

Company Announcements
Australia Stock Exchange
by e-lodgement

24 August 2010

CLIME CAPITAL LIMITED
ANNOUNCES \$13.2 MILLION PROFIT
PORTFOLIO RETURN OF 24.3%

- Profit before tax \$13.2 million for the year ended 30 June 2010.
- After-tax net tangible assets (after payment of dividends) increased 16.1% from \$1.12* per share at 30 June 2009 to \$1.30* per share at 30 June 2010.
- Gross portfolio increased by 24.3%, after fees and expenses for the 12 months ended 30 June 2010, outperforming the S&P/ASX All Ordinaries Accumulation Index by 10.5%
- Bonus share issue to ordinary shareholders declared, on a 1 for 20 basis.
- Total cash dividends paid out during the year of \$2.35 million.

For further information please contact:

John Abernethy
Chairman
(02) 9252 8522

Appendix 4E
Preliminary Final Report
Lodged with the ASX under Listing Rule 4.3A

Year Ended 30 June 2010
 (Previous corresponding period – 30 June 2009)

Results for Announcement to the Market

Revenue from ordinary activities	up	561%	\$15,695,635
Profit after tax attributable to members	up	870%	\$11,441,944

	Amount per security	Franked amount per security
<i>Dividends per share – Fully Paid Ordinary Shares</i>		
Interim Dividend – FY10 (paid 21 October 2009)	1 cent	1 cent
Interim Dividend – FY10 (paid 29 January 2010)	1 cent	1 cent
Interim Dividend – FY10 (paid 16 April 2010)	1 cent	1 cent
Final dividend – FY10 (paid 27 July 2010)	1 cent	1 cent
<i>Dividends per share – Converting Preference Shares</i>		
July to Sep 09 – Quarterly Dividend (paid 15 October 2009)	4.5 cents	4.5 cents
Oct to Dec 09 – Quarterly Dividend (paid 28 January 2010)	4.5 cents	4.5 cents
Jan to March 10 – Quarterly Dividend (paid 15 April 2010)	4.5 cents	4.5 cents
Apr to Jun 10 – Quarterly Dividend (paid 26 July 2010)	4.75 cents	4.75 cents

Explanation of revenue from ordinary activities

Revenues for the period increased to \$15,695,635 (FY09: \$2,374,465). This increase was primarily caused by a significant increase in realised and unrealised losses.

Explanation of profit from ordinary activities after tax attributable to members

Profit after tax attributable to members increased to a profit of \$11,441,944 (FY09: \$1,179,098).

COMMENTARY ON RESULTS
FINANCIAL YEAR ENDED 30 JUNE 2010

Performance

The Board is pleased to report that the invested portfolio substantially outperformed the ASX All Ordinaries Accumulation Index for the financial year 2009/10. The portfolio return of 24.1% over the year is after deducting all fees, expenses and tax.

	1 year	2 years*	3 years*	4 years*
Clime Capital Limited	24.1%	12.5%	-2.7%	4.7%
ASX All Ordinaries Acc. Index	13.8%	-5.9%	-8.0%	0.4%
Outperformance	10.3%	18.4%	5.3%	4.3%

Outlook

The return was generated by a disciplined investment approach. The features of this approach are:

- a. Acquiring positions in companies when the market price on offer is at a discount to our assessment of value;
- b. Lightening or selling positions when the market price is well above our assessment of value;
- c. Maintaining a realistic requirement for required return for our preferred equity investments;
- d. Seeking out yield in the market from hybrid investments; and
- e. Reverting to cash when value is not readily available in the market.

During the year the portfolio held no more than twenty investments at any point in time. The average cash balance of the portfolio throughout the year was 20%. We have noted in earlier reports that the portfolio has been able to generate returns far superior to market returns without being fully invested at any point.

Supplementary Appendix 4E information

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2010 are as follows:

Record Date	Payment Date	Type	Amount per security	Total Dividend	Franked amount per security	Foreign sourced dividend amount per security
Fully Paid Ordinary Shares						
16 Oct 2009	21 Oct 2009	Interim	1 cent	\$378,467	1 cent	-
14 Jan 2010	29 Jan 2010	Interim	1 cent	\$379,958	1 cent	-
31 March 2010	16 April 2010	Interim	1 cent	\$380,995	1 cent	-
9 July 2010	27 July 2010	Final	1 cent	\$401,212	1 cent	-
Converting Preference Shares						
30 Sep 2009	15 Oct 2009	Quarterly	4.5 cents	\$344,907	4.5 cents	-
13 Jan 2010	28 Jan 2010	Quarterly	4.5 cents	\$344,907	4.5 cents	-
31 March 2010	15 April 2010	Quarterly	4.5 cents	\$344,907	4.5 cents	-
9 July 2010	26 July 2010	Quarterly	4.75 cents	\$364,068	4.75 cents	-

Dividend/distribution reinvestment plan

The company operates a dividend reinvestment plan.

Net tangible assets per security

	2010 \$	2009 \$
Fully diluted net tangible asset backing per ordinary share – pre-tax	\$1.34*	\$1.12*
Fully diluted net tangible asset backing per ordinary share – post-tax	\$1.30*	\$1.12*

* **NOTE** – Fully diluted net tangible asset backing per share incorporates both the fully paid ordinary shares and converting preference shares on issue.

Controlled Entities

The company did not gain or lose control over any entities during the 12 months ended 30 June 2010.

Associates and Joint Venture entities

The company does not have any interests in associates or joint venture entities.

Foreign Accounting standards

Not applicable

Audit

The accounts have been audited, and a copy of the audit report has been included in the Annual Report, lodged with the ASIC and ASX today.



CLIME CAPITAL LIMITED

ABN 99 106 282 777

ANNUAL REPORT FOR THE YEAR ENDED

30 JUNE 2010

CLIME CAPITAL LIMITED
ABN 99 106 282 777

Contents

Chairman's Letter	2
Corporate Directory	6
Director's Report	7
Auditor's Independence Declaration	15
Corporate Governance Statement	16
Statement of Comprehensive Income	20
Statement of Financial Position	21
Statement of Changes in Equity	22
Statement of Cash Flows	23
Notes to the Financial Statements	24
Director's Declaration	43
Independent Audit Report	44
ASX Additional Information	46



Dear Fellow Shareholder,

2009/10 was a most successful year for your company and it is pleasing to report that the company's investment portfolio substantially outperformed the S&P/ASX All Ordinaries Accumulation Index ("Index"). It is also worthy of note that the portfolio increased in value in 2008/09 despite the Index declining by over 20% in that year. Thus, the company maintained its capital in 2008/09 and compounded its return in 2009/10. This result is far superior to those of the majority of managed funds and other listed investment companies.

A major positive change for listed investment companies generally, and our company in particular, is the newly introduced government legislation which now enables companies to pay dividends if the company is deemed solvent. Previously dividend payments were required to be paid from reported profit. Now, dividend payments will be made with consideration to cash flow, cash holdings and available franking credits. At this point our company retains significant franking credits.

In this report, rather than reviewing the year's performance in detail and speculating on the future it seems to me that it would be more useful for you if I outlined the fundamental basis of Clime's ("the Manager") investment approach. Hopefully this will allow you to understand the basis for our investment strategy and the reasons as to why it has been successful.

Fundamental to our approach is our strong belief that the investment in companies should involve the same logical techniques and disciplines, whether those companies are listed, unlisted or private. It appears to us that there is a great temptation for many investors to believe that listed companies are somehow different from unlisted ones. They therefore think that valuation techniques should somehow be different and less disciplined in the listed market. In particular there is a blind belief in price earnings ratios as the basis for valuing companies. Further, there is a perverse view that a listed company can be valued on a different basis to that which applies in the unlisted market.

Let's consider a simple example which I hope will illustrate our methodology of investing and show you that a logical approach to investing has little to do with the popularly used price earnings ratios.

Imagine that you are a wealthy individual with a substantial amount of available investment capital at your disposal. You are interested in purchasing a private business and you are considering two competing opportunities from business vendors.

