# CL Asset Holdings Limited

ABN 38 104 475 345

**(Formerly Community Life Limited)**

**Preliminary Final Report**

for the financial year ended 30 June 2009

Rule 4.3A

# Appendix 4E

## Preliminary Final Report

Name of entity

| |
|---|
| **CL Asset Holdings Limited** |

| | |
|---|---|
| ABN: | 38 104 475 345 |

## 1. Reporting period

| | |
|---|---|
| Report for the financial year ended | 30 June 2009 |
| Previous corresponding period is the financial year ended | 30 June 2008 |

## 2. Results for announcement to the market

| | | | | | | |
|---|---|---|---|---|---|---|
| Revenue from ordinary activities | up | 949 % | from | $1,506,455 | to | $15,798,066 |
| Profit/(loss) from ordinary activities after tax attributable to members | up | 612% | from | ($448,341) | to | ($3,190,981) |
| Net profit/(loss) for the period attributable to members | up | 612% | from | ($448,341) | to | ($3,190,981) |

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

## 3. Income Statement

### Income statement
### for the financial year ended 30 June 2009

| | Note | Consolidated 2009 $ | Consolidated 2008 $ |
|---|---|---|---|
| Revenue | 3 | 15,798,066 | 1,506,455 |
| Share of profits/(loss) of associate accounted for using the equity method | 9 | (90,310) | 245,403 |
| Cost of sales of ITC hardware | | (12,252,087) | (171,000) |
| Cost of sales on non-current assets classified as held for sale | | (701,752) | - |
| Impairment of investment in associate | 9 | (3,363,220) | - |
| Impairment of goodwill | | (237,739) | - |
| Impairment of receivables | | (71,160) | - |
| Impairment of loans | | (85,048) | (700,222) |
| Employee and Director benefits expenses | 4 | (762,661) | (513,570) |
| Depreciation and amortisation | | (163,809) | (129,727) |
| Loss on disposal of property, plant and equipment | | (8,929) | - |
| Property expenses and outgoings | | (245,838) | (266,791) |
| Impairment of inventory properties | | (126,276) | (70,950) |
| Consulting and professional fees | | (371,868) | (149,739) |
| Listing and filing expenses | | (33,889) | (38,658) |
| Occupancy expenses | | (124,767) | (78,499) |
| Insurance expenses | | (85,182) | (39,962) |
| Finance costs | | (15,812) | (9,826) |
| Telephone expenses | | (14,553) | (15,183) |
| Other expenses | | (221,426) | (125,523) |
| **Profit/(Loss) before tax** | | (3,178,260) | (557,792) |
| Income tax (expense)/benefit | 5 | (51,410) | 109,451 |
| **Profit/(Loss) for the year** | | **(3,229,670)** | **(448,341)** |
| Attribute to: | | | |
| Equity holders of the Company | | (3,190,981) | (448,341) |
| Minority interest | | (38,689) | - |
| | | **(3,229,670)** | **(448,341)** |
| **Earnings/(Loss) per share:** | | | |
| Basic (cents per share) | 20 | (68.0) | (9.6) |
| Diluted (cents per share) | 20 | (68.0) | (9.6) |

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

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

## 4. Balance Sheet

### Balance sheet
### as at 30 June 2009

| | Note | Consolidated 2009 $ | 2008 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 1,302,704 | 4,690,561 |
| Trade and other receivables | 6 | 1,482,161 | 113,215 |
| Inventories | 8 | - | 59,090 |
| Other financial assets | 7 | 7,541,668 | 4,338,386 |
| Non-current assets classified as held for sale | 10 | - | 701,752 |
| Other assets | 12 | 107,953 | 115,159 |
| **Total current assets** | | **10,434,486** | **10,018,163** |
| | | | |
| **Non-current assets** | | | |
| Inventories | 8 | 5,969,600 | 6,066,966 |
| Investments accounted for using the equity method | 9 | - | 3,625,312 |
| Property, plant and equipment | 11 | 4,456,078 | 3,813,595 |
| Intangibles assets | 13 | - | - |
| Deferred tax assets | 5 | 467,497 | 609,809 |
| **Total non-current assets** | | **10,893,175** | **14,115,682** |
| | | | |
| **TOTAL ASSETS** | | **21,327,661** | **24,133,845** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 594,315 | 347,548 |
| Provisions | 16 | 102,542 | 41,120 |
| **Total current liabilities** | | **696,857** | **388,668** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 5 | 43,787 | 134,690 |
| **Total non-current liabilities** | | **43,787** | **134,690** |
| | | | |
| **TOTAL LIABILITIES** | | **740,644** | **523,358** |
| | | | |
| **NET ASSETS** | | **20,587,017** | **23,610,487** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 17 | 23,696,428 | 23,696,428 |
| Reserves | 18 | 205,850 | 204,650 |
| Retained earnings/(Accumulated losses) | 19 | (3,481,572) | (290,591) |
| **Capital and reserves attributable to equity holders of the Company** | | **20,420,706** | **23,610,487** |
| Minority interest | | 166,311 | - |
| **TOTAL EQUITY** | | **20,587,017** | **23,610,487** |

