

CL Asset Holdings Limited

ABN 38 104 475 345



Annual Report

for the financial year ended 30 June 2011

**Annual Report
for the financial year ended 30 June 2011**

Contents	Page
Directors' report	3-14
Corporate governance statement	15-20
Auditor's independence declaration	21
Independent auditor's report	22-23
Directors' declaration	24
Annual financial statements	
Index to the consolidated financial statements	25
Consolidated statement of comprehensive income	26
Consolidated statement of financial position	27
Consolidated statement of changes in equity	28
Consolidated statement of cash flows	29
Notes to the consolidated financial statements	30-71
Additional stock exchange information	72-73

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of CL Asset Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

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	<p><u>Managing Director and Acting Chairman</u></p> <p>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 47.</p>
Gary Dainton	<p><u>Non-Executive Director</u></p> <p>BSc (Hons) Economics, FCA, GAICD</p> <p>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 46.</p>
Peter Mitropoulos	<p><u>Non-Executive Director</u></p> <p>ADME, GDipAppFin</p> <p>Mr Mitropoulos was appointed as non-executive Director on 20 June 2005. He has obtained specialist corporate knowledge and skills in the property development and construction sector over a period of approximately 25 years. Mr Mitropoulos commenced his career as a construction engineer working for predominantly listed building and development companies. He founded Medland Mitropoulos (a national Construction Engineering Consultancy) where, during his tenure, he generated growth from a small Brisbane firm into a successful national company with offices in Sydney, Melbourne and Brisbane. He holds a Diploma of Engineering from QUT and a Post Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia. He is also a member of the audit, remuneration and nomination committees of the Company. Age 48.</p>

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	3,043,835	-
Gary Dainton	-	30,000
Peter Mitropoulos	44,589	30,000

Remuneration of Directors and senior management

Information about the remuneration of Directors and senior management is set out in the remuneration report included in this Directors' report, on pages 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, property funds management and an investment in a marketing services and travel company.

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

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

Directors' report (cont'd)

Operating results

Total revenue for the financial year was \$14 million, a 21% decrease over last year.

The Group's net loss for the year after income tax was \$0.3 million (2010: net loss after income tax of \$0.1 million). The increase in loss for the year was principally as a result of the Group making impairment losses on its receivables and loans.

Earnings per share for the year attributed to the ordinary equity holders of the Company were negative 7.8 cents. Earnings per share for last year were negative 1.7 cents.

The Group's statement of financial position remains strong with no debt. Cash at bank as of 30 June 2011 was \$3.9 million.

Net tangible asset backing per share was \$4.29, a decrease of 1.6% compared to last year.

Review of operations

Land holdings and rental accommodation

The Group continues to work towards the sale of its land holdings. One property was sold during the year, being the Waratah Stage 1 property. A status report of all other sites owned by the Company's subsidiaries, and an overview of what is being considered with respect to the sites, is presented below:

- | | |
|---------------------|--|
| 1. Waratah, NSW | a) Stage 1 - (consisting of 40 student units) was sold in August 2010 for \$2.5 million. Its book value was \$2.1 million.
b) Stage 2 - (consisting of 25 student units) is occupied, providing a stable rental return.
c) Stage 3 - A DA for the development and construction of 59 attached and semi-detached dwellings has been approved. Considering the improved conditions in the housing sector, the Company is currently re-evaluating the feasibility of undertaking the development and construction of this site. |
| 2. Bendigo, VIC | The Company has obtained 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. |
| 3. Rockhampton, QLD | The Company has obtained development application approval for 24 townhouses. The site is now under contract for sale. |
| 4. Maryborough, QLD | The Company has obtained development application approval for a 78 lot mobile home park facility. The site is being marketed for sale by a leading Maryborough real estate agent. |

Asset Trading Group Pty Ltd

Asset Trading Group Pty Ltd ("ATG") engages in the sale of distressed Information and Communication Technology ("ICT") hardware which includes mobile phones, personal digital assistant devices (PDAs), ICT accessories, etc. ATG sells the majority of its stock to overseas buyers, typically in the Asian region. Due to the prevailing high Australian dollar, its export business dropped significantly.

Directors' report (cont'd)

Review of operations (cont'd)

Kinsmen Securities Limited

The Group has a 59% stake in Kinsmen Securities Limited ("Kinsmen"). Kinsmen is in the business of fund 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. However, due to the continued downturn of the property trust market, Kinsmen reported only a small profit for the year and the Board has decided to retain the impairment in the Company's investment which has a carrying value of \$nil at year end.

RewardsCorp Limited

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

The Group's investment in RewardsCorp was fully impaired as at 30 June 2009. While RewardsCorp's operating results have improved and reported an after tax profit of \$824,299 (2010: \$677,615) for the year, the Group's share of which has been recognised, the Board has concluded that its future financial performance is not yet sufficiently certain to justify full reversal of the previously booked impairment loss.

Short-term lending

The Group continues to provide short-term secured loans. During the year, one new loan provision for \$394,918 was recognised. With that exception, the current loan book is performing satisfactorily.

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.

Significant matters subsequent to the end of the financial year

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

Considering the improved conditions in the housing sector, the Group is currently re-evaluating the feasibility of undertaking the development and construction of the site of Stage 3 of Waratah NSW.

Further information on likely developments in the operations of the 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 has not been any breaches of those obligations during the financial year.

Proposed carbon tax

The Directors have determined that the proposed 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 2011.

Directors' meetings

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

Directors	Board of Directors		Nomination & Remuneration committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
Theodore Baker	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 indemnify the auditor of the Company or any related body corporation 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) Chartered Accountants 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 the Financial Controller have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies by the Board.

