CLIME CAPITAL LIMITED
ABN 99 106 282 777

An Investment Company

2007 Annual Report

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DIRECTORY

Directors

Roger Montgomery
Geoffrey Wilson
Anthony Hockey
Julian Gosse

Company Secretary

Cameron Fellows

Registered Office and Contact Details

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Sydney NSW 2000

Telephone: (02) 9252 8522
Facsimile: (02) 9252 8422
Email: info@clime.com.au

Share Registry

Registries Limited
28 Margaret Street
Sydney NSW 2000

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664

For all enquiries relating to your shareholding, dividends (including participation in the Dividend Reinvestment Plan) and related matters please contact the share registry.

Auditor

DTT NSW
Level 1
225 George Street
Sydney NSW 2000

Telephone: (02) 9322 7000
Facsimile: (02) 9322 7001

Stock Exchange Codes:

Fully Paid Ordinary Shares	CAM
Converting Preference Shares	CAMPA

FINANCIAL CALENDAR
anticipated dates only

Final Dividend
15 October 2007

Annual General Meeting
16 November 2007

Half Year End
31 December 2007

Half year results announcement
February 2008

Interim Dividend
March 2008

Year End
30 June 2008

Annual Report
September 2008

CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to report that the investment strategy Clime employs has produced another year of unsustainable returns.

The invested portfolio rose 53% (excluding cash) in the twelve months to 30 June 2007 (40.1% including cash), compared with a 40.8% increase in the S&P/ASX 300 Industrial Accumulation Index. This return also follows a rise of 42% (excluding cash) in the twelve months to 30 June 2006 (28.7% including cash), compared with a 7.8% increase in the S&P/ASX 300 Industrial Accumulation Index.

As with the results of 2006, a significant proportion of the return for 2007 can be attributed to the performance of the Company's two largest holdings - The Reject Shop and Credit Corp. Performance was also assisted by realised and unrealised gains in Schaffer Corporation, Data 3 Limited, Macquarie Bank, OAMPS and Telstra 3 – the latter being a very attractive piece of paper, offered by a far less attractive business.

Investing involves the assessment of risk and, as difficult as it is, we must consider risks that are unusual, unbelievable and unexpected. We agree with the assessment of many - the macroeconomic impact on most Australian businesses of the widening of credit spreads in the United States should prove to be minor. We also believe, however, that the risk of adverse surprises is heightened. It appears to us an anomaly that credit spreads have returned to levels that more appropriately reflect risk and yet the stock market's participants have pushed the indices to new all time highs. Equity is unsecured and ranks behind debt. Yet in many cases, the rates of return on equity that 'investors' are willing to accept for their share investments is lower than that available on secured and unsecured debt.

On this basis we have raised the discount rate we use to value companies and much like gravity on earth pulls objects down, higher discount rates exact the same influence on company valuations.

To generate the kind of returns we have achieved in the recent past requires us only to be able to invest capital in the things we like at prices below intrinsic value. We use circa 15% pre-tax required returns and while the recent volatility presented several opportunities, we remain heavily invested in a local term deposit. We are simply not finding enough opportunities at the new required returns to immediately deploy the company's cash. That's not to say no opportunities will present themselves. The tide always turns.

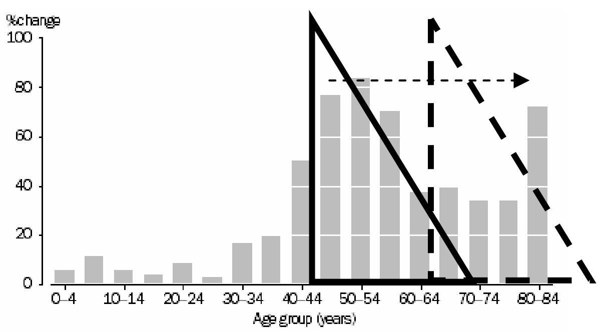
On 16 August this year, the tide indeed went out and many bathers discovered they were swimming naked. While the tide returned quickly and bathers went on swimming - somewhat relieved one suspects - they did not get dressed. In this regard, the recent volatility has been revealing (pun intended).

Our job is to buy businesses with a demonstrated track record of superior economic returns, management that is honest and businesses with bright prospects. It is the subject of bright prospects that I would like to touch on now.

According to the Australian Bureau of Statistics, at 31 March 2007 Australia's total population was 20,948,900.

Australia's population is ageing as a result of sustained low fertility and increasing life expectancy. Over the next several decades, population ageing is expected to have significant implications for Australia including health, labour force participation, housing and demand for skilled labour. It will also have a significant impact on the unit sales volume, revenue growth and profitability of a substantial number of industries and businesses within.

Figure 1. Change in population 1986 – 2006



Over the last twenty years the largest changes to the population have occurred in the 45-59 yrs age bracket, highlighted in Figure 1. above. This is the cohort born between 1946 and 1961 (popularly referred to as the baby boomers) and their impact on business economics has been observable throughout the developed world.

The simplest way the capitalist model generates wealth for business owners is through providing a good or service to a growing customer base. It is clearly evident from the above graphic that the place to be in the last twenty years has been supplying the needs and wants of those aged between 45 and 69.

The front of the wedge highlighted in Figure 1. represents the wave that business should be on to take advantage of the growing population in the most rapidly growing cohort. In the next twenty years the wedge shifts right and the largest jumps in the population will occur amid those aged 65-89 yrs.

Between 30 June 1986 and 30 June 2006, the proportion of people aged 65 years and over increased from 10.5% to 13.3%. During the same period, the proportion of population aged 85 years and over doubled from 0.8% of the population at 30 June 1986 to 1.6% of the total population at 30 June 2006.

In the 12 months to 30 June 2006, the number of people aged 85 years and over increased by 8.0% to reach 338,000. Over the past two decades, the number of elderly people has increased by 161%, compared with a total population growth of 29% over the same period. Importantly, there were over twice as many females than males in this age group at 30 June 2006.