The first owner offers you his business (company A) that has revenue of \$5 million, a profit \$200,000 after tax (which he states is maintainable next year), no debt and has capital or equity employed of \$1 million. The owner excitedly tells you he has never taken a dividend and has reinvested all the profits back into the business. Last year he paid himself a \$50,000 salary and this was fully expensed. At this point you may have doubts as to whether the expenses or overheads are properly stated. You may surmise that the \$1 million of equity that generates a return of just 20% is reasonable but if the owner's salary was higher, the return would be lower. Intuitively you may conclude that there is a lot of capital used to generate the return and the return has required a significant reinvestment of profit. You may be enticed by the high level of capital as you may feel that you can always liquidate the company and get some money back. However, you should surmise that the business does not deserve goodwill and that its value is approximate to its capital.

The second owner offers you his business (company B) that has revenue of \$5 million, a profit of \$200,000 after tax (which he states is maintainable next year), no debt and has capital or equity of \$500,000. He openly tells you that he paid himself a \$100,000 salary last year (fully expensed) and the business paid a dividend of \$100,000 in each of the last two years. Intuitively you should be attracted to this business. Further, you should try and convince the owner to sell his business immediately to you for its capital of \$500,000. Of course the owner will not do so because both he and you intuitively know that the business deserves goodwill. In other words the business must be worth much more than its \$500,000 of capital backing. The question then becomes - by how much more than the capital backing is the business worth?

Now let's say that both businesses are offered to you but at different prices. Company A is offered to you for \$1 million and company B is offered to you for \$1.1 million. You have a trusted advisor and they point out to you that company A is offered at a discounted PER to that of company B. The PER of company A is 5 times earnings whilst company B is offered at 5.5 times earnings. The advisor therefore suggests that company A is cheaper relative to company B – but is it?

In reality the price of company A & B could be cheap, fair or expensive as the PER provides no information about a company's value.

At this point you have to look at the two businesses and investigate their recent history to determine their relative merits. We know that company A is capital hungry. The owner has not taken a dividend and has reinvested all of the free cash flow. The return on the capital last year was a 20% and it is possibly overstated. When you look at company B you see a dividend of \$100,000 has been paid in each of the last two

years. The company is not capital hungry and the return on the capital employed last year was 40%.

There will clearly be a price at which company B is not an attractive investment. However, the derivation of this price or value has nothing to do with the offered price of company A. The relative price earnings ratio of company A to company B is of no relevance. Thus, the first decision you should make is to cease negotiating with the vendor of company A. The real return being generated on its capital is not adequate. You should focus upon company B.

As for company B you should continue to negotiate. You need to fully investigate and confirm the financial performance. The stated return on equity is very attractive, but is the return sustainable? Is the business understandable and can it continue to grow? Is the business able to employ its retained earnings at attractive rates? Quite simply company B is an attractive company that you should negotiate to purchase at below your assessment of its value.

If you as the investor required a return of 15% we would suggest that company B has a value of around 4.9 times its equity (i.e. \$2.45 million). We would also suggest that you seek to buy it at a considerably lower price than this.

The above is really what the Manager does when it invests your company's funds in listed companies. It is interesting to note that there about 2,200 listed companies on the Australian Securities Exchange (ASX). The majority of listed companies do not make a profit. Less than 500 listed companies have made a profit in each of the last five years and less than 100 listed companies have achieved a return on equity of over 25% in each of the last five years.

From an investment perspective the numbers of companies that are listed on the ASX which have the characteristics of company B are limited. There are many more company A type companies and there are far too many other companies which are destroyers of capital and impossible to value.

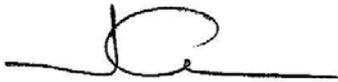
Whilst new attractive companies can emerge through a new listing or transformation or inflexion points; these are very limited. Further, the purchasing of companies based on bland price earnings ratios, or charts, or moving averages or overseas market moves etc. are not investment approaches that are sensible, logical, rational or realistic. In the main they are alternatives to a genuine intellectual thought process which are justified by the dogmas of custom.

Thus, in summary the Manager adopts a disciplined approach to investing in listed companies. It seeks out highly profitable companies at an attractive price and it spends little time with companies with unattractive profitability measures. Further, in this period of low world economic growth the portfolio has and will also continue to focus upon sustainable yield through corporate bonds and hybrids.

The success this year of our investments in companies such as McMillan Shakespeare Limited, The Reject Shop, JB Hi-Fi Limited, Fleetwood Corporation Limited and Monadelphous Group Limited bear testament to the success of our realistic and sensible approach to investment. Each of these companies had the characteristics of company B and they were all acquired at attractive prices over the last few years. The results, as they say, are history and the Manager's focus is now on replicating our results again in the future.

Thank you for your continued support.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'John Abernethy', written over a horizontal line.

John Abernethy
Chairman

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Your directors' present their report on Clime Capital Limited (the Company) for the financial year ended 30 June 2010.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Mr. Geoffrey Wilson
Mr. Julian Gosse
Mr. Anthony Hockey

Mr. John Abernethy was appointed as director on 31 July 2009 and continues in office at the date of this report.

Information on Directors

Mr. John Abernethy (Age 51)

Non-Executive Chairman

Experience and expertise

Mr. John Abernethy was appointed director on 31 July 2009. Mr. Abernethy has over 25 years' funds management experience in Australia having been General Manager Investments of the NRMA. He holds a Bachelor of Commerce (Economics)/LLB from the University of NSW.

Other current directorships

Mr. Abernethy is a non-executive director of Wilson Investment Fund Limited, of Australian Leaders Fund Limited, of WAM Active Limited and of Jasco Pty Ltd.

Mr. Abernethy is also an executive director of Clime Investment Management Limited.

Former directorships in last 3 years

Mr. Abernethy was previously a non-executive director of Headline Group Limited.

Special responsibilities

None.

Interests in shares and options

258,289 ordinary shares in Clime Capital Limited.
111,641 converting preference shares in Clime Capital Limited.

Mr. Geoffrey Wilson (Age 52)

Non-Executive Director

Experience and expertise

Mr. Geoffrey Wilson has had 30 years' experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

Mr. Geoffrey Wilson was appointed as a non-executive director in November 2003.

Other current directorships

Mr. Wilson is the Chairman of WAM Capital Limited, Wilson Investment Fund Limited, WAM Active Limited, the Australian Stockbrokers' Foundation Limited and Ascham Foundation. He is a Director of Australian Leaders Fund Limited, Cadence Capital Limited, Vietnam Fund Limited, Incubator Capital Limited, the Sporting Chance Cancer Foundation, Australian Fund Managers Foundation and Odyssey House McGrath Foundation.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares

361,931 ordinary shares in Clime Capital Limited.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Information on directors (continued)

Mr. Julian Gosse (Age 60)

Independent, Non-Executive Director

Experience and expertise

Mr. Julian Gosse was appointed non-executive director in November 2003. He has extensive experience in banking and broking both in Australia and overseas, having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. Mr. Gosse has also been involved in the establishment, operation and ownership of several small businesses.

Other current directorships

Mr. Gosse is Chairman of ITL Limited and Iron Road Limited. He is also a director of Australian Leaders Fund Limited and Wilson Investment Fund Limited.

Former directorships in last 3 years

Mr. Gosse was previously Chairman of Northern Crest Investments Limited.

Special responsibilities

Chairman of Audit Committee
Chairman of Remuneration Committee
Chairman of Nomination Committee

Interest in shares

Nil.

Mr. Anthony Hockey (Age 45)

Independent, Non-Executive Director

Experience and expertise

Mr. Anthony Hockey is the managing director of Hocfin Consulting Pty Limited and has over 14 years' experience in strategy and business performance improvement, primarily in the wealth management industry. Prior to establishing Hocfin Consulting Pty Limited, he held the position of Head of Strategy and Corporate Advice with ING Australia where he was responsible for assessing merger & acquisition opportunities and providing operations integration advice. Prior to that he was a management consultant with PricewaterhouseCoopers where he led business performance improvement initiatives for clients operating across a wide range of industries.

Mr. Hockey holds a Master of Management (MGSM), a Master of Commerce (University of NSW) and a Bachelor of Economics (University of Sydney) and a Diploma, Company Directors Course (AICD).

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

Interests in shares

35,024 ordinary shares in Clime Capital Limited.

Company Secretary

Ms. Jennifer El-Sibai was appointed to the position of Company Secretary on 1 March 2009. She is the Group Financial Controller / Company Secretary of the listed financial services company Clime Investment Management Limited.