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

Internal control

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 2011 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)
- Paul Zahara (Director of Kinsmen Securities Limited, resigned in August 2010)
- Jim Papanicolaou (General Manager of Kinsmen Securities Limited, resigned in February 2010)

Remuneration policy

The remuneration committee is responsible for remuneration policies and packages applicable to the Board members and executives of the Group. The committee reviews 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	
	\$	\$	\$	\$	\$	\$
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

2010

Non-executive Directors

Gary Dainton	30,000	-	-	-	-	30,000
Peter Mitropoulos	30,000	-	-	-	-	30,000

Executive Director

Theodore Baker	229,358	20,642	-	-	-	250,000
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Other key management personnel

Henry Kam	129,425	11,648	-	-	-	141,073
Paul Zahara^	148,333	-	-	-	-	148,333
Craig Watson^	93,772	-	-	-	-	93,772
Jim Papanicolaou*	82,569	7,796	-	4,055	-	94,420
Total	743,457	40,086	-	4,055	-	787,598

^ Reported as consulting fees

* Employment terminated in February 2010

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 2011; 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 there were no options granted, vested or 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

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.

	Balance at start of the year	Granted as compensation	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
	Number	Number	Number	Number	Number	Number

2010

Directors

Theodore Baker	10,000	-	(10,000)	-	-	-
Gary Dainton	30,000	-	-	30,000	30,000	-
Peter Mitropoulos	30,000	-	-	30,000	30,000	-

Former Directors

Michael Milman	20,000	-	(20,000)	-	-	-
Curt Rendall	10,000	-	(10,000)	-	-	-
Greg Robinson	10,000	-	(10,000)	-	-	-
	110,000	-	(50,000)	60,000	60,000	-

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

Directors' report (cont'd)

Shares under option

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

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

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

Shares issued as a result of 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, 30 September 2011

Corporate governance statement

Unless disclosed below, all the recommendations of the ASX Corporate Governance Council (including 2010 amendments) have been applied for the entire financial year ended 30 June 2011.

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 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	4	40
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 2011. 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 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 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 FY2011. 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.

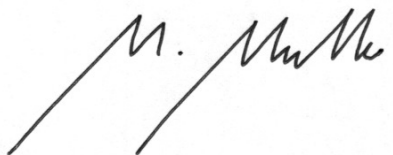
AUDITOR'S INDEPENDENCE DECLARATION

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 2011, 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.



M D Muller
Partner

Sydney
30 September 2011

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 2011, 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. 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 as set out on pages 24 to 71.

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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report also relates to the financial report of CL Asset Holdings Limited and its controlled entities for the financial year ended 30 June 2011 included on the CL Asset Holdings Limited ('CLS') website. The company's directors are responsible for the integrity of the CLS website. 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 to confirm the information contained in the website version of the financial report.

CL ASSET HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of CL Asset Holdings Limited on 30 September 2011, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

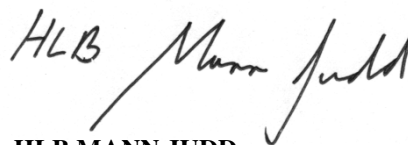
- (a) the financial report of CL Asset Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with 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

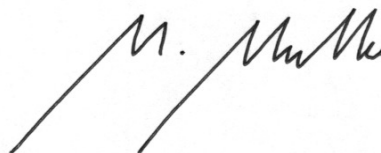
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 2011 complies with section 300A of the *Corporations Act 2001*

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB MANN JUDD
Chartered Accountants

A handwritten signature in black ink that appears to read 'M. Muller'.

M D Muller
Partner

Sydney
30 September 2011

CL Asset Holdings Limited

ABN 38 104 475 345

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2011

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 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 2011 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 declaration 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, 30 September 2011

Index to the consolidated financial statements	Page
Contents	
Consolidated statement of comprehensive income	26
Consolidated statement of financial position	27
Consolidated statement of changes in equity	28
Consolidated statement of cash flows	29
Notes to the consolidated financial statements	
1 General information	30
2 Summary of significant accounting policies	30
3 Critical accounting estimates and judgements	43
4 Financial risk management	44
5 Segment information	47
6 Revenue	51
7 Expenses	52
8 Income tax	53
9 Current assets - Cash and cash equivalents	53
10 Current assets - Trade and other receivables	54
11 Current assets - Financial assets	55
12 Non-current assets - Investments accounted for using the equity method	56
13 Non-current assets - Inventories	57
14 Non-current assets classified as held for sale	57
15 Non-current assets - Property, plant and equipment	58
16 Non-current assets - Deferred tax assets	59
17 Non-current assets - Intangible assets	60
18 Current liabilities - Trade and other payables	60
19 Current liabilities - Employee benefits	61
20 Non-current liabilities - Deferred tax liabilities	61
21 Contributed equity	62
22 Reserves	62
23 Accumulated losses	63
24 Earnings per share	63
25 Key management personnel disclosures	63
26 Contingent liabilities and contingent assets	66
27 Commitments	67
28 Related party transactions	67
29 Subsidiaries	68
30 Events occurring after the reporting period	68
31 Reconciliation of profit after income tax to net cash flow from operating activities	69
32 Share-based payments	69
33 Remuneration of auditors	70
34 Parent entity financial information	71
Additional stock exchange information	72-73

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

The financial report was authorised for issue by the Directors on 30 September 2011. The Directors have the power to amend and reissue the financial report.