According to Australian Bureau of Statistics projections, the proportion of people aged 65 years and over is expected to increase by more than one percentage point from 13.1% to 14.3% between 2005 and 2010.

Based on certain assumptions about future levels of fertility, mortality, internal migration and net overseas migration (NOM) Australia's population is projected to increase to between 24.9 and 33.4 million in 2051. And the ageing trend is expected to continue. Australia is getting older.

By 2051 there will be a much greater proportion of people aged 65 years and over. In 2004 people aged 65 years and over made up 13% of Australia's population. This proportion is projected to increase to between 26% and 28% in 2051. In 2004 there were just under 300,000 people aged 85 years and over, making up 1.5% of the population. This group is projected to grow, to 2%–3% by 2021 and to 6%–8% by 2051.

The number of people aged over 65 is expected to double in the next 45 years and the number of women over 85 will probably remain about double the number of men.

Meeting the wants and needs of a customer base that will double in size seems pretty simple. There are less obvious opportunities that may be even more rewarding for those that can supply solutions.

This year, amid the sub-prime fall out, five children tragically died from influenza. Many experts described it as the worst outbreak on record and your Chairman was bedridden for three days for the first time in his life. Add a serious virus outbreak in twenty years and the impact on public hospital emergency departments already stretched by a doubling of people over the age of 65 raises a whole new set of dangers, fears and amid these, opportunities.

The government is notoriously slow to respond to these big picture shifts – witness the failure to provide sufficient affordable childcare places to meet the needs of another echo boom – so it will be left to private enterprise to meet these needs.

At Clime we don't spend all our waking hours thinking about these things, but we do take a keen interest in those businesses that are likely to benefit the most from the shifts described above.

I would like to take a short commercial break….

In last year's Chairman's letter, I reminded shareholders that we are investors in businesses rather than 'stocks', and I repeat my statement that if we cannot find suitable opportunities amongst listed companies, we may and should seek them among unlisted candidates. To that aim, we approached several businesses this year that weren't for sale and expressed an interest in making an acquisition. We were warmly received in each instance however to date we remain single and fancy free.

If a business has bright prospects, requires little of your manager's time, generates or will generate a high return on equity, has little or no debt and is available at a significant discount to intrinsic value, it will be considered.

And if that business is positioned at the pointy end of the wedge shown in Figure 1, so much the better.

Dividends

As you know Clime has been wrestling with dividends for some time. It has been the policy of the Board to pay dividends when opportunities cannot be found and to retain capital when we believe there are, or are likely to be, more ideas than cash.

Many shareholders have indicated that they would like Clime to retain all its profits rather than pay dividends. Franking can be distributed at some later date. We will continue to monitor and debate the issues and your feedback on this subject remains welcome.

A good case can be made for retaining profits, if those profits can be reinvested at high rates of return.

As Warren Buffett once observed; *"(A) company with historic and prospective high returns on equity should retain much or all of its earnings so that shareholders can earn premium returns on enhanced capital. Conversely, low returns on corporate equity would suggest a very high dividend payout so that owners could direct capital toward more attractive areas."*

With that in mind, you might be interested in the following arguments.

Australia's listed companies have long made capital allocation decisions based on the income demands of shareholders and their infatuation with franking credits. Recent changes to CGT and superannuation, however, could now allow companies to act more rationally and shareholders will be better off.

What I am about to present is heresy to legions of income-hungry, dividend fans.

What I am not saying is that all companies should retain all their profits. Indeed, there are some companies that should not retain a cent. Those companies – the ones with mediocre rates of return on equity – should distribute all of their profits to their shareholders. But there are a handful of companies that should suspend their dividends and retain all their profits. The reasons follow.

Australian investors, particularly baby boomers, are enamoured with their fully franked dividends. For years many investors have been swimming in dividends, blissfully unaware that they have missed out on much higher returns. The removal of double-taxation of dividends, combined with years of advice that says retiree investors should emphasise income in their portfolios, has served to fuel a silent protest by Australian investors that has been so effective that corporate capital allocation now blindingly follows the mantra to the significant cost of the very investors the mantra seeks to serve.

You may be financially significantly better off if some of the companies in which you own shares (those able to reinvest profits at high rates of return), stopped paying you a dividend.

Thanks to recent tax changes to superannuation and the treatment of capital gains, a long overdue return to rationality could now occur. Companies able to generate high rates of return on equity should reconsider their dividend payment policies. Sensible decision-making would result in higher returns for shareholders and greater certainty amid lower business risk.

Let's begin by explaining why investors are selling themselves short by insisting Australian listed companies – particularly those able to generate high rates of return on equity – pay earnings out as a dividend.

Take a company with $10 of equity per share on its balance sheet. We'll assume the underlying economics of the business and its management combine to produce a steady 20% return on equity. As is often the case in Australia, we'll also assume that 50% of the earnings are paid as a dividend. In the first year, earnings per share will be $2 and the dividend will be $1. The retained $1, which is not paid out as a dividend, increases equity at the end of the year to $11. In year two the company again generates a 20% return, this time on $11 of equity, producing earnings per share of $2.20.

If we now assume that the stockmarket chooses to never re-rate or de-rate the shares and that they always trade on a price/earnings multiple (P/E) of 10, we discover that in year one, the shares will trade at $20 (P/E 10 x $2) and in year two, the shares will trade at $22 (P/E 10 x $2.20).

In year one, the investor received a dividend of $1, and in year two a capital gain of $2 for a total return of 15% but had the dividend not been paid, retained earnings would have been $2 and beginning equity in year two would have been $12. A 20% return on the new, higher equity of $12 would correspond to earnings per share of $2.40 in year two and had the company's shares continued to trade on a P/E of 10 in year two, they would be trading at $24. The shareholder would have received a 20% return.