Ms. El-Sibai holds a Bachelor of Commerce from the University of Sydney, is a Chartered Accountant and a member of the AICD. Ms. El-Sibai previously worked within a chartered accounting firm and has over 7 years commercial accounting experience.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Information on directors (continued)

Meetings of directors

The numbers of meetings of the Company's board of directors, and of each board committee held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr. John Abernethy	4	4	-	-	-	-
Mr. Geoffrey Wilson	4	4	-	-	-	-
Mr. Julian Gosse	4	4	2	2	1	1
Mr. Anthony Hockey	4	3	2	2	1	1

A - Number of meetings eligible to attend

B - Number of meetings attended

Rotation and election of directors

In accordance with the Company's Constitution, Mr. Anthony Hockey retires by rotation and, being eligible, offers himself for re-election

Principal activities

The principal activity of the Company during the financial year was investing in securities listed on the Australian Securities Exchange.

There was no significant change in these activities during the current financial year.

Operating result

The net profit after providing for tax amounted to \$11,441,944 (2009: \$1,179,098)

Dividends paid or recommended

Dividends paid or recommended during the financial year are as follows:

	2010 \$	2009 \$
Final ordinary dividend paid during the year in respect of the prior financial year (2009: nil)	376,253	-
Interim ordinary dividend paid in respect of the September 2009 quarter (2009: nil)	378,467	-
Converting preference share dividend paid in respect of the September 2009 quarter (2009: nil)	344,907	-
Interim ordinary dividend paid in respect of the December 2009 quarter (2009: nil)	379,958	-
Converting preference share dividend paid in respect of the December 2009 quarter (2009: nil)	344,907	-
Interim ordinary dividend paid in respect of the March 2010 quarter (2009: nil)	380,995	-
Converting preference share dividend paid in respect of the March 2010 quarter (2009: nil)	344,907	-
Final ordinary dividend in respect of the current financial year (2009: nil)	401,212	-
Converting preference share dividend paid in respect of the June 2010 quarter (2009: 4.5c per share)	364,068	344,906
	3,315,674	344,906

Review of operations

Investment income from ordinary activities

Investment income for the period increased to \$15,695,635 (FY09: \$2,374,465). This increase was primarily caused by a significant increase in realised and unrealised gains.

Net profit attributable to members of the Company

Profit from ordinary activities after tax attributable to members increased to a profit of \$11,441,944 (FY09: \$1,179,098).

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

On 15 June 2010 the Board announced a bonus issue for ordinary shareholders, on a 1 for 20 basis. Converting preference shareholders will receive 1.05 ordinary shares for every ordinary share upon conversion. The record date for this issue is 2 July 2010.

Future developments

On 23 December 2008 it was disclosed that a Statement of Claim had been issued to Credit Corp Group Limited by the Company, as the representative party for a group which has entered into litigation funding agreements with IMF (Australia) Limited.

The parties are proceeding through a discovery phase of the case. Clime Capital Limited, with the backing of the litigation funder, is committed to expeditiously proceeding with the case through the Court. Having said that, both Clime Capital Limited and the litigation funder are open to explore out of court formal or informal settlement discussions should Credit Corp be willing to explore such avenues.

No provision has been made for any potential award of damages.

Environmental issues

The Company's operations are not regulated by any significant law of the Commonwealth or of a State or Territory relating to the environment.

Insurance of officers

During the financial year, the Company paid a premium for an insurance policy insuring all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as director or officer of the Company, other than conduct involving a willful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company is important.

Details of the amounts paid or payable to the auditor (Deloitte Touche Tohmatsu) for audit services provided during the year are set out in note 3 of the attached Financial Statements.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Remuneration report

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The remuneration report is set out in the following sections:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Additional information

The information provided in section A-D includes remuneration disclosures that are required under section 300A of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The Remuneration Committee is responsible for making recommendations to the board on remuneration policies and packages applicable to the board members and executives of the Company. The board's remuneration policy is to ensure the remuneration package properly reflects the person's duties, responsibilities and the level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executives

The only executive employed during the financial year by the Company, namely Ms. Jennifer El-Sibai, is employed in her capacity as Company Secretary.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Remuneration of non-executive directors is determined by the full board within the maximum amount approved by the shareholders from time to time. The payments to non-executive directors do not include retirement benefits other than statutory superannuation. Consultation with non-executive directors outside their duties as directors is treated as external consultation and is subject to additional fees by consent of the Board. The Company has a policy that non-executive directors are not entitled to retirement benefits and may not participate in any bonus scheme (where applicable).

Directors' fees

The current base remuneration was last reviewed with effect in November 2009. The non-executive directors' fees are inclusive of committee fees.

Non-executive directors' fees are determined within a non-executive directors' base remuneration pool, which is periodically recommended for approval by shareholders. The non-executive directors' base remuneration pool currently stands at \$150,000 per annum.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors of Clime Capital Limited for services rendered to the Company are set out in the tables on page 8 of this report. With the exception of the Company's directors, there are no key management personnel (as defined in AASB 124 Related Party Disclosures) employed by the Company.

Ms. Jennifer El-Sibai is a company executive whose remuneration must be disclosed under the *Corporations Act 2001* as she is one of the 5 highest remunerated executives.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Remuneration report (continued)

Key management personnel and other executives of Clime Capital Limited

2010	Short-term employee benefits	Post-employment benefits	
	Cash salary \$	Superannuation \$	Total \$
John Abernethy	30,000	0	30,000
Geoffrey Wilson	9,174	826	10,000
Julian Gosse	27,523	2,477	30,000
Anthony Hockey	27,523	2,477	30,000
Total key management personnel	94,220	5,780	100,000
<i>Other executives</i>			
Jennifer El-Sibai ¹	24,000	-	24,000

¹ Denotes one of the five highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.

2009	Short-term employee benefits	Post-employment benefits	
	Cash salary \$	Superannuation \$	Total \$
<i>Non-executive directors</i>			
Geoffrey Wilson	6,881	3,119	10,000
Julian Gosse	18,349	1,651	20,000
Anthony Hockey	18,349	1,651	20,000
Sub-total Non-executive directors	43,579	6,421	50,000
<i>Executive directors</i>			
Roger Montgomery	55,046	4,954	60,000
Total key management personnel	98,625	11,375	110,000
<i>Other executives</i>			
Cameron Fellows ¹	7,339	661	8,000
Jennifer El-Sibai ¹	3,670	330	4,000

¹ Denotes two of the five highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.

C. Service agreements

Remuneration and other terms of employment for the senior executive is formalised in service agreements with annual adjustments (once agreed by the Remuneration Committee) notified in writing. Provisions relating to the term of agreement, periods of notice required for termination and relevant termination payments are set out below.

Ms. Jennifer El-Sibai

Company Secretary/Financial Controller

- Term of agreement – No fixed term
- Notice period for termination by employee – 1 month
- Notice period for termination by company – 1 month
- Payment of a termination benefit on early termination by the company – in lieu of 1 month's notice and other than for gross misconduct – equal to a maximum of 8.33% of the annual remuneration package current at the time of termination

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Remuneration report (continued)

D Additional information

Performance of Clime Capital Limited

The tables below set out the summary information regarding the company's earnings and movements in shareholder wealth for the five years to 30 June 2010:

Performance result - historical analysis

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
	\$	\$	\$	\$	\$
Investment gains/(losses)	15,695,635	2,374,465	(17,618,537)	17,385,671	9,159,343
Net profit/(loss) before tax	13,186,731	1,176,956	(18,657,962)	15,637,114	7,803,338
Net profit/(loss) after tax	11,441,944	1,179,098	(14,928,802)	11,500,608	5,800,748

Movements in shareholder wealth - historical analysis

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Share price at 1 July	\$0.76	\$0.90	\$1.40	\$0.95	\$0.89
Share price at 30 June	\$1.02	\$0.76	\$0.90	\$1.40	\$0.95
NTA - pre-tax	\$1.34	\$1.12	\$1.11	\$1.56	\$1.10
NTA - post-tax	\$1.30	\$1.12	\$1.11	\$1.47	\$1.06
Interim dividends - ord. shares ¹	3.0cps	-	-	2.5cps	2.0cps
Final dividend - ord. shares ¹	1.0cps	1.0cps	-	2.75cps	2.25cps
Special dividend - ord. shares ¹	-	-	-	2.0cps	1.0cps
Preference share dividends	18.25cps	4.5cps	9.0cps	3.0cps	N/A
Bonus share issue - ord. shares ²	1 for 20	-	-	-	1 for 12
Basic EPS	24.05cps	2.50cps	(31.68cps)	28.75cps	17.24cps
Diluted EPS	24.05cps	2.50cps	(31.68cps)	28.75cps	17.24cps

¹ Fully franked dividends

² Announced 15 June 2010 and issued 5 July 2010

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' REPORT

Proceedings on behalf of company

As at the date of this report, no person has applied for leave of Court to bring proceedings on behalf of the Company or to 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.