**Consolidated statement of comprehensive income
For the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
Revenue from continuing operations	6	14,031,696	17,690,619
Cost of sales of ICT hardware		(9,935,120)	(14,452,425)
Cost of sales of non-current assets classified as held for sale		(2,106,969)	-
Cost of sales of non-current inventories		-	(790,910)
Impairment of trade receivables	10	(169,645)	(71,160)
Impairment of loans	11	(394,918)	(543,763)
Impairment of inventory properties		(50,560)	-
Employee and Director benefits expense	7	(984,951)	(874,209)
Depreciation and amortisation expense	7	(220,751)	(261,513)
Property expenses and outgoings		(177,486)	(268,949)
Consulting and professional fees		(435,928)	(465,306)
Listing and filing expenses		(25,499)	(22,786)
Occupancy expenses		(73,263)	(69,254)
Insurance expenses		(173,151)	(158,062)
Telephone expenses		(12,193)	(16,407)
Other expenses		(279,685)	(278,938)
Share of profit of associate accounted for using the equity method	12	362,691	298,150
Loss before income tax		(645,732)	(284,913)
Income tax benefit	8	298,231	165,404
Loss for the year		(347,501)	(119,509)
Other comprehensive income		-	-
Total comprehensive loss for the year		(347,501)	(119,509)
Total comprehensive loss for the year is attributable to:			
Owners of CL Asset Holdings Limited		(364,329)	(80,276)
Non-controlling interests		16,828	(39,233)
		(347,501)	(119,509)
Earnings per share attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share		(7.8)	(1.7)
Diluted earnings per share		(7.8)	(1.7)

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 2011**

	Notes	2011 \$	2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	3,850,025	3,260,003
Trade and other receivables	10	866,947	1,419,961
Financial assets	11	7,366,694	6,354,134
Non-current assets classified as held for sale	14	-	2,106,969
Other assets		103,012	156,971
Total current assets		12,186,678	13,298,038
Non-current assets			
Inventories	13	5,214,960	5,237,381
Investments accounted for using the equity method	12	440,841	298,150
Property, plant and equipment	15	1,919,049	2,098,651
Deferred tax assets	16	887,344	595,331
Total non-current assets		8,462,194	8,229,513
TOTAL ASSETS		20,648,872	21,527,551
LIABILITIES			
Current liabilities			
Trade and other payables	18	413,643	940,863
Employee benefits	19	115,172	112,962
Total current liabilities		528,815	1,053,825
Non-current liabilities			
Deferred tax liabilities	20	-	6,218
Total non-current liabilities		-	6,218
TOTAL LIABILITIES		528,815	1,060,043
NET ASSETS		20,120,057	20,467,508
EQUITY			
Contributed equity	21	23,696,428	23,696,428
Reserves	22	3,600	3,600
Accumulated losses	23	(3,723,927)	(3,359,598)
Capital and reserves attributable to owners of CL Asset Holdings Limited		19,976,101	20,340,430
Non-controlling interests		143,956	127,078
TOTAL EQUITY		20,120,057	20,467,508

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 2011**

	Attributable to owners of CL Asset Holdings Limited				Non-controlling interests	Total equity
	Contributed equity	Reserves	Accumulated losses	Total		
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	23,696,428	205,850	(3,481,572)	20,420,706	166,311	20,587,017
Total comprehensive loss for the year	-	-	(80,276)	(80,276)	(39,233)	(119,509)
Transactions with owners in their capacity as owners:	-	-	-	-	-	-
Share-based payment transfer (out) in	-	(202,250)	202,250	-	-	-
Balance at 30 June 2010	23,696,428	3,600	(3,359,598)	20,340,430	127,078	20,467,508
Total comprehensive 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

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 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		11,865,305	16,784,325
Payments to suppliers and employees		(12,755,959)	(16,447,690)
Interest received		183,543	42,039
Dividends received		220,000	-
Net cash inflow (outflow) from operating activities	31	(487,111)	378,674
Cash flows from investing activities			
Payments for property, plant and equipment		(41,149)	(69,747)
Loans advanced		(1,807,776)	(2,572,258)
Loans repaid		401,008	3,219,086
Proceeds from sale of non-current assets classified as held for sale and other inventory properties		2,525,000	1,001,544
Payment for acquisition of subsidiary, net of cash acquired		50	-
Net cash inflow from investing activities		1,077,133	1,578,625
Cash flows from financing activities			
Net cash inflow (outflow) from financing activities		-	-
Net increase in cash and cash equivalents		590,022	1,957,299
Cash and cash equivalents at the beginning of the financial year		3,260,003	1,302,704
Cash and cash equivalents at end of year	9	3,850,025	3,260,003

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 Australia 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 and funds management. There have been no significant changes in the nature of these activities during the year.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of 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, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Accounting Interpretations) 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 CL Asset Holdings Limited ("Company" or "parent entity") as at 30 June 2011 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 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 interest to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve 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) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used in distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

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

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

(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.

Notes to the consolidated financial statements (cont'd)

2 Summary of significant accounting policies (cont'd)

(d) Foreign currency translation (cont'd)

(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 profit or loss 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.

(e) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

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

(ii) Interest from loans

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

(iii) Other interest revenue

Other interest revenue is recognised 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.

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 in foreign operations 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 they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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. A provision for impairment 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 provision 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. Costs are assigned to individual items of inventory on the basis of weighted average costs.

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

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

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use 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. Losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. 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.

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 the consolidated statement of comprehensive income.

(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

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 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 represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised 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 the financial year that 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.

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 obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. 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 reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. 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. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to Directors via the CL Asset Holdings Limited Employee Option Plan. Information relating to these schemes is set out in note 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-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(iv) Termination benefits

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

(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, 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
- 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 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 2011 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, with the exception of new accounting standards and interpretations issued since balance date - the Group has not yet made an assessment of their potential impact.

(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 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 100% owned Australian resident subsidiaries formed a tax-consolidated group with effect from 1 July 2004. CL Asset Holdings Limited is the head entity of the tax-consolidated group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

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

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

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

The 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 service 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

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.

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 coming 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 assets

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 foreign exchange 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 and manage 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:

	2011 \$	2010 \$
Financial assets		
Cash and cash equivalents	3,850,025	3,260,003
Trade and other receivables	866,947	1,419,961
Loans and receivables	7,366,694	6,354,134
	<u>12,083,666</u>	<u>11,034,098</u>
Financial liabilities		
Trade and other payables	413,643	940,863
	<u>413,643</u>	<u>940,863</u>

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

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:

	2011 \$	2010 \$
Bank deposits in US dollars	<u>131,744</u>	<u>4,427</u>

Foreign exchange sensitivity analysis

Based on the US dollar deposits held at 30 June 2011, 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 \$14,638 higher/lower (2010: \$492 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denomination financial instruments 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.