By insisting that management pay 50% of earnings as a dividend, or $1, shareholders have robbed themselves of $2 in capital gains. If the shares are held by a sixty-something baby boomer in a superannuation fund that is structured so that no capital gains tax is payable, or if discount capital gains tax treatment applies where the asset is held personally, the difference is meaningful.

And the opposite is also true for companies generating a low rate of return on equity. Leaving everything in the above example unchanged, but changing the return on equity to 5%, you would generate a much higher rate of return on your money, if management elects to pay all of the earnings out as a dividend. If a company able to achieve only a 5% rate of return on equity indefinitely was to suspend dividends and retain 100% of the profits, your return from buying the shares and selling them at any time in the future on a P/E of 10, would be 5% per annum. However, if this company elected to distribute all of its profits to you as a dividend, your return would be 10% per annum.

For many years, it has been investment dogma that as you age, your portfolio should lean progressively away from "growth" and towards "income". Unfortunately, all Australian companies irrespective of their return on equity, have been beholden to the irrationality of flawed financial advice for far too long. And Australian investors have missed out as a result.

Just how serious is the opportunity cost? Just how much has it cost investors to heavily weight their portfolio with income-producing assets in retirement? Academic research could put a value on it, but anecdotal evidence is sufficient to provide some insights.

In 1965, Warren Buffett purchased shares in and took control of Berkshire Hathaway, a tired manufacturer of suit liners, for $14.75 per share. In 1967, he paid a dividend of 10¢ and then realised that as a superior manager of money, shareholders would benefit if he retained and compounded the profits rather than handing profits in the form of dividends to them to manage.

In 2007 – four decades later – Berkshire Hathaway shares trade at $120,000 each because no dividends have been paid since 1967.

Everyone marvels at how Berkshire Hathaway's shares have appreciated over the past 40 years. But the appreciation is not remarkable in the context of maintaining a greater than 20% return on growing equity and reinvesting rather distributing profits. Berkshire Hathaway trades at $120,000 per share because Buffett has been able to generate high rates of return on ever higher amounts of equity. Any company whose business can sustain high rates of return on rising equity should adopt the same policy towards dividends.

Financial Advisors who might have advised investors to sell Berkshire Hathaway in 1968 because no dividends were forthcoming have provided flawed advice. If a Berkshire Hathaway shareholder needs income, they can sell a share and if they really want an entertaining year, they can sell two shares!

In the context of the new superannuation rules, selling shares to fund lifestyle and healthcare needs is not as silly as it first sounds. Shareholders would have greater value in their shares and would need to sell fewer units to fund the same outgoings.

If a company can generate high rates of return on equity, it should retain its profits. Shareholders will benefit from higher capital returns. This is why Warren Buffett is famously quoted as saying: "growth benefits the investor only when each dollar used to finance growth creates over a dollar of long-term market value".

Often referred to as the $1 Principle, Buffett is simply referring to return on equity. A high rate of return on equity justifies a company growing its equity by retaining earnings rather than paying dividends. A high rate of return justifies a company NOT paying dividends. "Growth benefits the investor".

And by retaining earnings, the company will not need to raise as much fresh capital from shareholders, thereby diluting ownership, nor will it have to borrow as much.

The idea of suspending dividends, however, will be anathema to many Australian companies. "Our share price will collapse", "our shareholders expect a dividend" will be the typical cries that managers – those not behaving like owners – will be heard making. Such cries, however, are irrational and reflect concern for the short-term impact on the share price (as irrational investors sell out) rather than the long-term benefits to the shareholders who plan on remaining owners. For as long as management resists rational capital allocation, shareholders will be missing out on meaningfully higher returns.

Finally a further point from the coal face, many Australian chief executives and chief financial officers can tell you what their dividend policy is but few can explain why. These directors play in the revolving door of their company's capital allocation departments paying dividends and then raising more capital for growth or expansion by issuing shares in the very same year, diluting shareholders' ownership stakes or borrowing money and increasing the risk profile of the business for its owners.

Why do Australia's superior ROE generators insist on paying dividends? Shareholders would receive higher returns, even when the tax benefits of franking are taken into account, if they didn't and balance sheets would be less geared.

Now that superannuation is tax-free for most baby boomers and capital gains are discounted for investors who have held shares for longer than a year, there is no need to receive income at the expense of capital gains.

Investors in companies where management believes (I should say: where management is certain) they can generate superior rates of returns on equity, should insist that they hang on to their earnings rather than cost shareholders returns, by paying those earnings out as a dividend.

The franking can be distributed later, when the returns, as measured against equity, plateau or decline.

Conclusion

The year ahead will require us to navigate the usual irrationality, albeit perhaps in the context of a much more volatile market than in prior years. We remain confident that our conservative approach to valuation and magnetic connection to term deposits and bank bills will provide protection whilst allowing us to take advantage of the most obvious opportunities.

I look forward to seeing you at this year's AGM which will be combined with our Annual Investor Meeting.

Sincerely

Roger Montgomery
Chairman

REVIEW OF OPERATIONS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Performance

Clime Capital Limited (ASX Code: CAM) is pleased to report that the invested portfolio rose 53% (excluding cash) in the twelve months to 30 June 2007 (40.1% including cash), compared with a 40.8% increase in the S&P/ASX 300 Industrial Accumulation Index. This return also follows a rise of 42% (excluding cash) in the twelve months to 30 June 2006 (28.7% including cash), compared with a 7.8% increase in the S&P/ASX 300 Industrial Accumulation Index.