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

## 5. Statement of Cash Flows

## Cash flow statement
## for the financial year ended 30 June 2009

| | Consolidated | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| **Cash flows from operating activities** | | |
| Receipts from customers | 13,755,665 | 1,942,304 |
| Payments to suppliers and employees | (13,989,830) | (2,022,180) |
| Finance cost paid | (15,812) | - |
| Interest received | 231,254 | 134,304 |
| Dividends received | 171,782 | - |
| **Net cash flows provided by/(used in) operating activities** | **153,059** | **54,428** |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | (815,221) | (11,230) |
| Payments for acquisition of equity investment | (66,666) | (397,000) |
| Loans advanced | (6,029,045) | (5,403,341) |
| Loans repaid | 2,844,747 | 9,070,130 |
| Proceeds from sale of non-current assets classified as held for sale | 1,000,000 | - |
| Payment for acquisition of subsidiary, net of cash acquired | (474,731) | - |
| **Net cash flows provided by/(used in) investing activities** | **(3,540,916)** | **3,258,559** |
| **Cash flows from financing activities** | | |
| Proceeds from issues of equity securities | - | - |
| Proceeds from borrowings | - | - |
| Repayment of borrowings | - | - |
| **Net cash flows provided by/(used in) financing activities** | - | - |
| **Net decrease in cash and cash equivalents** | (3,387,857) | 3,312,987 |
| Cash and cash equivalents at the beginning of the financial year | 4,690,561 | 1,377,574 |
| **Cash and cash equivalents at the end of the financial year** | **1,302,704** | **4,690,561** |

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

## Notes to the financial statements

### 1. Basis of preparation

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

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

### 2. Segment information

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

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

**Segment revenues and results**

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

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| Property development | 5,969,600 | 6,768,718 | 474 | 727 |
| Rental | 3,685,613 | 3,770,340 | 2,466 | 6,092 |
| Lending | 7,541,668 | 4,338,386 | 33,384 | 25,820 |
| Wholesale | 1,253,814 | 59,090 | 32,838 | - |
| Funds management | 682,030 | - | 276,393 | - |
| Total of all segments | 19,132,725 | 14,936,534 | 345,555 | 32,639 |
| Unallocated | 2,194,936 | 9,197,311 | 395,089 | 490,719 |
| Consolidated | 21,327,661 | 24,133,845 | 740,644 | 523,358 |

# Notes to the financial statements (cont'd)

## 2. Segment information (cont'd)

**Other segment information**

| | Acquisition of non-current segment assets | | Depreciation and amortisation of segment assets | |
|---|---|---|---|---|
| | **2009** **$** | **2008** **$** | **2009** **$** | **2008** **$** |
| Property development | 28,910 | 9,283 | - | - |
| Rental | - | - | 100,913 | 106,039 |
| Lending | - | - | 4,500 | 4,500 |

**Geographical information**

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

## 3. Revenue

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

| | Consolidated | |
|---|---|---|
| | **2009** **$** | **2008** **$** |
| Revenue consisted of the following items: | | |
| Revenue from the sale of non-current assets classified as held for sale | 1,000,000 | - |
| Revenue from rental accommodation | 476,191 | 472,081 |
| Interest from bank deposits | 231,254 | 134,304 |
| Revenue from secured loans | 889,227 | 664,110 |
| Revenue from the sale of goods | 12,630,809 | 170,800 |
| Revenue from funds management | 489,576 | - |
| Other revenue | 81,009 | 65,160 |
| | 15,798,066 | 1,506,455 |