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

	2011 \$	2010 \$
Financial assets		
Cash and cash equivalents	3,850,025	3,260,003
Loans and receivables	7,366,694	6,354,134
	11,216,719	9,614,137
Financial liabilities		
Bank overdrafts	-	-
Net exposure	11,216,719	9,614,137

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

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

Interest rate sensitivity analysis

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

At current interest rates, a movement of +/- 1% from the year end deposit rate with all the other variables held constant, would increase or decrease pre tax profit or loss by \$38,000 (2010: \$1,000).

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 Directors. There are no significant concentrations of credit risk within the Group and loans extended are spread amongst a number of borrowers to minimise the risk of default of counterparties.

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

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay the financial liabilities as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 (2010: \$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 \$
2011						
Trade payables	-	413,643	-	-	413,643	413,643
Total non-derivatives		413,643	-	-	413,643	413,643
2010						
Trade payables	-	940,863	-	-	940,863	940,863
Total non-derivatives		940,863	-	-	940,863	940,863

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 month to 1 year \$	Total contractual cash flows \$	Carrying amount \$
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
2010						
Non-interest bearing	-	1,419,961	-	-	1,419,961	1,419,961
Variable interest rate instruments	2.7	3,260,003	-	-	3,260,003	3,260,003
Fixed interest rate instruments	9.2	-	-	6,354,134	6,354,134	6,354,134
Total non-derivatives		4,679,964	-	6,354,134	11,034,098	11,034,098

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 unrelated 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

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

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. |

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 period. 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 2011 and 2010 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)

2010	Property development and rental	Lending	Wholesale trading	Funds management	Unallocated items	Total
	\$	\$	\$	\$	\$	\$
Total segment revenue	1,513,133	635,562	14,680,731	725,802	-	17,555,228
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	1,513,133	635,562	14,680,731	725,802	-	17,555,228
Segment profit/(loss) before tax	382,196	91,799	169,517	(95,693)	-	547,819
Depreciation	76,053	-	-	1,330	184,130	261,513
Impairment of assets	-	543,763	-	-	71,160	614,923
Share of profit from associates	-	-	-	-	298,150	298,150
Total segment assets	8,866,602	6,354,134	1,042,365	980,399	-	17,243,500
Total assets include: Additions to non-current assets	58,691	-	-	-	11,056	69,747
Total segment liabilities	2,241	5,445	321,343	670,454	-	999,483

Notes to the consolidated financial statements (cont'd)

5 Segment information (cont'd)

Other segment information

(i) Segment revenue

Sales and services provided 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:

	2011	2010
	\$	\$
Total segment revenue	13,865,823	17,555,228
Intersegment eliminations	(30,000)	-
Interest revenue	183,543	42,039
Other revenue	12,330	93,352
Total revenue	14,031,696	17,690,619

The Group operates in Australia only and exports ICT hardware to overseas countries, mainly Hong Kong, Singapore and USA. Total revenue from external customers in Australia is \$3,800,651 (2010: \$2,882,694), and in other countries is \$10,035,401 (2010: \$14,672,534). Revenue from external customers is attributed to individual countries based on the invoiced address for the goods.

Revenues of approximately \$10 million (2010: \$14.7 million) are derived from a single external customer in Hong Kong. These revenues are attributable to the wholesale trading business.

(ii) Segment profit (loss) before tax

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

Segment profit/(loss) before tax reconciliation to the statement of comprehensive income:

	2011	2010
	\$	\$
Segment profit/(loss) before tax	203,130	547,819
Intersegment eliminations	(102,182)	-
Depreciation	(180,404)	(184,130)
Unallocated corporate charges	(1,124,840)	(1,063,576)
Interest revenue	183,543	42,039
Other	12,330	74,785
Share of profit from associates	362,691	298,150
Total loss before tax	(645,732)	(284,913)

Notes to the consolidated financial statements (cont'd)

5 Segment information (cont'd)

Other segment information (cont'd)

(iii) Segment assets

The amounts reported to the Board with respect to total assets are measured in a manner consistent with that of the financial statements.

Reportable segments' assets are reconciled to total assets as follows:

	2011 \$	2010 \$
Segment assets	15,224,115	17,243,500
Intersegment eliminations	(33,000)	-
Unallocated:		
Investments in associates	440,841	298,150
Deferred tax assets	887,344	595,331
Other	4,129,572	3,390,570
Total assets as per the statement of financial position	20,648,872	21,527,551

(iv) Segment liabilities

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2011 \$	2010 \$
Segment liabilities	569,946	999,483
Intersegment eliminations	(327,818)	(197,641)
Unallocated:		
Deferred tax liabilities	-	6,218
Other	286,687	251,983
Total liabilities as per the statement of financial position	528,815	1,060,043

6 Revenue

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

	2011 \$	2010 \$
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	-	1,001,544
Revenue from rental accommodation	249,948	511,589
Revenue from secured loans	148,895	635,562
Sale of goods	10,035,401	14,680,731
Funds management fees	876,579	725,802
Interest revenue	183,543	42,039
Other revenue	12,330	93,352
	14,031,696	17,690,619

Notes to the consolidated financial statements (cont'd)