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 11.

Signed in accordance with a resolution of the directors.



John Abernethy
Director
Clime Capital Limited

The Board of Directors
Clime Capital Limited
Level 1, 7 Macquarie Place
Sydney NSW 2000

Dear Board Members

Clime Capital Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Clime Capital Limited.

As lead audit partner for the audit of the financial statements of Clime Capital Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Deloitte Touche Tohmatsu



Alfred Nehama
Partner
Chartered Accountants
Sydney, 24 August 2010

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

A description of the Company's corporate governance practices are set out below. All these practices, unless otherwise stated, were in place the entire year and comply with the *ASX Principles of Good Corporate Governance and Best Practice Recommendations*.

Board of directors and its committees

Role of the board

The Company has a Board and one executive officer (the Company Secretary). Subject at all times to any written guidelines issued by the Board of Directors of Clime Capital Limited, the day-to-day management and investment of funds is primarily carried out by Clime Asset Management Pty Ltd (the Investment Manager) in accordance with a management agreement.

The role of the Board is to set strategic direction and to be responsible for the overall corporate governance of the Company which includes:

- to oversee and monitor the performance of the Manager's compliance with the management agreement and to ensure that the Manager is monitoring the performance of other external service providers;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- approving the interim and final financial statements and related reports and other communications to the ASX and shareholders;
- setting appropriate business standards and a code for ethical behaviour.

The board aims to ensure that all directors and the Investment Manager act with the utmost integrity and objectivity, and endeavours to enhance the reputation of the Company. The board should act in a manner designed to create and build sustainable value for shareholders.

Board processes

The board has established a number of board committees including a Nomination Committee, a Remuneration Committee and an Audit Committee. These committees have written mandates and operating procedures which are reviewed on a regular basis. The board has also established a range of policies which govern its operation.

The board will hold two scheduled meetings each year plus any other strategic meetings as and when necessitated by the Company's operations. The agenda for meetings is prepared through the input of the Chairman and the Company Secretary. Standing items include matters of Compliance and Reporting, Financials, Shareholder Communications and Investment Strategy and Outcomes. Submissions are circulated in advance.

Composition of the board

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report.

The board is comprised of four non-executive directors. Two of the Company's non-executive directors, Mr. J Gosse and Mr. A Hockey, are also independent.

Whilst the board acknowledges the benefits of a majority of independent directors, it believes that it can adequately achieve the Company's objectives with the current board's level of expertise and without unnecessarily burdening shareholders with the additional costs associated of adding further independent directors to the board. The board also notes that the principal management function, being the management of the Company's investments, resides with the Investment Manager, Clime Asset Management Pty Ltd.

An independent director is considered to be a director:

- (a) who is not a member of management;
- (b) who has not within the last three years been employed in an executive capacity by the Company or been a professional adviser or consultant to the Company;
- (c) is not a significant supplier to the Company;
- (d) has no material contractual relationship with the Company other than as a director; and
- (e) is free from any interest or business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company.

All directors must retire from office no later than the third annual general meeting (AGM) following their last election. Any directors appointed by the board must be duly appointed at the next AGM.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

Nomination Committee

The Nomination Committee oversees the selection and appointment process for directors. The Committee annually reviews the composition of the board and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity required. Where a vacancy exists the Committee develops selection criteria and generates a list of potential candidates for review, determination of an order of preference and ultimate selection by the board or shareholders.

The Nomination Committee comprised the following members during the year:

- A Hockey
- J Gosse (Chairman)

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment. The performance of all directors is reviewed periodically by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

Remuneration Committee

The committee reviews and makes recommendations to the board on remuneration of the directors themselves. The Remuneration Committee meets periodically to review the terms of remuneration packages for executive and non-executive directors.

Full details on directors' remuneration are provided in the Directors' Report.

The Remuneration Committee comprised the following members during the year:

- J Gosse (Chairman)
- A Hockey

Audit Committee

The Audit Committee has a documented Charter approved by the board. All members must be non-executive directors. The Chairman must not also be the Chairman of the board. The Committee is responsible for considering the effectiveness of the systems of internal control and financial reporting. Due to the size and structure of the board, and having regard to the number of non-executive directors, it is not currently practicable for the Audit Committee to consist of more than two members. The Audit Committee met three times during the year.

The Audit Committee comprised the following members during the year:

- J Gosse (Chairman)
- A Hockey

The responsibilities of the Audit Committee are to:

1. Oversee the existence and maintenance of internal controls and procedures to ensure compliance with all applicable regulatory obligations;
2. Oversee the financial reporting process;
3. Review the annual and half-year financial reports and recommend them for approval by the board;
4. Nominate external auditors; and
5. Review the existing external audit arrangements.

The Audit Committee also requires the Company's administrator, FundBPO Pty Ltd, to report annually on the operation of internal controls.

The external audit firm partner responsible for the Company's audit attends Audit Committee meetings by invitation and presents to the Audit Committee twice per year. The Audit Committee formally reports to the Board after each of its meetings.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

External auditor

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. Deloitte Touche Tohmatsu was appointed as the external auditor in November 2007. It is Deloitte Touche Tohmatsu's policy to rotate audit engagement partners on listed companies in accordance with the *Corporations Act 2001*.

The external auditor is requested to attend the AGM and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk management policy

The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities. The board has delegated responsibility for reviewing the risk profile and reporting on the operation of the internal control system to the Audit Committee.

Risks are identified and assessed by the Company's board as well as by the Company's auditors. Controls (which may include policies, procedures, reviews, audits and/or obtaining appropriate insurance) are implemented to deal with risks based on an assessment of:

- The nature and extent of the risk facing the Company;
- The extent and categories of risks which the board considers acceptable to bear;
- The likelihood of the risk materialising;
- The Company's ability to minimize the risk of incident and its resultant impact on the business should a particular risk materialise; and
- The costs of operating particular controls relative to the benefit obtained by managing the relevant risk.

The Investment Manager, Clime Asset Management Pty Ltd, will report any instances of control or policy failure or breach to enable the board to consider whether relevant controls require reassessment, strengthening or improvement and whether the level of monitoring by the Audit Committee and the board is adequate.

In accordance with the ASX Corporate Governance Principles and Recommendations, the Investment Manager is required to state to the board in writing that:

- The Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant Accounting Standards; which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Director and executive dealing in Company shares

Directors and executives are not required to hold a minimum number of shares in order to hold their positions. All director and executive shareholdings are disclosed in the Related Parties note within the Annual Report.

Subject to not being in possession of undisclosed price-sensitive information (and with adequate time being provided for the information to be reflected in the Company's share price), directors and executives may deal in shares of the Company. On the basis that Clime Capital Limited is a listed investment company obligated to disclose its net tangible asset position on a monthly basis, the board believes that the Company's shareholders are generally fully informed.

Independent professional advice and access to Company information.

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the director is made available to all other members of the board.

Executive management

The Company's operations are primarily conducted through Clime Asset Management Pty Limited (Investment Manager) and FundBPO Pty Limited (Administration Manager).

These entities, together with the Company's Company Secretary, incorporate the specialist wholesale investment and administration personnel who undertaken the Company's executive operations.

The Company's executive management arrangements have been structured to provide investors with an extremely cost efficient investment vehicle and access to a significant depth of professional resources.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

Ethical standards and code of conduct

The board has developed a Code of Conduct (the Code) which applies to all directors and executives. The Code is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and spirit of both the law and Company policies.

A copy of the Code is available on the Company's website.

Shareholder communications.

The board informs shareholders of all major developments affecting the Company's state of affairs.

The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the Board.