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

### 4. Expenses

| | Consolidated 2009 $ | Consolidated 2008 $ |
|---|---|---|
| **Cost of sales** | | |
| ITC hardware | (12,252,087) | (171,000) |
| Non-current assets held for sale | (701,752) | - |
| **Finance costs:** | | |
| Costs incurred with borrowings | (15,812) | (9,826) |
| **Employee and Directors' benefits expense:** | | |
| Salaries | (648,582) | (416,873) |
| Directors' fees | (60,000) | (60,000) |
| Superannuation expense | (52,879) | (35,497) |
| Share-based payment expense | (1,200) | (1,200) |
| | (762,661) | (513,570) |
| **Depreciation and amortisation** | | |
| Depreciation of non-current assets | (163,809) | (129,727) |
| **Impairment losses-financial assets** | | |
| Loans | (85,048) | (700,222) |

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

| | 2009 $ | 2008 $ |
|---|---|---|
| **Impairment losses-intangible assets** | | |
| Goodwill | (237,739) | - |
| **Impairment of inventory properties** | (126,276) | (70,950) |

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

| | 2009 $ | 2008 $ |
|---|---|---|
| **Foreign exchange losses** | | |
| Net foreign exchange losses | (7,922) | - |
| **Occupancy expenses** | | |
| Operating lease rental expenses: | | |
| Minimum lease payments | (124,767) | (78,499) |

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

### 5. Income taxes

| | Consolidated | |
|---|---|---|
| | **2009** **$** | **2008** **$** |
| **(a) Income tax recognised in profit or loss** | | |
| Tax expense/(benefit) comprises: | | |
| Current tax expense/(benefit) | - | - |
| Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences | 51,410 | (109,451) |
| Income tax expense/(benefit) reported in the income statement | 51,410 | (109,451) |

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

| | | |
|---|---|---|
| Accounting profit/(loss) before income tax: | (3,178,260) | (557,792) |
| Income tax expense/(benefit) calculated at 30% | (953,478) | (167,337) |
| Adjustments: | | |
| Under provision of income tax in previous year | - | - |
| Other tax effect and timing differences | 1,004,888 | 57,886 |
| Income tax expense/(benefit) per income statement | 51,410 | (109,451) |

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

**(b) Deferred tax balances**

| | | |
|---|---|---|
| **Deferred tax assets comprise:** | | |
| Tax losses – revenue | 226,667 | 285,781 |
| Temporary differences | 240,830 | 324,028 |
| | 467,497 | 609,809 |
| **Deferred tax liabilities comprise:** | | |
| Temporary differences | 43,787 | 134,690 |

# Notes to the financial statements (cont'd)

## 6. Trade and other receivables

| | Consolidated | |
|---|---|---|
| | 2009 $ | 2008 $ |
| Current | | |
| Trade receivables (i) | 1,421,415 | 86,027 |
| Allowance for doubtful debts | (71,160) | - |
| | 1,350,255 | 86,027 |
| Goods and services tax recoverable | 131,906 | 27,188 |
| | 1,482,161 | 113,215 |

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

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

## 7. Other financial assets

| | | |
|---|---|---|
| Loans carried at amortised cost | | |
| Current | | |
| Interest-bearing secured loans (i) | 8,239,122 | 5,038,608 |
| Allowance for impairment of loans | (697,454) | (700,222) |
| | 7,541,668 | 4,338,386 |

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

**Allowance for impairment of loans**

Secured loans are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual loan is impaired. An impairment loss of $697,454 (2008: $700,222) has been recognised by the Group and the Company in the current year. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

| | | |
|---|---|---|
| Movement in the provision for impairment of loans were as follows: | | |
| At 1 July | 700,222 | - |
| Provision for impairment recognised during the year | 697,454 | 700,222 |
| Loans written off during the year as uncollectible | (87,817) | - |
| Unused amount reversed | (612,405) | - |
| | 697,454 | 700,222 |

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

**7. Other financial assets (cont'd)**

| | Consolidated | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| Ageing of past due but not impaired interest-bearing secured loans | | |
| Overdue 0-60 days | - | - |
| Overdue 60-120 days | - | - |
| Overdue 120 days – 1 year | - | 210,000 |
| Overdue over 1 year | 210,000 | - |
| Total | 210,000 | 210,000 |

Included in the Group's loans balance are loans with a carrying amount of $210,000 (2008: 210,000) which are past due at the reporting date for which the Group has not provided provision as adequate securities are being held, or there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

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

**8. Inventories**

| | | |
|---|---|---|
| Current | | |
| Goods-at cost | - | 59,090 |
| Non-current | | |
| Inventory properties | 5,969,600 | 6,066,966 |
| | 5,969,600 | 6,126,056 |

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

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

During the year inventory properties write-downs recognised as an expense totalled $126,276 (2008: $70,950) for the Group.