7 Expenses

	2011 \$	2010 \$
Loss before income tax includes the following expenses:		
Employee and Directors' benefits expense:		
Salaries	845,743	746,289
Directors' fees	63,750	60,000
Superannuation expenses	75,458	67,920
	<u>984,951</u>	<u>874,209</u>
Depreciation and amortisation		
Buildings	35,618	68,628
Plant and equipment	33,822	37,795
Leasehold improvements, furniture and fittings	151,311	155,090
Total depreciation and amortisation	<u>220,751</u>	<u>261,513</u>
Impairment losses		
Impairment of trade receivables (refer note 10)	169,645	71,160
The impairment loss relates to fees payable by a related party (Gambit Group Pty Ltd). Whilst the Group will continue to pursue repayment of the receivable, at the date of this report, the Directors regard the receivable as being fully impaired.		
Impairment of loans (refer note 11)	394,918	543,763
The impairment loss relates to a loan that was in excess of 90 days past due and where the Directors have reasonable grounds to believe that the loan is unlikely to be repaid. Whilst the Group will continue to pursue repayment of the loan, at the date of this report, the Directors regard the loan as being fully impaired.		
Impairment of inventory properties (refer note 13)	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.		
Foreign exchange losses		
Net foreign exchange losses	29,566	30,520
Occupancy expenses		
Rental expense relating to operating leases		
Minimum lease payments	73,263	69,254

Notes to the consolidated financial statements (cont'd)

8 Income tax

	2011 \$	2010 \$
(a) Income tax benefit		
Current tax expense	-	-
Deferred tax expense (benefit) relating to the origination and reversal of temporary differences	(298,231)	(165,404)
Total tax expense (benefit)	(298,231)	(165,404)
Deferred income tax (benefit) expense included in income tax expense (benefit) comprises:		
Decrease (increase) in deferred tax assets	(292,013)	(127,834)
(Decrease) increase in deferred tax liabilities	(6,218)	(37,570)
	(298,231)	(165,404)
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss before income tax:	(645,732)	(284,913)
Tax at the Australian tax rate of 30% (2010: 30%)	(193,720)	(85,474)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income (loss):		
Share of net loss (profit) of associate	(80,400)	(89,445)
Other tax effect and timing differences	(24,111)	9,515
Income tax (benefit)	(298,231)	(165,404)

9 Current assets - Cash and cash equivalents

	2011 \$	2010 \$
Cash at bank and in hand	3,850,025	3,260,003
	3,850,025	3,260,003

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:

Balance as above	3,850,025	3,260,003
Bank overdraft	-	-
Balance per statement of cash flows	3,850,025	3,260,003

Risk exposure

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

Notes to the consolidated financial statements (cont'd)

10 Current assets - Trade and other receivables

	2011 \$	2010 \$
Trade receivables	964,345	1,435,032
Allowance for impairment of receivables	(105,872)	(207,480)
	858,473	1,227,552
Goods and services tax recoverable	8,474	192,409
	866,947	1,419,961

There were no loans to key management personnel, associates and other related parties (2010: \$nil).

(a) Impaired trade receivables

As at 30 June 2011 current trade receivables of the Group with a nominal value of \$105,872 (2010: \$207,480) were impaired. The amount of the allowance was \$105,872 (2010: \$207,480).

The ageing of these receivables is as follows:

Up to 3 months	-	71,160
3 to 6 months	-	-
Over 6 months	105,872	136,320
	105,872	207,480

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

At 1 July	207,480	136,320
Allowance for impairment recognised during the year	169,645	71,160
Receivables written off during the year as uncollectible	(271,253)	-
Balance at end of the year	105,872	207,480

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 current year as uncollectible were for the fees due from a related party.

(b) Past due but not impaired

As at 30 June 2011, trade receivables of \$662,072 (2010: \$817,000) were past due but not considered impaired.

The ageing analysis of these trade receivables is as follows:

Up to 3 months	141,548	-
3 to 6 months	125,557	-
Over 6 months	394,967	817,000
	662,072	817,000

Notes to the consolidated financial statements (cont'd)

10 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 2011, KSL had trade and other receivables amounting to \$662,072 (2010: \$817,000) outstanding from the funds. The receivables relate to unpaid management fees, insurance costs, employee entitlements and other establishment costs relating to the setup of the funds. Due to the changing property market, property valuations and lease renewals currently under negotiation, the Directors are uncertain as to the recoverability of the amounts outstanding from the funds. This places an uncertainty on the amounts which will be ultimately collected by KSL however the Directors consider only \$105,872 of the 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 - Financial assets

	2011 \$	2010 \$
Loans carried at amortised cost:		
<u>Current</u>		
Interest-bearing secured loans	9,002,829	7,595,351
Provision for impairment of loans	(1,636,135)	(1,241,217)
	7,366,694	6,354,134

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

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

Impaired loans

Secured loans are assessed for recoverability based on the underlying terms of the contract. An allowance for impairment is recognised when there is objective evidence that an individual loan is impaired. An impairment loss of \$394,918 (2010: \$621,217) has been recognised by the Group in the current year.

In determining the recoverability of a secured loan, the Group considers any change in the credit quality of the loan from the date the loan was initially granted up to the reporting date.

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

At 1 July	1,241,217	697,454
Allowance for impairment recognised during the year	394,918	621,217
Unused amount reversed	-	(77,454)
Balance at end of the year	1,636,135	1,241,217

Notes to the consolidated financial statements (cont'd)

11 Current assets - Financial assets (cont'd)

Past due but not impaired

As at 30 June 2011, total loans of \$550,807 (2010: \$705,000) were past due but not impaired.

The ageing analysis of these loans is as follows:

	2011 \$	2010 \$
Up to 3 months	-	180,000
3 to 6 months	-	-
Over 6 months	550,807	525,000
	<u>550,807</u>	<u>705,000</u>

Included in the Group's loans balance are loans with a carrying amount of \$550,807 (2010: \$705,000) which were past due at the reporting date for which the Group has not provided an allowance as adequate security was being held and the amounts were considered recoverable.