Investment Portfolio

The portfolio of listed investments as at 30 June 2007 is included in the table below:

Company	Quantity	$ Total Consideration	$ Effective Cost Price	$ Market Price @ 30/06/07	% Unrealised Gain/(loss)	$ Market Value
AAZPB	2,400	242,143	100.89	101.40	0.50%	243,360
ANZ	175,000	4,987,481	28.50	28.99	1.72%	5,073,250
BKWPA	13,000	1,378,918	106.07	102.20	-3.65%	1,328,600
BWP	908,643	2,028,563	2.23	2.31	3.47%	2,098,965
CCP	883,491	5,433,820	6.15	12.30	99.99%	10,866,939
DTL	241,222	1,215,979	5.04	6.00	19.03%	1,447,332
FXL	170,000	511,568	3.01	2.96	-1.64%	503,200
IBC	2,026,300	1,215,780	0.60	0.63	5.00%	1,276,569
IIF	696,000	1,650,039	2.37	2.34	-1.30%	1,628,640
MIT	839,797	1,712,639	2.04	2.12	3.95%	1,780,370
MXG	115,000	576,459	5.01	4.92	-1.85%	565,800
MXUPA	13,202	1,179,440	89.34	96.00	7.46%	1,267,392
SFC	433,925	2,551,030	5.88	8.57	45.77%	3,718,737
TRS	716,982	3,172,102	4.42	12.65	185.92%	9,069,822
WBC	209,000	5,560,303	26.60	25.66	-3.55%	5,362,940
WDC	164,500	3,288,497	19.99	19.96	-0.15%	3,283,420
WDCXX	14,304	278,928	19.50	19.42	-0.44%	277,712
WFLPA	15,686	1,495,803	95.36	93.06	-2.41%	1,459,739
		38,479,492				**51,252,787**

Source of Performance

As with the results of 2006, a significant proportion of the return for 2007 can be attributed to the performance of the Company's two largest holdings – The Reject Shop and Credit Corp.

Performance was also assisted by realised and unrealised gains in Schaffer Corporation, Data 3 Limited, Macquarie Bank, OAMPS and Telstra 3 – the latter being a very attractive piece of paper, offered by a less attractive business.

Earnings and Dividends

Clime, having invested an average of 76% of its funds in equities during the year, has announced a profit after tax of $11,500,608 to 30 June 2007 – up over 98% from the previous year. Diluted earnings per share on the weighted average number of shares on issue during the year were 30.2 cents per share.

Directors Tony Hockey, Julian Gosse, Roger Montgomery and Geoff Wilson have elected to declare an ordinary dividend of 2.75 cents per share, fully franked.

For the 2007 calendar year, shareholders will have received 5.25 cents per share compared to 7.25 cents per share in calendar 2006 (which included two special dividends totalling 3 cents per share).

Outlook

It is the view of the Manager that the tightening credit conditions globally and a US real estate fallout (as a significant proportion of mortgages struck between 2003 and 2006 are reset) will ensure that returns over the next year look materially different from those generated annually over the previous four years.

While Australia and its businesses in aggregate are perhaps uniquely positioned to benefit from the benefits of ongoing demand for raw materials, financial markets and security prices will remain beholden to the heightened perceived risk of permanent loss that appears with alarming regularity in financial markets.

The first few months of the new financial year are likely to remain dominated by the fallout from the repricing of, primarily, US credit spreads.

Several weeks before the recent market peak, Clime raised approximately $18 million from the issue of 7.7 million converting preference shares in the belief that an inability to identify value reflected an expensive market. The issue, which increased the size of the overall portfolio by 34%, significantly raised the level of cash at the Manager's disposal to take advantage of any correction, without forcing the sale of Clime's large holdings.

Several opportunities have since been identified by the Manager which would fully employ the additional capital raised, should the prices of the investee companies' securities trade below our estimates of their intrinsic value.

Roger Montgomery
Chairman

DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2007.

Directors

The following persons were Directors of Clime Capital Limited during the whole of the financial year and up to the date of this report:

Mr. Roger Montgomery	-	Chairman, Executive Director
Mr. Geoffrey J Wilson	-	Non-Executive Director
Mr. Anthony Hockey	-	Independent, Non-Executive Director
Mr. Julian J Gosse	-	Independent, Non-Executive Director

Information on Directors

Mr. Roger Montgomery (Age 36) - Executive Chairman

Experience and expertise

Mr. Roger Montgomery is the founder and Managing Director of Clime Asset Management Pty Limited, an investment management company, dealer and financial adviser. Mr. Montgomery has more than 10 years' experience in the Australian securities and derivatives industry. Prior to his involvement with Clime Asset Management Pty Limited, Mr. Montgomery was the Managing Director of Investors Advantage Pty Ltd, an investment education company whose clients have included the ASX, the Sydney Futures Exchange, the Financial Services Institute of Australasia and a number of financial institutions and private investors.

Mr. Montgomery holds a Bachelor of Commerce from the University of Melbourne and is a Senior Fellow of the Financial Services Institute of Australasia.

Other current directorships

Mr. Montgomery does not presently hold any other directorships of listed companies.

Former directorships in last 3 years

Mr. Montgomery has not held any other directorships of listed companies within the last three years.

Special responsibilities

Executive Chairman
Chief Operating Officer

Interests in shares

321,893 ordinary shares in Clime Capital Limited

Mr. Geoffrey Wilson (Age 49) - Non-Executive Director

Experience and expertise

Mr. Geoffrey Wilson was appointed Non-Executive Director in November 2003. He has had 27 years' experience in the Australian and international securities industries.

Mr. Wilson 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.

Other current directorships

Mr. Wilson is the Chairman of WAM Capital Limited, Wilson Investment Fund Limited and the Australian Stockbrokers' Foundation Limited. He is a Director of Wilson Leaders Limited, Clime Capital Limited and Cadence Capital Limited.

Former directorships in last 3 years

Mr. Wilson is formerly a Director of Mariner Bridge Investments Limited (formerly known as Mariner Wealth Management Limited) from September 1999 to October 2006.

Special responsibilities

None

Interests in shares

361,931 ordinary shares in Clime Capital Limited

Mr. Julian Gosse (Age 57) - 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 Blue Chip Financial Solutions Limited. He is also a Director of Wilson Leaders Limited and Wilson Investment Fund Limited.