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

### 9. Investments accounted for using the equity method

| **Investment details** | **Consolidated** | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| Unlisted | | |
| RewardsCorp Ltd | - | 3,625,312 |
| Investments in associates | - | 3,625,312 |

The Group originally acquired 40% of the issued capital in the holding company of RewardsCorp Ltd in October 2006, a further 3% in May 2007 and an additional 1% in June 2008.

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

| | | | **Ownership interest** | |
|---|---|---|---|---|
| | **Country of** | | **2009** | **2008** |
| **Name of entity** | **incorporation** | **Principal activity** | **%** | **%** |
| RewardsCorp Ltd | Australia | Holiday and travel | 44 | 44 |

**Reconciliation of movement in investments accounted for using the equity method**

| | **Consolidated** | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| **RewardsCorp Ltd** | | |
| Balance 1 July | 3,625,312 | 3,313,243 |
| Purchase price paid | - | - |
| Purchase price to be paid | - | 66,666 |
| Direct costs relating to the acquisition | - | - |
| Share of profit/(loss) for the year | (90,310) | 245,403 |
| Dividends received | (171,782) | - |
| Impairment of investment in associate | (3,363,220) | - |
| Balance 30 June | - | 3,625,312 |

**Impairment of investment in associate accounted for using the equity method**

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

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

The Group's investments in the abovementioned associate were fully impaired during the year (2008: $nil).

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

### 9. Investments accounted for using the equity method (cont'd)

**Summarised financial information**

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

| | Consolidated | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| **Financial position:** | | |
| Total assets | 5,925,652 | 4,784,019 |
| Total liabilities | 5,817,382 | 4,080,088 |
| Net assets | **108,270** | **703,931** |
| Share of associate's net assets (44%) | **47,639** | **309,729** |
| | | |
| **Financial performance:** | | |
| Total revenue | 24,178,156 | 17,470,769 |
| Total profit/(loss) for the year | (205,251) | 557,734 |
| Share of associate's profit/(loss) (44%) | **(90,310)** | **245,403** |
| | | |
| **Share of associate's profit or loss accounted for using the equity method:** | | |
| Profit/(loss) before income tax | (131,383) | 340,315 |
| Income tax (expense)/benefit | 41,073 | (94,912) |
| Profit/(loss) after income tax | **(90,310)** | **245,403** |

**Dividends received from associate**

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

### 10. Non-current assets classified as held for sale

| | | |
|---|---|---|
| Non-current assets held for sale | | |
| Land | - | 701,752 |

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

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

### 11. Property, plant and equipment

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

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

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

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

Land and buildings with a carrying amount of consolidated $nil (2008: 3,722,571) are subject to a first charge from certain of the Group's bank overdraft provided as disclosed in note 15.

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

# Notes to the financial statements (cont'd)

## 12. Other assets

| | Consolidated 2009 $ | Consolidated 2008 $ |
|---|---|---|
| Current | | |
| **Security deposits** | 16,000 | 16,000 |
| **Prepayment** | 91,953 | 99,159 |
| | 107,953 | 115,159 |

## 13. Non-current assets – Intangible assets

| | 2009 | 2008 |
|---|---|---|
| **Goodwill** | | |
| **Gross carrying amount** | | |
| Balance at beginning of financial year | - | - |
| Additional amounts recognised from business combinations occurring during the period (note 21) | 237,739 | - |
| Balance at end of financial year | 237,739 | - |
| | | |
| **Accumulative impairment losses** | | |
| Balance at beginning of financial year | - | - |
| Impairment losses for the year | 237,739 | - |
| Balance at end of financial year | 237,739 | - |
| | | |
| **Net book value** | | |
| At the beginning of the financial year | - | - |
| At the end of the financial year | - | - |

During the financial year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's subsidiary, Kinsmen Securities was fully impaired.

## 14. Trade and other payables

| | 2009 | 2008 |
|---|---|---|
| Current | | |
| Trade payables | 158,575 | 36,476 |
| PAYG payable | 17,943 | 11,670 |
| Accruals and other payables | 167,701 | 101,436 |
| Unearned interest | 149,374 | 131,300 |
| Other loans | 100,722 | - |
| Payable for investment in associate | - | 66,666 |
| | 594,315 | 347,548 |

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

## 15. Borrowings

| | 2009 | 2008 |
|---|---|---|
| **Secured – at amortised cost** | | |
| Current | | |
| Bank overdrafts | - | - |

In the year 2008 the Group had an overdraft facility of $2,175,000 from the bank secured by a mortgage over the Group's freehold land and buildings. The Group cancelled the facility in 2009.