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

(a) Investment details

Unlisted

RewardsCorp Ltd	440,841	298,150
Investments in associates	<u>440,841</u>	<u>298,150</u>

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

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			2011 %	2010 %
RewardsCorp Ltd	Australia	Holiday and travel	44	44

(b) Movements in carrying amount

	2011 \$	2010 \$
RewardsCorp Ltd		
Carrying amount at the beginning of the financial year	298,150	-
Share of profit after income tax	362,691	298,150
Dividends received	(220,000)	-
Impairment of investment in associate	-	-
Carrying amount at the end of the financial year	<u>440,841</u>	<u>298,150</u>

Impairment of investment in associate accounted for using the equity method

The Group's investment in RewardsCorp was fully impaired as of 30 June 2009. While the operating results of RewardsCorp has improved and it reported profits for the years 2011 and 2010, the Board has concluded that its future financial performance is not yet sufficiently certain to justify the full reversal of the previously booked impairment loss. RewardsCorp's profit after tax for the year was \$824,299 (2010: \$677,614).

Notes to the consolidated financial statements (cont'd)

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

(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:

	Ownership Interest %	Company's share of:			
		Assets \$	Liabilities \$	Revenues \$	Profit (Loss) \$
2011					
RewardsCorp Ltd	44	4,644,040	4,129,927	18,137,575	362,691
2010					
RewardsCorp Ltd	44	3,364,002	2,992,582	14,699,940	298,150

RewardsCorp 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.

13 Non-current assets - Inventories

	2011 \$	2010 \$
Land and property held for development and resale	5,214,960	5,237,381
	<u>5,214,960</u>	<u>5,237,381</u>

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.

Inventory expense

Inventories recognised as expense on sale during the year ended 30 June 2011 amounted to \$12,042,089 (2010: \$15,243,335).

Inventory write-downs recognised as an expense totalled \$50,560 (2010: \$nil).

14 Non-current assets classified as held for sale

Land and property	-	2,106,969
	<u>-</u>	<u>2,106,969</u>

The sale of Stage 1 of Waratah, NSW which was originally acquired for rental accommodation, consisting of 40 student units, was completed in August 2010.

Notes to the consolidated financial statements (cont'd)

15 Non-current assets - Property, plant and equipment

	Freehold land at cost \$	Buildings at cost \$	Furniture & Fittings at cost \$	Plant and equipment at cost \$	Total \$
At 1 July 2009					
Cost or fair value	1,190,634	2,745,116	914,680	163,223	5,013,653
Accumulated depreciation	-	(281,806)	(204,333)	(71,436)	(557,575)
Net book amount	1,190,634	2,463,310	710,347	91,787	4,456,078
Year ended 30 June 2010					
Opening net book amount	1,190,634	2,463,310	710,347	91,787	4,456,078
Additions	-	-	6,794	4,261	11,055
Transferred to non-current assets classified as held for sale	(994,179)	(1,109,453)	(3,337)	-	(2,106,969)
Depreciation charge	-	(68,628)	(155,090)	(37,795)	(261,513)
Closing net book amount	196,455	1,285,229	558,714	58,253	2,098,651
At 30 June 2010					
Cost or fair value	196,455	1,424,733	754,572	166,329	2,542,089
Accumulated depreciation	-	(139,504)	(195,858)	(108,076)	(443,438)
Net book amount	196,455	1,285,229	558,714	58,253	2,098,651
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

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 \$1,446,066 (2010: \$1,481,684) 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.

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

	2011 \$	2010 \$
The balance comprises temporary differences attributable to:		
Tax losses	260,653	140,118
Properties, plant and equipment and inventories	62,661	24,377
Financial assets	490,841	372,579
Employee benefits	28,633	27,570
Others	44,556	30,687
Total deferred tax assets	<u>887,344</u>	<u>595,331</u>
Deferred tax assets expected to be recovered after more than 12 months	<u>887,344</u>	<u>595,331</u>

Movements	Tax losses \$	Property, plant and equipment \$	Financial assets \$	Employee benefits \$	Other \$	Total \$
At 1 July 2009	226,667	-	210,367	15,146	15,317	467,497
(Charged) credited to profit or loss	(86,549)	24,377	162,212	12,424	15,370	127,834
At 30 June 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	<u>260,653</u>	<u>62,661</u>	<u>490,841</u>	<u>28,633</u>	<u>44,556</u>	<u>887,344</u>

Notes to the consolidated financial statements (cont'd)

17 Non-current assets - Intangible assets

Goodwill

	2011 \$	2010 \$
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	195,041	754,247
PAYG payable	16,195	18,551
Accruals and other payables	202,407	130,401
Unearned interest and other loans	-	37,664
	413,643	940,863

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 (2010: \$nil).

Notes to the consolidated financial statements (cont'd)

19 Current liabilities – Employee benefits

Employee benefits	2011 \$	2010 \$
Annual leave	62,582	75,653
Long service leave	52,590	37,309
	<u>115,172</u>	<u>112,962</u>

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:

Inventories	-	6,218
Total deferred tax liabilities	<u>-</u>	<u>6,218</u>
Deferred tax liabilities expected to be settled after more than 12 months	<u>-</u>	<u>6,218</u>

Movements	Inventories \$	Other \$	Total \$
At 1 July 2009	43,787	-	43,787
Charged (credited) to profit or loss	<u>(37,569)</u>	<u>-</u>	<u>(37,569)</u>
At 30 June 2010	6,218	-	6,218
Charged (credited) to profit or loss	<u>(6,218)</u>	<u>-</u>	<u>(6,218)</u>
At 30 June 2011	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements (cont'd)

21 Contributed equity

Share capital	2011		2010	
	\$		\$	
4,692,327 fully paid ordinary shares (2010: 4,692,327)				
	23,696,428		23,696,428	
	2011		2010	
	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 it can continue to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

22 Reserves

	2011	2010
	\$	\$
Movements in reserves were as follows:		
Share-based payments		
Balance 1 July	3,600	205,850
Transfer of expired options to accumulated losses	-	(202,250)
Balance 30 June	3,600	3,600

The equity-settled employee benefits reserve records the value of the grant of share options to executives under the executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. When the options expire amounts are transferred out of the reserve and directly into retained earnings. Further information about share-based payments to executives is disclosed in note 32 to the financial statements.

