|
| Name | | Number held | Percentage of issued shares |
| 1 | NCJ Holdings Pty Ltd | 2,268,633 | 48.3 |
| 2 | Growth 2011 Pty Ltd | 648,579 | 13.8 |
| 3 | Rekab NSW Pty Ltd | 275,583 | 5.9 |
| 4 | Kefalonia Capital Pty Ltd | 222,222 | 4.7 |
| 5 | Charles Comino | 163,751 | 3.5 |
| 6 | TTB Holdings Pty Ltd | 108,146 | 2.3 |
| 7 | Spinite Pty Ltd | 97,557 | 2.1 |
| 8 | Shaun Bitter, Nicole Bitter & Dianne Bitter | 91,520 | 2.0 |
| 9 | Sean Dennehy | 83,249 | 1.8 |
| 10 | Peter Mitropoulos | 44,589 | 1.0 |
| 11 | John Rowney and Pamela Rowney | 44,000 | 0.9 |
| 12 | BKC Profitability Pty Ltd | 41,499 | 0.9 |
| 13 | LSJ Investment Pty Ltd | 39,199 | 0.7 |
| 14 | TRE Pty Ltd | 35,000 | 0.7 |
| 15 | Margriet Nakken | 30,000 | 0.6 |
| 16 | Arthur Cheswisk Pty Ltd | 30,000 | 0.6 |
| 17 | Peter Browne | 20,000 | 0.4 |
| 18 | Savva Kaponas | 19,000 | 0.4 |
| 19 | John Eager and Alvine Eager | 18,164 | 0.4 |
| 20 | Julian Crawford | 14,000 | 0.3 |
| | | 4,294,691 | 91.3 |

## Additional stock exchange information

**Company secretary**
Henry Kam

**Registered office**
Level 2
28 Clarke Street
Crows Nest NSW 2065

**Principal administration office**
Level 2
28 Clarke Street
Crows Nest NSW 2065
Tel: (02) 9432 3999
Fax: (02) 9460 9888

**Share register**
Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Tel: 1300 850 505
Fax: (02) 8234 5050

CL Asset Holdings Limited shares are listed on the Australian Stock Exchange ("ASX").

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

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

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