Relevant information is communicated to the Company's shareholders through the following measures:

- An Annual Report will be mailed at the close of the financial year to those shareholders who have elected to receive a hard copy. Alternatively, for those shareholders who so choose, a link to a copy of the Annual Report on the Company's website will be emailed in lieu of a hard copy;
- Net asset backing per share is released to the ASX by the 14th day following each month-end;
- Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous Disclosure requirement.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The following charters and policies are available on request or can be found in the Corporate Governance section of the Company's website at www.clime.com.au:

- Board of Directors Charter
- Code of Conduct
- Securities Dealing Policy
- Continuous Disclosure Policy
- Communications Policy
- Audit Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Risk Management Policy

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Investment income from ordinary activities			
Investment revenue	2	3,581,116	3,652,986
Net realised gain/(loss) on disposal of financial assets at fair value through profit or loss		4,546,927	(462,757)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss		7,567,535	(815,764)
Other income		57	-
Total investment income from ordinary activities		15,695,635	2,374,465
Management fees		(594,412)	(539,731)
Performance fees		(1,416,987)	(294,238)
Administrative and other expenses		(373,505)	(241,540)
Directors' fees and company secretarial fees		(124,000)	(122,000)
Total expenses		(2,508,904)	(1,197,509)
Net profit before income tax expense		13,186,731	1,176,956
Income tax (expense) \ benefit	4(a)	(1,744,787)	2,142
Profit for the year		11,441,944	1,179,098
Other comprehensive income for the year (nil tax)		-	-
Total comprehensive income for the year		11,441,944	1,179,098
Basic earnings per share	6	24.05 cents	2.50 cents
Diluted earnings per share	6	24.05 cents	2.50 cents

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements which follow.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010 \$	2009 \$
Assets			
Cash and cash equivalents	13(a)	11,567,885	11,380,306
Trade and other receivables	7	755,428	1,240,401
Financial assets at fair value through profit or loss	8(a)	51,440,987	39,323,289
Current tax asset		990	990
Prepayments	9	29,091	1,410
Total assets		63,794,381	51,946,396
Liabilities			
Financial liabilities at fair value through profit or loss	8(b)	-	26,250
Trade and other payables	10	1,696,845	661,892
Dividends payable	5(a)	765,280	344,906
Deferred tax liability	4(c)	1,744,787	-
Total liabilities		4,206,912	1,033,048
Net assets		59,587,469	50,913,348
Equity			
Issued capital	11	53,296,741	52,748,890
Retained earnings	12	6,290,728	(1,835,542)
Total equity		59,587,469	50,913,348

*The above Statement of Financial Position should be read in conjunction with
the Notes to the Financial Statements which follow.*

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	52,748,890	(2,669,734)	50,079,156
Profit for the year	-	1,179,098	1,179,098
Other comprehensive income/(loss) for the year	-	-	-
Total comprehensive income for the year	-	1,179,098	1,179,098
Dividends provided for or paid	-	(344,906)	(344,906)
Balance at 30 June 2009	52,748,890	(1,835,542)	50,913,348
Profit for the year	-	11,441,944	11,441,944
Other comprehensive income/(loss) for the year	-	-	-
Total comprehensive income for the year	-	11,441,944	11,441,944
Dividends provided for or paid	-	(3,315,674)	(3,315,674)
Issue of shares	547,851	-	547,851
Balance at 30 June 2010	53,296,741	6,290,728	59,587,469

*The above Statement of Changes in Equity should be read in conjunction with
the Notes to the Financial Statements which follow.*

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Proceeds from sale of investments		31,364,473	15,547,986
Payments for purchase of investments		<u>(30,760,524)</u>	<u>(38,047,007)</u>
		603,949	(22,499,021)
Dividends and trust distributions received		2,030,596	1,154,244
Interest received		1,481,441	2,361,306
Payments for administrative and other expenses		(548,432)	(358,078)
Investment manager's fees paid		(730,989)	(435,378)
Performance fees paid		(301,594)	-
Income tax (paid) / refund received		-	395,196
Other income received		<u>57</u>	<u>-</u>
Net cash provided by/(used in) operating activities	13(b)	<u>2,535,028</u>	<u>(19,381,731)</u>
Cash flows from financing activities			
Dividends paid		<u>(2,347,449)</u>	<u>-</u>
Net cash used in financing activities		<u>(2,347,449)</u>	<u>-</u>
Net increase/(decrease) in cash held			
		187,579	(19,381,731)
Cash and cash equivalents at beginning of the financial year		<u>11,380,306</u>	<u>30,762,037</u>
Cash and cash equivalents at end of the financial year	13(a)	<u>11,567,885</u>	<u>11,380,306</u>

*The above Statement of Cash Flows should be read in conjunction with
the Notes to the Financial Statements which follow.*

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements prepared in accordance with applicable Accounting Standards, including Australian Accounting Interpretations, the Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

Clime Capital Limited is a publicly listed company, incorporated and domiciled in Australia.

The financial statements of the Company comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS). The Statements are prepared from records of the company on an accrual basis. The Directors revalue the trading portfolio on a daily basis.

Effective 1 July 2009, the Company has applied the following new standards which are applicable for reporting periods beginning on or after 1 January 2009:

i. Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*. AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these financial statements include:

- the replacement of the Income Statement with the Statement of Comprehensive Income;
- the replacement of the Balance Sheet with the Statement of Financial Position;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard, as the term 'Cash Flow Statement' is amended to 'Statement of Cash Flows'.

ii. AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments*. The amendments require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Investments

i) Classification

The Company's investments are categorised as at fair value through profit or loss. They comprise:

- derivative financial instruments (options)
- investments in publicly listed and unlisted companies and fixed interest securities

It is considered that the information needs of shareholders in a company of this type are better met by stating investments at fair value rather than historical cost and by presenting the Statement of Financial Position on a liquidity basis.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments (continued)

ii) Valuation

All investments are classified as "held-for-trading" investments and are recognised at fair value including the potential tax charges that may arise from the future sale of the investments.

iii) Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

iv) Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

When the investment is sold, collected or otherwise disposed of, the difference between the consideration and the cost of investment is recognised as realised gains or losses in profit or loss.

v) Investment income

Dividend income is recognised in profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Realised gains and losses are measured as the difference between the historical cost of the investments and proceeds from sale.

vi) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

(c) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised immediately in profit or loss unless the instrument is designated as a hedging instrument, in which case the recognition of the gain or loss will depend on the nature of the item being hedged.

Where derivatives have been designated as a hedging instrument, their fair value will be disclosed in Note 16.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax

The charge for current income tax expense is based on the taxable income for the year. It is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred taxes are recognised in profit or loss except where they relate to items that may be recognised directly in equity, in which case they are adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(e) Bills of Exchange

Bills receivable are held at face value less unearned discount. Revenue and costs are recognised on an effective yield basis.

(f) Cash and cash equivalents

For statement of cash flows presentation purposes, 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.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as being part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease the loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

(i) Operating segments

The Company is engaged in investment activities conducted in Australia and derives investment income from listed securities, short term interest bearing securities and cash holdings.

(j) Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(k) Issued capital

Ordinary and preference 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.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations are set out below:

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

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. It only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Company is yet to assess its full impact.

(ii) AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Company will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Company's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Company has not entered into any debt for equity swaps since that date.

The following Standards and Interpretations, which are expected to be initially applied in the financial year ending 30 June 2011, are not not expected to have any material impact on the financial statements of the Company:

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process';
- AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions';
- AASB 124 'Related Party Disclosures (2009)', AASB 2009-12 'Amendments to Australian Accounting Standards';
- AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues';
- AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement';
- AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'; and
- AASB 2010-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'.