Notes to the consolidated financial statements (cont'd)

23 Accumulated losses

Movements in accumulated losses were as follows:

	2011 \$	2010 \$
Balance 1 July	(3,359,598)	(3,481,572)
Net loss for the year	(364,329)	(80,276)
Share-based payment transfer	-	202,250
Balance 30 June	(3,723,927)	(3,359,598)

24 Earnings per share

	2011 cents	2010 cents
Basic earnings per share attributable to the ordinary equity holders of the Company	(7.8)	(1.7)
Diluted earnings per share attributable to the ordinary equity holders of the Company	(7.8)	(1.7)

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

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

	2011 \$	2010 \$
Loss for the year attributable to the ordinary equity holders of the Company	(364,329)	(80,276)

(b) Weighted average number of shares

	2011 Number	2010 Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	4,692,327	4,692,327

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

25 Key management personnel disclosures

(a) Key management personnel compensation

	2011 \$	2010 \$
Short-term employee benefits	613,105	743,457
Post-employment benefits	40,554	40,086
Termination benefits	-	4,055
	653,659	787,598

Detailed remuneration disclosures are provided in the remuneration report on page 10 to 14.

Notes to the consolidated financial statements (cont'd)

25 Key management personnel disclosures (cont'd)

(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

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.

2010

Directors of CL Asset Holdings Limited

Theodore Baker	10,000	-	(10,000)	-	-	-
Gary Dainton	30,000	-	-	30,000	30,000	-
Peter Mitropoulos	30,000	-	-	30,000	30,000	-

Former Directors of CL Asset Holdings Limited

Michael Milman	20,000	-	(20,000)	-	-	-
Curt Rendall	10,000	-	(10,000)	-	-	-
Greg Robinson	10,000	-	(10,000)	-	-	-
	110,000	-	(50,000)	60,000	60,000	-

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 during the year	Balance at the end of the year
	Number	Number	Number	Number	Number
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
2010					
Directors of CL Asset Holdings Limited					
Ordinary shares					
Theodore Baker	2,942,585	-	-	51,000	2,993,585
Peter Mitropoulos	44,589	-	-	-	44,589

(c) Loans to key management personnel

In 2010 and 2011 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

During the year the Company paid a total of \$60,000 (2010: \$18,180) to The Esplanade One Pty Ltd, a company related to Peter Mitropoulos, for loan brokerage and consulting fees.

At 30 June 2011, CL Asset Holdings Limited accrued a receivable from Gambit Group Pty Ltd of \$nil (2010: \$207,480) in management fees for use of office space and related services for four years ended 30 June 2011. Theodore Baker does not own any shares in Gambit Group Pty Ltd but has the capacity to significantly influence the decision making of this company, thereby making it a director related entity. The full amount of \$207,480 impaired at end of last year was written off as repayment is considered remote.

As part of the Company's normal lending business, CL Asset Holdings has provided a loan to St Leonards Property Pty Ltd, which is trustee of the St Leonards Centre Unit Trust ('the Trust') in which Theodore Baker has a significant but non-controlling beneficial interest. Mr Baker is neither a shareholder nor director of St Leonards Property Pty Ltd, but the security provided for the Company's loan includes assets that are beneficially owned by the Trust. At 30 June 2011 the loan balance was \$5,495,377 (2010: \$3,755,445). The loan is secured, at normal arms-length terms the Company regularly provides to third parties, and was obtained for the purposes of the Trust.

Interest revenue recognised by the Company on the loan during year was \$nil (2010: \$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 matures on 7 August 2012 and attracts a compound interest rate of 19.8% pa (2010: 19.8% pa). No allowance for impairment has been provided in the current year (2010: \$nil).

The above disclosure was omitted from the financial reports of the Company for the years ended 30 June 2009 and 2010 due to an oversight by management.

Notes to the consolidated financial statements (cont'd)

25 Key management personnel disclosures (cont'd)

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

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 RewardsCorp Ltd, an associate of the Group paid a total of \$36,250 (2010: \$25,000) to a company related to Theodore Baker for director fees.

During the year RewardsCorp Ltd, an associate of the Group paid a total of \$43,759 (2010: \$18,750) 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:

	2011 \$	2010 \$
Amounts recognised as revenue		
Sales	-	(24,909)
Management fees	-	71,160
	-	46,251
Amounts recognised as expense		
Loan brokerage fee and commission	-	7,380
Consulting fee	60,000	10,800
Impairment of receivables	-	71,160
	60,000	89,340

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:

	2011 \$	2010 \$
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	-	-
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26 Contingencies

The Directors are of the opinion that there were no contingent liabilities or contingent assets to report as at 30 June 2011 (2010: \$nil).

Notes to the consolidated financial statements (cont'd)

27 Commitments

(a) Capital commitments

There were no capital expenditure commitments at year end (2010: \$nil).

(b) Lease commitments

Operating lease commitments-Group as lessee

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

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

	2011 \$	2010 \$
Within one year	13,908	13,908
Later than one year but not later than five years	24,339	38,247
	<u>38,247</u>	<u>52,155</u>

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	107,059	154,806
	<u>107,059</u>	<u>154,806</u>

(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. The ultimate Australian parent entity is NCJ Holdings Limited which at 30 June 2011 owns 62.6% of the ordinary shares in CL Asset Holdings Limited (2010: 61.5%).

(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 RewardsCorp Ltd, a subsidiary of the Company is disclosed in note 12.

(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.