Former directorships in last 3 years

Mr. Gosse is formerly a Director of Mariner Bridge Investments Limited (formerly known as Mariner Wealth Management Limited) until October 2006.

Special responsibilities
Chairman of Audit Committee
Chairman of Remuneration Committee
Chairman of Nomination Committee

Interests in shares
NIL

Mr. Anthony Hockey (Age 42) - Independent, Non-Executive Director
Experience and expertise
Mr. Anthony Hockey is the Managing Director of Hocfin Consulting Pty Limited and has over 13 years' experience in strategy and business performance improvement, primarily in the financial services and wealth management industries. Prior to establishing Hocfin Consulting Pty Limited, he held the position of Head of Strategy and Corporate Advice with ING Australia and was responsible for assessing mergers and acquisitions, providing due diligence analysis and operations integration advice. Prior to that, he was Strategy and Planning Manager, Head of Project Management (ING Funds Management) and Operations Executive (Australian Portfolio Managers). He has also held the position of principal consultant, PricewaterhouseCoopers (Management Consulting Services) where he led business improvement initiatives for companies operating across a wide range of industries.

Mr. Hockey holds a Master of E-commerce Management, MGSM, a Master of Commerce from the University of NSW and a Bachelor of Economics from the University of Sydney.

Other current directorships
Mr. Hockey does not presently hold any other directorships of listed companies.

Former directorships in last 3 years
Mr. Hockey has not held any other directorships of listed companies within the last three years.

Special responsibilities
Member of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

Interests in shares
57,737 ordinary shares in Clime Capital Limited

Company Secretary

The name of the Company Secretary who was in office for the duration of the financial year is:

Mr. Cameron Fellows (Age 30)

Mr. Cameron Fellows was appointed to the position of Company Secretary in February 2006. He is the Group Financial Controller / Company Secretary of the listed financial services company Clime Investment Management Limited. He previously held a senior accounting position with Village Roadshow Limited and, prior to that, worked for over 8 years in the audit practice of PricewaterhouseCoopers.

Mr. Fellows holds a Bachelor of Commerce from the University of Melbourne and is a Chartered Accountant, Chartered Company Secretary and a Fellow of the Financial Services Institute of Australasia.

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 2007, and the numbers of meetings attended by each Director were:

Director	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Mr. Roger Montgomery	4	4	-	-
Mr. Geoffrey Wilson	4	4	-	-
Mr. Julian Gosse	4	3	3	3
Mr. Anthony Hockey	4	4	3	3

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. Julian Gosse 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 Stock Exchange.

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

DIRECTORS' REPORT (continued)

Operating Result

The net profit after providing for tax amounted to $11,500,608 (2006: $5,800,748).

Dividends Paid or Recommended

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

	2007 $	2006 $
Final ordinary dividend paid during the year of 2.25c per share in respect of the prior financial year (2006: 1.00c per share)	819,562	274,386
Special ordinary dividend paid during the year of 2.00c per share (2006: 1.00c per share)	734,348	292,107
Interim ordinary dividend paid during the year of 2.50c per share (2006: 2.00c per share)	924,992	669,372
Quarterly converting preference share dividend recommended during the year of 3.0c per share (2006: NIL)	229,937	-
	2,708,839	1,235,865

In addition to the above dividends, since the end of the financial year the Directors have recommended payment of a final ordinary dividend of $1,026,842 (2.75c per fully paid ordinary share).

Shareholders are reminded that a dividend reinvestment plan is in place. Participating shareholders will be allotted ordinary shares in lieu of a fully franked dividend payment. Shares will be allotted at a 1% discount to the weighted average market price of shares sold on the ASX on the closing date and three days preceding that date. Shares allotted in accordance with the dividend reinvestment plan will be allotted approximately 15 October 2007.

Review of Operations

In accordance with the relief provided by Class Order 98/2395, as issued by the Australian Securities and Investments Commission, the Company is not required to reproduce information required in the Directors' Report if it has been included elsewhere in the Annual Report. As such, for a detailed Review of Operations of the Company, please refer to the Review of Operations beginning on page 9 of this Annual 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

A final fully franked dividend for the year ended 30 June 2007 of 2.75 cents per share, totaling $1,026,842, is recommended by the Directors. This provision has not been reflected in the accounts.

No other 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.

Future Developments

At this time the Directors are not aware of any developments likely to have a significant effect upon the operations of the Company.

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 (DTT NSW) for audit and non-audit services provided during the year are set out in note 3 of the attached Financial Report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services, as set out in note 3 of the attached Financial Report, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Remuneration Report

The remuneration report is set out under the following main headings:

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

The information provided under headings A-C includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

A Principles used to determine the nature and amount of remuneration

Executive Directors and Other Executives

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the Company and achieving its strategic objectives. The remuneration packages of executives are based on a fixed component only, reflecting the core performance of their duties.

The only two executives employed by the Company, namely Mr. Roger Montgomery and Mr. Cameron Fellows, are employed in their capacities as Chief Operating Officer and Company Secretary respectively.

The management of the investment portfolio has been outsourced to Clime Asset Management Pty Ltd in accordance with a 25 year management agreement. As such, the Board does not consider it appropriate or meaningful to provide either a performance-based or equity-based remuneration component to the Company's executive remuneration packages.

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.

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' REPORT (continued)

Remuneration Report (continued)

Directors' Fees

The current base remuneration was last reviewed with effect from September 2003. 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 $50,000 per annum.

Base Remuneration

Structured as a total remuneration package which may be delivered as a combination of cash and salary-sacrificed superannuation contributions at the executives' discretion.

Executives are offered a competitive base remuneration that comprises a fixed component of remuneration. Base remuneration for executives is reviewed annually to ensure the executives' pay is competitive with the market.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors of Clime Capital Limited are set out in the following tables. 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.