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

### 16. Provisions

| | Consolidated | |
|---|---|---|
| | 2009 | 2008 |
| | $ | $ |
| Current | | |
| Employee benefits | 102,542 | 41,120 |

### 17. Issued capital

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value. In May 2009 the Company consolidated its shares on a 10 to 1 basis. The number of shares on issue for the year 2008 has been adjusted for comparison purposes.

| | Company | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | Number | $ | Number | $ |
| **Fully paid ordinary shares** | | | | |
| Balance at beginning of financial year | 4,692,327 | 23,696,428 | 4,692,327 | 23,696,428 |
| Balance at end of financial year | 4,692,327 | 23,696,428 | 4,692,327 | 23,696,428 |

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

**Share options granted under the executive share option plan**

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

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

### 18. Reserves

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

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

# Notes to the financial statements (cont'd)

### 19. Retained earnings/(Accumulated losses)

| | Consolidated | |
|---|---|---|
| | 2009 $ | 2008 $ |
| Balance at beginning of financial year | (290,591) | 157,750 |
| Profit/(loss) for the year | (3,190,981) | (448,341) |
| Balance at end of financial year | (3,481,572) | (290,591) |

### 20. Earnings per share

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

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

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

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

**(a) Earnings used in calculating earnings per share**

| | Consolidated | |
|---|---|---|
| | 2009 $ | 2008 $ |
| Net profit attributed to ordinary equity holders of the parent | (3,190,981) | (448,341) |

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

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

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

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

### 21. Business combination

#### (a) Summary of acquisition

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

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

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

| | |
|---|---|
| Purchase consideration (refer to (b) below): | **$** |
| Cash paid | 500,000 |
| Direct costs relating to the acquisition | 32,739 |
| Total purchase consideration | 532,739 |
| | |
| Fair value of net identifiable assets acquired (refer to (c) below) | 295,000 |
| Goodwill (refer to (c) below and note 13) | 237,739 |

#### (b) Purchase consideration

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

#### (c) Assets and liabilities acquired

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

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

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

## 6. Dividends

| | Date of payment | Total amount of dividend |
|---|---|---|
| Interim dividend – year ended 30 June 2009 | N/A | NIL |
| Final dividend – year ended 30 June 2009 | N/A | NIL |

**Amount per security**

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

**Total dividend on all securities**

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

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

N/A

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

## 8. Statement of retained earnings

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Balance at the beginning of year | (290,591) | 157,750 | (1,491,121) | (832,663) |
| Net profit/(loss) attributable to members of the parent entity | (3,190,981) | (448,341) | (3,261,529) | (658,458) |
| Total available for appropriation | (3,481,572) | (290,591) | (4,752,650) | (1,491,121) |
| Dividend paid | - | - | - | - |
| Balance at end of year | (3,481,572) | (290,591) | (4,752,650) | (1,491,121) |

## 9. Net tangible assets per security

| | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary security | $4.35 | $5.03 |

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

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

### Control gained over entities

| | |
|---|---|
| Name of entities | Kinsmen Securities Limited |
| Date(s) of gain of control | 2 December 2008 |
| Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired | (94,363) |
| Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period | N/A |

### Loss of control of entities

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

## 11. Details of associates and joint venture entities

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

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

| **Group's share of associates' and joint venture entities':** | **2009 $** | **2008 $** |
|---|---|---|
| Profit/(loss) from ordinary activities before tax | (298,598) | 773,446 |
| Income tax benefit/(expense) on ordinary activities | 93,348 | (215,710) |
| **Net profit/(loss) from ordinary activities after tax** | (205,251) | 557,735 |
| Adjustments | - | - |
| **Share of net profit/(loss) of associates and joint venture entities** | (90,310) | 245,403 |

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

See item 14.

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

## 14. Commentary on the results for the period

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

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

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

The Company's balance sheet remains strong with no debt. Cash at bank as of 30 June 2009 was $1.3 million. Net tangible asset backing per share was $4.35, a decrease of 15.6% over last year.

## 15. Audit of the financial report

The financial report is in the process of being audited.

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