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:

Name of entity	Country of incorporation	Equity holding	
		2011 %	2010 %
Bathurst One Pty Limited	Australia	100	100
Bendigo One Pty Limited	Australia	100	100
Caboolture One Pty Limited	Australia	100	100
CL Developments Pty Limited	Australia	100	100
CL Licensor Pty Limited	Australia	100	100
Community Life Pty Limited	Australia	100	100
Gunnedah One Pty Limited	Australia	100	100
Hervey Bay One Pty Limited	Australia	100	100
Hervey Bay Two Pty Limited	Australia	100	100
Inverell One Pty Limited	Australia	100	100
Maryborough One Pty Limited	Australia	100	100
Rockhampton One Pty Limited	Australia	100	100
Waratah One Pty Limited	Australia	100	100
Asset Trading Group Pty Limited	Australia	100	100
Kinsmen Securities Limited	Australia	59	59
Newcastle Waratah Investments Pty Limited	Australia	100	-
Trading Corp Pty Ltd	Australia	50	-

On 24 August 2010, the consolidated entity formed a new 50% owned subsidiary, Trading Corp Pty Ltd, a company specialising in trading business. The paid up capital of Trading Corp Pty Ltd is \$100. Business has not yet commenced.

There were no transactions with non-controlling interests in 2011 and 2010.

30 Events occurring after the reporting period

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

Notes to the consolidated financial statements (cont'd)

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

	2011 \$	2010 \$
Loss for the year	(347,501)	(119,509)
Non-cash flows in profit (loss):		
Depreciation and amortisation	220,751	261,513
Net gain on sale of non-current asset	(418,031)	(210,634)
Impairment of inventory properties	50,560	-
Impairment of receivables and loans	601,686	540,707
Share of associates (profit)/loss	(362,691)	(298,150)
Increase/(decrease) in deferred tax balances	(298,231)	(165,404)
Non-controlling interest/Investment in subsidiaries	50	-
Changes in operating assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	369,079	62,200
Other assets	222,227	(49,018)
Increase/(decrease) in liabilities:		
Trade and other payables	(527,220)	346,549
Employee entitlements	2,210	10,420
Net cash inflow (outflow) from operating activities	(487,111)	378,674

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.

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
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

Notes to the consolidated financial statements (cont'd)

32 Share-based payments (cont'd)

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

2010

15/9/04	20/9/09	\$10	50,000	-	-	(50,000)	-	-
1/12/06	30/11/11	\$5	60,000	-	-	-	60,000	60,000
			110,000	-	-	(50,000)	60,000	60,000

Weighted average exercise price	\$7.3	-	-	\$10	\$5	\$5
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The weighted average remaining contractual life of share options outstanding at the end of the year was 153 days (2010: 518 days).

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)

	2011 \$	2010 \$
Audit and review of financial statements	90,986	71,990
Tax compliance services	12,250	16,575
Total remuneration for audit and other assurance services	103,236	88,565

(b) HLB Mann Judd (SA Partnership)

Audit and review of financial statements	6,500	2,220
Tax compliance services	12,186	-
	18,686	2,220
Total auditors' remuneration	121,922	90,785

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	
	2011	2010
	\$	\$
Assets		
Current assets	11,025,357	9,138,237
Total assets	17,635,639	18,488,010
Liabilities		
Current liabilities	227,956	171,415
Total liabilities	852,608	793,180
Shareholders' equity		
Issued capital	23,696,428	23,696,428
Reserves	3,600	3,600
Accumulated losses	(6,916,996)	(6,005,197)
	16,783,032	17,694,831
Loss for the year	(911,798)	(922,058)
Total comprehensive loss	(911,798)	(922,058)

(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, 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 (2010: \$197,641).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

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

As at 30 June 2011 CL Asset Holdings Limited had no contractual commitments for the acquisition of property, plant and equipment (2010: \$nil).

Additional stock exchange information as at 1 September 2011

Number of equity security holders

Ordinary share capital

4,692,327 fully paid ordinary shares are held by 328 individual shareholders.

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

Options

60,000 options are held by 2 individual optionholders. Options do not carry a right to vote.

Distribution of equity security holders

Size of holding

1	-	1,000
1,001	-	5,000
5,001	-	10,000
10,001	-	100,000
100,001	-	and over

Total number of shareholders

Fully paid ordinary shares	Options
210	-
75	-
13	-
25	2
5	-
328	2

There were 153 shareholders with less than a marketable parcel.

Substantial shareholders

Ordinary shareholders

NCJ Holdings Pty Ltd

Rekab NSW Pty Ltd

Fully paid ordinary shares	
Number	Percentage
2,935,299	62.6
275,583	5.9
3,210,882	68.5

Twenty largest quoted equity security holders

Ordinary shareholders

1	NCJ Holdings Pty Ltd
2	Rekab NSW Pty Ltd
3	Shyzi Pty Ltd
4	TTB Holdings Pty Ltd
5	Charles Comino
6	Spinite Pty Ltd
7	Sean Dennehy
8	Shaun Bitter, Nicole Bitter & Dianne Bitter
9	Peter Mitropoulos
10	John Rowney and Pamela Rowney
11	BKC Profitability Pty Ltd
12	Cedara Properties Pty Td
13	TRE Pty Ltd
14	Margriet Nakken
15	Arthur Cheswisk Pty Ltd
16	LSI Investments Pty Ltd
17	Peter Browne
18	Savva Kaponas
19	John Eager and Alvine Eager
20	Ryan Thomas

Fully paid ordinary shares	
Number	Percentage
2,935,299	62.6
275,583	5.9
204,135	4.4
108,146	2.3
104,907	2.2
97,557	2.1
83,249	1.8
61,605	1.3
44,589	1.0
44,000	0.9
41,499	0.9
40,000	0.9
35,000	0.7
30,000	0.6
30,000	0.6
30,000	0.6
20,000	0.4
20,000	0.4
18,164	0.4
17,500	0.4
4,241,233	90.4

Additional stock exchange information (cont'd)

Company secretary

Henry Kam

Registered office

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Principal administration office

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Share register

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Fax: (02) 8234 5050

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

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Chartered Accountants
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Legal Advisers

HWL Ebsworth Lawyers
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Bankers

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