	2010	2009
	\$	\$
2. INVESTMENT REVENUE		
Dividends received	2,112,382	1,244,394
Interest	1,468,734	2,408,592
TOTAL	3,581,116	3,652,986

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
3. AUDITORS' REMUNERATION		
Remuneration of the auditor of the Company, Deloitte Touche Tohmatsu, in relation to:		
Audit and review of the financial statements	41,650	33,506
TOTAL	41,650	33,506
4. TAXATION		
(a) Income tax expense		
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30%		
	3,956,019	353,087
Less tax effect of:		
Imputation gross up on dividends received	203,551	89,952
Franking credits on dividends received	(678,503)	(299,839)
Origination and reversal of current year temporary differences	(107,724)	(37,759)
	3,373,343	105,441
Recoupment of tax losses not previously brought to account	(1,628,556)	(105,441)
Write off of deferred tax assets	-	61,328
Write off of deferred tax liability	-	(63,471)
Income tax expense/(benefit) relating to ordinary activities	1,744,787	(2,142)
The applicable weighted average effective tax rates are as follows:		
	13%	0%
(b) Current tax liabilities		
Income Tax	-	-

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

4. TAXATION (continued)

(c) Deferred tax liabilities

The deferred tax expense itemised above is shown in the statement of position as follows:

	Opening Balance	Charged to Profit or Loss	Closing Balance
	\$	\$	\$
2010			
Financial assets at fair value through profit or loss	-	1,590,985	1,590,985
Trade and other receivables	-	159,202	159,202
Provisions	-	(5,400)	(5,400)
	<u>-</u>	<u>1,744,787</u>	<u>1,744,787</u>

(d) Income tax (benefit) / expense recognised in the profit or loss

	2010	2009
	\$	\$
Write off of deferred tax assets	-	61,328
Write off of deferred tax liability	-	(63,471)
temporary differences	<u>1,744,787</u>	<u>-</u>
	<u>1,744,787</u>	<u>(2,142)</u>

(e) Tax losses

Unused temporary differences for which no deferred tax asset has been recognised	-	2,264,250
Unused tax losses for which no deferred tax asset has been recognised	<u>-</u>	<u>5,428,520</u>
	-	7,692,770
Potential tax benefit @ 30%	<u>-</u>	<u>2,307,831</u>

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
5. DIVIDENDS		
(a) Recognised in the current year		
Dividends paid in the current year		
A fully franked final dividend on ordinary shares in respect of the 2009 year of 1 cent per share was paid on 17 July 2009 (2008: NIL fully franked final dividend on ordinary shares in respect of the 2008 year)	376,253	-
A fully franked dividend on converting preference shares for the quarter ended 30 September 2009 of 4.5 cents per share was paid on 15 October 2009 (2009: NIL fully franked dividend on converting preference shares for the quarter ended 30 September 2008)	344,907	-
A fully franked dividend on ordinary shares for the quarter ended 30 September 2009 of 1 cent per share was paid on 21 October 2009 (2009: NIL fully franked dividend on ordinary shares for the quarter ended 30 September 2009)	378,467	-
A fully franked dividend on converting preference shares for the quarter ended 31 December 2009 of 4.5 cents per share was paid on 28 January 2010 (2009: NIL fully franked dividend on converting preference shares for the quarter ended 31 December 2009)	344,907	-
A fully franked dividend on ordinary shares for the quarter ended 31 December 2009 of 1 cent per share was paid on 29 January 2010 (2009: NIL fully franked dividend on ordinary shares for the quarter ended 31 December 2009)	379,958	-
A fully franked dividend on converting preference shares for the quarter ended 31 March 2010 of 4.5 cents per share was paid on 15 April 2010 (2008: NIL fully franked dividend on converting preference shares for the quarter ended 31 March 2009)	344,907	-
A fully franked dividend on ordinary shares for the quarter ended 31 March 2010 of 1 cent per share was paid on 16 April 2010 (2009: NIL fully franked dividend on ordinary shares for the quarter ended 31 March 2009)	380,995	-
	2,550,394	-

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
5. DIVIDENDS (CONTINUED)		
Dividends provided for in the current year		
A fully franked dividend in respect of the 2010 year of 4.75 cents per share was payable on converting preference shares as at 30 June 2010. (2009: A fully franked dividend in respect of the 2009 year of 4.5 cents per share was payable on converting preference shares as at 30 June 2009)	364,068	344,906
A fully franked dividend in respect of the 2010 year of 1 cent per share was payable on ordinary shares as at 30 June 2010 (2009: A fully franked dividend in respect of the 2009 year of Nil cents per share was payable on ordinary shares as at 30 June 2009)	401,212	-
	765,280	344,906
(b) Dividend franking account		
Franking account balance	2,792,122	2,113,619
Impact on franking account balance of dividends recognised as at the end of the year and payable on 26 and 27 July 2010 (2009: 15 and 17 July 2009)	(327,977)	(161,251)
	2,464,145	1,952,368
6. EARNINGS PER SHARE		
Basic earnings per share	24.05 cents	2.50 cents
Diluted earnings per share	24.05 cents	2.50 cents
Earnings used in calculating basic earnings per share	11,441,944	1,179,098
Earnings used in calculating diluted earnings per share	11,441,944	1,179,098
Weighted average number of ordinary shares used in the calculation of basic earnings per share	47,583,324	47,200,850
Weighted average number of shares used in the calculation of diluted earnings per share	47,583,324	47,200,850
Reconciliation of weighted average number of shares:		
Weighted average number of shares used in the calculation of basic earnings per share	39,918,751	39,536,277
Add:		
Weighted average number of converting preference shares used in the calculation of earnings per share	7,664,573	7,664,573
Weighted average number of shares used in the calculation of earnings per share	47,583,324	47,200,850
The number of ordinary shares has been adjusted to reflect the bonus shares issued after the year end as disclosed in note 19.		

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
7. TRADE AND OTHER RECEIVABLES		
Income receivable	535,674	466,595
Unsettled trades	195,375	756,013
Other debtors	24,379	17,793
	755,428	1,240,401

Terms and conditions

Income receivable represents dividends and interest accrued and receivable at balance date. Unsettled trades are non-interest bearing and are secured by the Australian Securities Exchange - National Guarantee Fund. They are settled within 3 days of the sale being executed. Other debtors consists of GST receivables that can be recovered from the ATO. No interest is applicable to any of these amounts.

The credit risk exposure in relation to receivables is the carrying amount.

8. INVESTMENTS

(a) Financial assets at fair value through profit or loss		
(1) Listed and unlisted equities	41,570,015	29,525,210
(2) Interest bearing securities		
Convertible notes and preference shares	9,870,972	9,798,079
Total financial assets at fair value through profit or loss	51,440,987	39,323,289
(b) Financial liabilities at fair value through profit or loss		
(1) Derivatives		
Options	-	26,250
Total financial liabilities at fair value through profit or loss	-	26,250

9. OTHER ASSETS

Prepayments	29,091	1,410
	29,091	1,410

10. TRADE AND OTHER PAYABLES

Accrued expenses	38,105	54,765
Amount payable to related parties	1,463,176	484,360
Unsettled trades	195,564	122,767
	1,696,845	661,892

Terms and conditions

Unsettled trades are non-interest bearing and are secured by the Australian Securities Exchange - National Guarantee Fund. They are settled within 3 days of the purchase being executed.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
11. ISSUED CAPITAL		
Issued and paid-up capital		
(a) 38,210,176 (2009: 37,625,277) ordinary fully paid shares	35,055,510	34,507,659
(b) 7,664,573 (2009: 7,664,573) converting preference fully paid shares	18,241,231	18,241,231
Balance at the end of the year	53,296,741	52,748,890

	2010	2009		
	Number of	Number of		
	shares	shares		
(a) Movements in ordinary share capital				
Balance at beginning of the year	37,625,277	37,625,277	34,507,659	34,507,659
Dividend reinvestment plan	584,899	-	547,851	-
Balance at the end of the year	38,210,176	37,625,277	35,055,510	34,507,659

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.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders meetings. In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

	2010	2009		
	Number of	Number of		
	shares	shares	\$	\$
(b) Movements in converting preference share capital				
Balance at beginning of the year	7,664,573	7,664,573	18,241,231	18,241,231
Balance at the end of the year	7,664,573	7,664,573	18,241,231	18,241,231

Holders of convertible preference shares carry a right to be paid a quarterly dividend equal to 7.5% of the issue price annually, subject to the availability of profits and the Directors, at their discretion, determining to pay that dividend. The dividends payable are non-cumulative.

The convertible preference shares automatically convert into ordinary shares in ten years, or sooner at the option of the holder. The convertible preference shares are non-redeemable. In the event of winding up the Company, convertible preference shareholders will rank ahead of Clime ordinary shareholders to the extent of the paid-up capital on the preference shares plus accrued but unpaid dividends.