The Company Secretary, Mr. Cameron Fellows, is a company executive whose remuneration must be disclosed under the *Corporations Act 2001* as he is one of the 5 highest remunerated executives.

Key management personnel and other executives of Clime Capital Limited

2007	Short-term Employee Benefits			Post-Employment Benefits	Share-Based Payments		
Name	Cash salary, fees and commissions $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Options $	Termination Benefits $	Total $
Non-Executive Directors							
Geoffrey Wilson	4,587	-	-	5,413	-	-	10,000
Julian Gosse	18,349	-	-	1,651	-	-	20,000
Anthony Hockey	18,349	-	-	1,651	-	-	20,000
Sub-total Non-Executive Directors	**41,285**	**-**	**-**	**8,715**	**-**	**-**	**50,000**
Executive Directors							
Roger Montgomery	55,046	-	-	4,954	-	-	60,000
Total Key Management Personnel Compensation	**96,331**	**-**	**-**	**13,669**	**-**	**-**	**110,000**
Other Company Executives							
Cameron Fellows [1]	11,009	-	-	991	-	-	12,000

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

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

2006	Short-term Employee Benefits			Post-Employment Benefits	Share-Based Payments		
Name	Cash salary, fees and commissions $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Options $	Termination Benefits $	Total $
Non-Executive Directors							
Geoffrey Wilson	9,174	-	-	826	-	-	10,000
Julian Gosse	18,807	-	-	1,651	-	-	20,458
Anthony Hockey	15,291	-	-	1,376	-	-	16,667
Sub-total Non-Executive Directors	**43,272**	**-**	**-**	**3,853**	**-**	**-**	**47,125**
Executive Directors							
Roger Montgomery	55,046	-	-	4,954	-	-	60,000
Total Key Management Personnel Compensation	**98,318**	**-**	**-**	**8,807**	**-**	**-**	**107,125**
Other Company Executives							
Cameron Fellows [1]	3,670	-	-	330	-	-	4,000

[1] Denotes one of the highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.
Cameron Fellows was an executive of the Company from his appointment on 16 February 2006 to the end of the financial year.

C Service Agreements

Remuneration and other terms of employment for the Executive Directors and other senior executives are 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.

Mr. Roger Montgomery Executive Chairman

- Term of agreement – No fixed term
- Notice period for termination by employee – 3 months
- Notice period for termination by company – 12 months
- Payment of a termination benefit on early termination by the company – in lieu of 12 months' notice and other than for gross misconduct – equal to a maximum of 100% of the annual remuneration package current at the time of termination. A redundancy payment of 10% of the annual remuneration package current at the time of termination will also be payable

Mr. Cameron Fellows Company Secretary

- 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

DIRECTORS' REPORT (continued)

Proceedings on Behalf of Company

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 21.

Signed in accordance with a resolution of the Directors.

Roger Montgomery
Chairman
Sydney
27 September 2007

DTT NSW

DTT NSW has changed its name from Horwath Sydney Partnership and is a continuation of that partnership.
The partners of DTT NSW have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 1 February 2007.

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

27 September 2007

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 2007, 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

DTT NSW
DTT NSW

Alfred Nehama
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices adopted by the Company, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

Board of Directors and its Committees

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfill this role the Board seeks to address:

(a) the prudential control of the Company's operations;

(b) the resourcing, review and monitoring of executive management;

(c) the timeliness and accuracy of reporting to shareholders; and

(d) the determination of the Company's broad objectives.

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 three non-executive Directors. Mr J Gosse and Mr A Hockey are the independent Directors. The Board does not have a majority of independent Directors. The Board has considered its composition and believes that as the principal management function, being the management of the investments, resides with Clime Asset Management Pty Limited, the participation of two independent Directors is appropriate for the Company.

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 principal of 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.

Directors have a usual term of two years, and a maximum term of 3 years before they are required to nominate themselves for re-election at a meeting of shareholders.

Performance Evaluation of Directors

The Company undertakes annual reviews of Directors' performance.

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:

- J Gosse (Chairman)
- A Hockey

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 annually by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

Director Dealing in Company Shares

Directors and senior management may acquire shares in the Company, but are prohibited from dealing in Company shares whilst in possession of price-sensitive information.

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.

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration of the Directors themselves. The Remuneration Committee meets once a year.

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

The members of the Remuneration Committee during the year were:

- 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 is not the Chairman of the Board. The Committee is responsible for considering the effectiveness of the systems of internal control and financial reporting. The Audit Committee met three times during the year.

The members of the Audit Committee during the year were:

- J Gosse (Chairman)
- A Hockey

The responsibilities of the Audit Committee are to ensure that:

1. Relevant, reliable and timely information is available to the Board to monitor the performance of the Company;
2. External reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
3. Management processes support external reporting in a format which facilitates ease of understanding by shareholders and institutions;

4. The external audit arrangements are adequate to ensure the maintenance of an effective and efficient external audit. This involves:
   (a) reviewing the terms of engagement, scope and auditor's independence;
   (b) recommendations as to the appointment, removal and remuneration of an auditor; and
   (c) reviewing the provision of non-audit services provided by the external auditor ensuring they do not adversely impact on audit independence;
5. Review the Company's risk profile and assess the operation of the Company's internal control system.

The Audit Committee:

(a) requires the administrator, White Outsourcing Pty Ltd, to report annually on the operation of internal controls;

(b) reviews the external audit of internal controls and liaises with the external auditor; and

(c) conducts any other investigations and obtains any other information it requires in order to report to the Board on the effectiveness of the internal control system.

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.

Executive Management

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

These entities 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.

Ethical Standards

The Board expects all executive and non-executive Directors to act professionally in their conduct and with the utmost integrity and objectivity. All executive and non-executive Directors must comply with the Company's Code of Conduct and Ethics.