Holders of convertible preference shares are entitled to vote at shareholders' meetings in certain circumstances as outlined in the Prospectus dated 16 March 2007.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
12. RETAINED EARNINGS		
Balance at the beginning of the year	(1,835,542)	(2,669,734)
Net profit attributable to members of the company	11,441,944	1,179,098
Dividends provided for or paid	(3,315,674)	(344,906)
	6,290,728	(1,835,542)
Balance at end of financial year	6,290,728	(1,835,542)

13. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash at bank, cash held by the custodian and cash held in short-term bank deposits. Cash at the end of the year shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash at bank	11,567,885	6,380,306
Short term bank deposits	-	5,000,000
	11,567,885	11,380,306
Total cash and cash equivalents	11,567,885	11,380,306

(b) Reconciliation of net profit attributable to members of the company to net cash provided by/(used in) operating activities

Net profit attributable to members of the company	11,441,944	1,179,098
Changes in assets and liabilities:		
increase in trade and other receivables	(75,664)	(797,204)
Increase in investments at fair value through profit or loss	(11,510,513)	(20,654,957)
(Increase)/decrease in prepayments	(27,682)	26,912
Decrease in current tax asset	-	395,196
Decrease in deferred tax asset	-	61,328
Increase in trade and other payables	962,156	471,367
Increase / (Decrease) in deferred tax liability	1,744,787	(63,471)
	2,535,028	(19,381,731)
Net cash provided by/(used in) by operating activities	2,535,028	(19,381,731)

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14. RELATED PARTY TRANSACTIONS

All transactions with related entities were made on normal commercial terms and conditions no more favourable than transactions with other parties unless otherwise stated.

(a) Management and Performance Fees

Management and performance fees paid to companies related to the Directors were as follows:

	2010	2009
	\$	\$
Clime Asset Management Pty Ltd - Mr. John B. Abernethy note (c)(i)	1,862,796	699,036
Boutique Asset Management Pty Ltd - Mr. Geoffrey J Wilson note (c)(ii)	148,603	134,933
	2,011,399	833,969

As at 30 June 2010, \$1,463,176 (2009: \$484,360) of the year's management and performance fees remain unpaid and within payables.

(b) Dividends

All dividends paid and payable by the Company to Directors and Director related entities are on the same basis as to other shareholders.

(c) Nature of Relationships

(i) Clime Asset Management Pty Ltd

Mr John Abernethy is the Managing Director of the Investment Manager, Clime Asset Management Pty Ltd (a wholly-owned subsidiary of ASX listed company Clime Investment Management Limited). Clime Asset Management Pty Ltd receives management and performance fees as remuneration for managing the Company's investment portfolio.

(ii) Boutique Asset Management Pty Ltd

Boutique Asset Management Pty Ltd, a company associated with Mr Geoffrey Wilson, has an assignment from the Investment Manager to receive 25% of all management fees payable by the Company under the Management Agreement.

15. KEY MANAGEMENT PERSONNEL DISCLOSURE

The names and position held of the Company's key management personnel (including Directors) in office at any time during the financial year are:

John Abernethy	- Non-Executive Chairman	Appointed 31 July 2009
Anthony Hockey	- Non-Executive Director	
Geoffrey Wilson	- Non-Executive Director	
Julian Gosse	- Non-Executive Director	
Jennifer El-Sibai	- Company Secretary	

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

15. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

(a) Remuneration of Directors and Other Key Management Personnel

In accordance with Section 300A of the Corporations Act 2001, all detailed information regarding the remuneration of Directors and other key management personnel has been included in the Remuneration Report in the Directors' Report of the Annual Report.

A summary of the remuneration of Directors and other key management personnel for the current and previous financial year is set out below:

	2010 \$	2009 \$
Cash salary, fees and commissions	94,220	98,625
Short-term employee benefits	94,220	98,625
Superannuation	5,780	11,375
Post-employment benefits	5,780	11,375
Total employment benefits	100,000	110,000

(b) Shareholdings

2010	Balance at 1 July 2009	Shares acquired / (disposed)	Balance at 30 June 2010
Ordinary Shares			
John Abernethy (Chairman)	177,728	80,561	258,289
Anthony Hockey	33,595	1,429	35,024
Geoffrey Wilson	361,931	-	361,931
Julian Gosse	-	-	-
	573,254	81,990	655,244
Converting Preference Shares			
John Abernethy (Chairman)	80,000	31,641	111,641
Anthony Hockey	-	-	-
Geoffrey Wilson	-	-	-
Julian Gosse	-	-	-
	80,000	31,641	111,641
2009			
	Balance at 1 July 2008	Shares acquired / (disposed)	Balance at 30 June 2009
Ordinary Shares			
Roger Montgomery (Chairman)	382,342	11,132	393,474
Anthony Hockey	33,595	-	33,595
Geoffrey Wilson	361,931	-	361,931
Julian Gosse	-	-	-
	777,868	11,132	789,000
Converting Preference Shares			
Roger Montgomery (Chairman)	-	-	-
Anthony Hockey	-	-	-
Geoffrey Wilson	-	-	-
Julian Gosse	-	-	-
	-	-	-

There were no shares or options granted during the reporting period as compensation.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

16. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives, Policies and Procedures

The Company's accounting policies are included in Note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are included under the appropriate note for that instrument.

Risks arising from holding financial instruments are inherent in the Company's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to credit risk, liquidity risk and market risk. The Company is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Company from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Company. These mandate limits reflect the investment strategy and market environment of the Company, as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries.

This information is prepared and reported to relevant parties within the Company on a regular basis as deemed appropriate.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the Company monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(b) Capital Risk Management

The Company's capital structure currently consist of equity and retained earnings and there is no long term debt or short term debt. The operating cash flows of the Company are used to finance short term capital. The capital risk management is continuously reviewed as the Company has surplus cash available for investment.

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the Company which have been recognised on the Statement of Financial Position, is the carrying amount. The Company is not materially exposed to any individual credit risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables which have no contractual maturities but are typically settled within 30 days.

(e) Market risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

By its nature, as a listed investment company that invests in tradeable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free. The market prices of these securities can and do fluctuate in accordance with multiple factors.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

16. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Market risk (continued)

The Company seeks to reduce market risk by attempting to invest in equity securities where there is a significant 'margin of safety' between the underlying companies' value and share price. The Company does not have set parameters as to a minimum or maximum margin of safety, nor does it have set parameters regarding a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

(i) Interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the risk is measured using sensitivity analysis below.

The table below summarises the Company's exposure to interest rate risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity date.

2010	Weighted %	Floating \$	Non Interest \$	Total \$
Financial Assets				
Cash and cash equivalents	4.12%	11,567,885	-	11,567,885
Trade and other receivables		-	755,428	755,428
Financial assets held at fair value through profit and loss		-	51,440,987	51,440,987
Total Financial Assets		11,567,885	52,196,415	63,764,300
Financial Liabilities				
Dividends payable		-	765,280	765,280
Trade and other payables		-	1,658,740	1,658,740
Total Financial Liabilities		-	2,424,020	2,424,020
2009	Weighted %	Floating \$	Non Interest \$	Total \$
Financial Assets				
Cash and cash equivalents	7.40%	11,380,306	-	11,380,306
Trade and other receivables		-	1,240,401	1,240,401
Financial assets held at fair value through profit and loss		-	39,323,289	39,323,289
Total Financial Assets		11,380,306	40,563,690	51,943,996
Financial Liabilities				
Dividends payable		-	344,906	344,906
Trade and other payables		-	607,127	607,127
Financial liabilities at fair value through profit or loss		-	26,250	26,250
Total Financial Liabilities		-	978,283	978,283

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

16. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Market risk (continued)

(ii) Equity Price Risk

Equity Price Risk is the risk that fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting the broader market. Equity price risk exposure arises from the Company's investment portfolio.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Company's operating profit and net assets to interest rate risk and price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the securities in which the Company invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk		Interest rate risk	
	Impact on profit and loss			
	-10%	+10%	-100 bps	+100 bps
30 June 2010	(5,150,974)	5,150,974	(102,722)	102,722
30 June 2009	(3,917,924)	3,917,924	(177,396)	177,396

No effect on other comprehensive income would result from price or interest rate risk in 2010 or 2009,

(f) Fair value of financial instruments

The fair value of financial instruments must be estimated for recognition and measurement or for disclosure purposes.

The table on page 37 presents the Company's instruments measured and recognised at fair value at 30 June 2010 by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Comparative information has not been provided as permitted by the transitional provisions of AASB 2009-2.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

16. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value of financial instruments (continued)

At 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed equities	41,555,119	-	-	41,555,119
Convertible notes and preference shares	9,885,868	-	-	9,885,868
Total financial assets at fair value through profit or loss	51,440,987	-	-	51,440,987
Financial liabilities at fair value through profit or loss				
Derivatives - options	-	-	-	-
Total financial liabilities at fair value through profit or loss	-	-	-	-

The fair value of financial instruments traded in active markets (publicly traded derivatives and trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial instruments held by the Company is the current bid price. These instruments are included in level 1.

The carrying amounts of trade receivables are assumed to approximate their fair values due to their short-term nature.

17. SEGMENT INFORMATION

The Company has only one segment. The Company operates predominately in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income and from the sale of its financial assets at fair value through profit or loss. Segments identified in accordance with the first time application of AASB 8: Operating Segments, have not differed from those disclosed under AASB 114: Segment Reporting in the annual financial report for the year ended 30 June 2009.

18. CONTINGENT LIABILITIES

As at 30 June 2010, the Company has no contingent liabilities or commitments (2009: nil).

19. EVENTS SUBSEQUENT TO BALANCE DATE

No dividends have been recommended by the Directors subsequent to the end of the financial year.

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the company in future financial years.

On 15 June 2010 the Board announced a bonus issue for ordinary shareholders, on a 1 for 20 basis. Converting preference shareholders will receive 1.05 ordinary shares for every converting preference share upon conversion. The record date for this issue is 2 July 2010.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

20. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Suite 1, Level 1
7 Macquarie Place
SYDNEY NSW 2000

CLIME CAPITAL LIMITED
ABN 99 106 282 777

DIRECTORS' DECLARATION

The Directors of Clime Capital Limited declare that:

(a) in the Directors' opinion, the financial statements and notes for the financial year ended 30 June 2010 are in accordance with the *Corporations Act 2001*, including:

- (i) section 296 (compliance with Accounting Standards); and
- (ii) section 297 (true and fair view); and

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

(c) the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 1 to the financial statements; and

(d) the Directors' have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



John Abernethy
Director

Dated: 24 August 2010

Independent Auditor's Report to the Members of Clime Capital Limited

Report on the Financial Report

We have audited the accompanying financial report of Clime Capital Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 20 to 43.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Clime Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

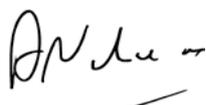
We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Clime Capital Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Alfred Nehama

Partner

Chartered Accountants

Sydney, 24 August 2010

CLIME CAPITAL LIMITED
ABN 99 106 282 777

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 20 August 2010.

A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Fully Paid Ordinary Shares	No. of Holders
1 - 1,000	102
1,001 - 5,000	332
5,001 - 10,000	258
10,001 - 100,000	607
100,001 and over	74
	1373

Converting Preference Shares	No. of Holders
1 - 1,000	51
1,001 - 5,000	304
5,001 - 10,000	195
10,001 - 100,000	143
100,001 and over	4
	697

B. Equity Security Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary Shares	
	No. of Shares	Percentage of issued shares
CLIME INVESTMENT MANAGEMENT LTD	5,503,377	13.677
PERPETUAL TRUSTEES CONSOLIDATED LIMITED <CLIME ASSET MANAGEMENT A/C>	1,247,541	3.100
MR VICTOR JOHN PLUMMER	1,050,000	2.609
HIGHLAND ENDEAVOURS PTY LIMITED <HOWELL FAMILY A/C>	912,368	2.267
DI IULIO HOMES PTY LIMITED <DI IULIO SUPER FUND A/C>	813,750	2.022
MR JOHN STEPHEN MICHAEL HEATHERS & MRS MARGARET JEAN HEATHERS <HEATHERS FAMILY S/F A/C>	626,869	1.558
STORFUND PTY LTD <KENNARDS SELF STOR S/F A/C>	568,751	1.413
HUDSON PHARMACEUTICALS PTY LTD <SEAGULLS S/FUND A/C>	461,472	1.147
DYNASTY PEAK PTY LTD <THE AVOCA SUPER FUND A/C>	380,028	0.944
MR RORY DUNLEVY <DUNLEVY SUPER FUND A/C>	315,256	0.783
THE SPORTS CAFE (AUSTRALIA) PTY LTD	262,500	0.652
MR RICHARD JONATHAN PROCTOR & MRS EVA MELAND <MELAND PROCTOR S/FUND A/C>	259,109	0.644
NAUMAI PTY LIMITED <SEXTON UNIT A/C>	227,501	0.565
MR DON HOLDEN & MRS SUE HOLDEN	224,478	0.558
BARRY GEORGE FORBES & CARLA FORBES <FORBES SUPER FUND A/C>	220,437	0.548
MR DEREK JOHN CANTLE <DJ & AI CANTLE FAMILY A/C>	218,139	0.542
IQTEL AUSTRALIA PTY LTD <THE MENZIES FAMILY A/C>	210,000	0.522
MR ADAM JOHN RATTRAY & MS IZABELA LIDIA KOZDRA <POLARISE SUPER FUND A/C>	205,000	0.509
DA JOHNSTON (NSW) PTY LTD <D A JOHNSTON FAMILY A/C>	203,700	0.506
MR WARREN ARTHUR CASTRAY & MRS DENYSE ANN CASTRAY <CASTRAY FAM RETIREMENT A/C>	192,852	0.479
	14,103,128	35.045

CLIME CAPITAL LIMITED
ABN 99 106 282 777

ASX ADDITIONAL INFORMATION

Converting Preference Shares

Name	No. of Shares	Percentage of issued shares
CLIME INVESTMENT MANAGEMENT LTD	1,115,193	14.550
DI IULIO HOMES PTY LIMITED <DI IULIO SUPER FUND A/C>	325,000	4.240
MR RICHARD TOOHER	159,500	2.081
STORFUND PTY LTD <KENNARDS SELF STOR S/F A/C>	135,417	1.767
MR ANTHONY JOHN GILL <THE STAG A/C>	100,000	1.305
MR JOHN STEPHEN MICHAEL HEATHERS & MRS MARGARET JEAN HEATHERS <HEATHERS FAMILY S/F A/C>	100,000	1.305
MS MARGARET ANNE ABERNETHY	80,300	1.048
DOUBLE PTY LIMITED	80,000	1.044
MR PETER JOHN DORAHY & MRS WENDY PATRICIA DORAHY <DORAHYS SUPER FUND A/C>	77,852	1.016
PERPETUAL TRUSTEES CONSOLIDATED LIMITED <CLIME ASSET MANAGEMENT A/C>	77,025	1.005
MR PETER MICHAEL ANTAW & MRS VICTORIA MARY ANTAW <PETAVIC SUPER FUND A/C>	70,325	0.918
MR KENNETH EDGAR FREEMAN	68,000	0.887
MR ANTHONY DENIS O'NEILL & MRS ANNE MARIE O'NEILL <EVENPEAK SUPER FUND A/C>	62,500	0.815
BARBRIGHT AUSTRALIA PTY LTD <INTERQUARTZ SUPER FUND A/C>	54,167	0.707
MR JOHN LOCKETT GLASSON & MRS JUNE GLADYS GLASSON <JJG SUPER FUND NO 2>	52,208	0.681
MR DICK ROBERT LISTER & MRS JAN LOUISE LISTER <LUMEN S/F A/C>	52,000	0.678
MR DEREK JOHN CANTLE <DJ & AI CANTLE FAMILY A/C>	51,007	0.665
MR FELIX GUY LENOX HOLMER <THE SUNDANCER SUPER A/C>	50,481	0.659
NELLIE DICK ENTERPRISES PTY LTD <EMPLOYEES SUPER FUND A/C>	50,000	0.652
OPHI INVESTMENTS PTY LTD <WARTON CHIENG A/C>	50,000	0.652
	2,810,975	36.675

Unquoted equity securities

There are no unquoted equity securities on issue as at the date of this report.

C. Substantial Holders

Substantial holders in the company are set out below (based on voting interest in fully paid ordinary shares only):

Name	No. of shares held	Percentage of issued shares
Clime Investment Management Limited	5,503,377	13.677%

D. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(a) Fully Paid Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share

(b) Converting Preference Share

One vote for each share held, but limited to matters affecting the rights of such shares.