CORPORATE GOVERNANCE STATEMENT (continued)

Shareholder Communications

The Board informs shareholders of all major developments affecting the Company's state of affairs as follows:

- All information lodged with the ASX is available on the Company's website at **www.clime.com.au**

- An Annual Report will be mailed to shareholders at the close of the financial year;

- Net asset backing per share is released to the ASX by the 14^{th} day following each month-end and is sent via email to shareholders who register their interest;

- 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.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 $	2006 $
Investment income from ordinary activities			
Investment revenue	**2**	2,719,633	2,114,080
Net realised gains on disposal of held for trading investments		6,759,828	1,712,563
Net unrealised gains on held for trading investments		7,906,210	5,332,700
Total investment income from ordinary activities		17,385,671	9,159,343
Management fees		(529,712)	(336,199)
Performance fees		(722,594)	(309,493)
Administrative expenses	**4**	(174,566)	(250,139)
Brokerage expenses		(63,119)	(98,052)
Directors' fees and company secretarial fees		(122,000)	(111,125)
Meeting expenses		(2,381)	(196,944)
Other general expenses from ordinary activities		(134,185)	(54,053)
Total expenses		(1,748,557)	(1,356,005)
Net profit before income tax expense		15,637,114	7,803,338
Income tax expense	**5(a)**	(4,136,506)	(2,002,590)
Net profit attributable to members of the company		11,500,608	5,800,748
Basic earnings per share	**7**	30.56 cents	18.28 cents
Diluted earnings per share	**7**	30.20 cents	18.28 cents

This Income Statement should be read in conjunction with the Notes to the Financial Statements which follow.

CLIME CAPITAL LIMITED
ABN 99 106 282 777
BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007 $	2006 $
ASSETS			
Cash and cash equivalents	**16(a)**	21,643,591	9,348,461
Trade and other receivables	**8**	855,035	2,374,511
Bills receivable	**9**	-	2,025,665
Financial assets at fair value through profit or loss	**10**	51,252,788	27,433,028
Deferred tax assets	**5(d)**	104,213	88,588
Other assets	**11**	19,121	-
TOTAL ASSETS		73,874,748	41,270,253
LIABILITIES			
Trade and other payables	**12**	1,780,165	1,042,250
Current tax liabilities	**5(b)**	1,717,245	350,868
Deferred tax liabilities	**5(c)**	3,850,650	1,574,011
Provisions	**13**	229,937	-
TOTAL LIABILITIES		7,577,997	2,967,129
NET ASSETS		66,296,751	38,303,124
EQUITY			
Issued capital	**14**	52,321,029	33,119,171
Retained profits	**15**	13,975,722	5,183,953
TOTAL EQUITY		66,296,751	38,303,124

This Balance Sheet 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
AS AT 30 JUNE 2007

	2007 $	2006 $
Total equity at the beginning of the year	38,303,124	25,305,684
Net profit attributable to members of the company	11,500,608	5,800,748
Total recognised income and expense for the year	11,500,608	5,800,748
Transactions with shareholders		
Dividends paid	(2,708,839)	(1,235,865)
Transaction costs arising from issue of shares	(153,745)	(71,556)
Issue of shares	19,355,603	8,504,113
	16,493,019	7,196,692
Total equity at the end of the year	66,296,751	38,303,124

This 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
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 $	2006 $
Cash flows from operating activities			
Proceeds from disposal of financial assets at fair value through profit or loss		52,585,236	36,088,545
Payments for financial assets at fair value through profit or loss		(59,744,567)	(46,932,207)
		(7,159,331)	(10,843,662)
Dividends and trust distributions received		1,790,795	1,353,003
Interest received		700,797	581,081
Payments for administration expenses		(412,097)	(628,737)
Investment manager's fees paid		(866,812)	(295,722)
Income tax paid		(440,952)	(341,451)
Net cash provided by operating activities	16(b)	(6,387,600)	(10,175,488)
Cash flows from investing activities			
Proceeds from sale of bank bills		2,025,665	10,671,889
Net cash used in investing activities		2,025,665	10,671,889
Cash flows from financing activities			
Dividends paid		(1,518,275)	(896,081)
Share issue transaction costs		(219,636)	(71,556)
Proceeds from exercise of options		-	3,985,869
Proceeds from share placements of ordinary shares		-	2,857,768
Proceeds from issue of converting preference shares		18,394,976	-
Proceeds from issue of ordinary shares		-	1,179,926
Net cash provided by financing activities		16,657,065	7,055,926
Net increase in cash held		12,295,130	7,552,327
Cash and cash equivalents at beginning of the financial year		9,348,461	1,796,134
Cash and cash equivalents at end of the financial year	16(a)	21,643,591	9,348,461

This Cash Flow Statement should be read in conjunction with the Notes to the Financial Statements which follow.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report 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 report of the company complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures that the consolidated and parent entity financial statements and notes of Clime Capital Limited comply with International Financial Reporting Standars (IFRS).

The Statements are prepared from records of the company on an accruals basis. The directors revalue the trading portfolio on a daily basis.

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.

Accounting policies

(a) Investments

i) Classification

The Company's investments in publicly listed and unlisted companies, and investments in fixed interest securities, are classified as financial assets at fair value through profit or loss.

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 Balance Sheet on a liquidity basis.

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) Investment income

Dividend income is recognised in the Income Statement 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 the income statement 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.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the Balance Sheet date.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(b) Income Tax (cont)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary difference 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. Deferred tax is credited in the Income Statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is 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.

(c) Bills of Exchange

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

(d) Cash and cash equivalents

For cash flow statement 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.

(e) 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. 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 Balance Sheet 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 Balance Sheet.

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

(f) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(g) 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.

(h) 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.

(i) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Adoption of new and revised accounting standards

The following standards, amendments to standards and interpretations were on issue but not yet effective:

(i) AASB 101 Presentation of Financial Statements (October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.

(ii) AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Company's financial instruments and share capital.

(k) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

2. INVESTMENT INCOME

	2007 $	2006 $
Dividends received	1,630,135	1,418,170
Trust distributions	380,775	117,805
Interest	708,723	578,105
TOTAL	2,719,633	2,114,080

3. AUDITORS' REMUNERATION

Remuneration of the auditor of the Company, DTT NSW,
(FY06: Moore Stephens Sydney) in relation to:

	2007 $	2006 $
Audit and review of the financial reports	19,000	19,690
Other professional services	1,054	8,004
Other services provided by associated entity	-	56,836
TOTAL	20,054	84,530

4. ADMINISTRATIVE EXPENSES

	Note	2007 $	2006 $
ASX fees		20,661	18,339
Accountancy fees		63,935	56,836
Audit fees		20,054	19,690
Other professional services		12,320	8,004
Custody fees		20,666	24,895
Share registry fees		36,930	122,375
TOTAL		174,566	250,139

5. TAXATION

(a) Income tax expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:

	2007	2006
Prima facie tax payable on profit from ordinary activities before income tax at 30%	4,691,134	2,341,001
Less tax effect of:		
Imputation gross up on dividends received	155,948	133,517
Franking credits on dividends received	(632,388)	(471,928)
Under provision in prior year	2,273	-
Other	(80,461)	-
Income tax expense relating to ordinary activities	4,136,506	2,002,590
The applicable weighted average effective tax rates are as follows:	26%	26%

	$	$
(b) Current tax liabilities		
Income Tax	1,717,245	350,868

(c) Deferred tax liabilities

Provision for deferred income tax comprises the estimated expense at current income tax of 30% on the following items:

Provision for capital gains tax on unrealised investments	3,831,989	1,570,395
Temporary differences	18,661	3,616
	3,850,650	1,574,011

(d) Deferred tax assets

Deferred tax assets comprises the estimated expense at current income tax rates on the following items:

Tax benefit on share issue expenses	98,832	74,612
Temporary differences	5,381	13,976
	104,213	88,588

5. TAXATION (cont)

(e) Income tax expense recognised in the Income Statement	**2007 $**	**2006 $**
Current income tax expense	216,899	523,529
Under provision in prior year	2,273	-
Deferred income tax relating to the origination and reversal of temporary differences	3,917,334	1,479,061
	4,136,506	2,002,590

(f) Income tax recognised directly in equity
The following current amounts were charged directly to equity during the year

Current tax share issue expenses	65,891	28,153

6. DIVIDENDS

(a) Recognised in the current year

	2007	2006
Dividends paid in the current year		
A fully franked final dividend on ordinary shares in respect of the 2006 year of 2.25 cents per share paid on 16 October 2006 (2006: A fully franked final dividend in respect of the 2005 year of 1 cent per share paid on 14 October 2005)	819,562	274,386
A fully franked special dividend on ordinary shares in respect of the 2007 year of 2 cents per share paid on 15 December 2006 (2006: A fully franked special dividend in respect of the 2006 year of 1 cent per share paid on 12 January 2006)	734,348	292,107
A fully franked interim dividend on ordinary shares of 2.5 cents per share paid on 30 March 2007 (2006: A fully franked interim dividend of 2 cents per share paid on 13 April 2006)	924,992	669,372
Dividends provided for in the current year		
A fully franked dividend on converting preference shares of 3.0 cents per share for the two month period ending 30 June 2007 payable on 23 July 2007	229,937	-
	2,708,839	1,235,865

(b) Not recognised in the current year

Since the end of the year, the directors declared a fully franked final dividend of 2.75 cents per share payable on 15 October 2007.	1,026,842	

(c) Dividend franking accounts

The amount of franking credits available to shareholders for the subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability, franking debits arising from the payment of the declared dividend and franking credits arising from dividends receivable	2,054,877	709,609
Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 15 October 2007	(440,075)	(663,453)
	1,614,801	46,156

The tax rate at which paid dividends have been franked is 30% (2006: 30%)

7. EARNINGS PER SHARE

	2007 $	2006 $
Basic earnings per share	**30.56 cents**	**18.28 cents**
Diluted earnings per share	**30.20 cents**	**18.28 cents**
Earnings used in calculating basic earnings per share	11,270,671	5,800,748
Earnings used in calculating diluted earnings per share	11,500,608	5,800,748
Weighted average number of ordinary shares used in the calculation of basic earnings per share	36,881,536	31,733,503
Weighted average number of shares used in the calculation of diluted earnings per share	38,085,978	31,733,503
Reconciliation of weighted average number of shares:		
Weighted average number of shares used in the calculation of basic earnings per share	36,881,536	31,733,503
Add:		
Weighted average number of converting preference shares issued	1,204,442	-
Weighted average number of shares used in the calculation of diluted earnings per share	38,085,978	31,733,503

8. TRADE AND OTHER RECEIVABLES

	2007 $	2006 $
Income receivable	422,436	194,395
Unsettled trades	357,957	2,135,437
Other debtors	74,642	44,679
	855,035	2,374,511

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 Stock 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.

9. BILLS RECEIVABLE

	2007 $	2006 $
Discounted bills of exchange	-	2,025,665

Terms and conditions

Bills receivable in the prior year had a maturity date of 5 July 2006 and a weighted average interest rate of 5.73% p.a.

10. INVESTMENT PORTFOLIO

	2007 $	2006 $
Quoted investments at fair value	51,252,788	27,433,028

	2007 $	2006 $

11. OTHER ASSETS

	2007 $	2006 $
Prepayments	19,121	-

12. TRADE AND OTHER PAYABLES

	2007 $	2006 $
Accrued expenses	78,790	59,081
Amount payable to related parties	842,219	404,042
Unsettled trades	859,156	579,127
	1,780,165	1,042,250

Terms and conditions

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

Accrued expenses are settled within the terms of payment offered, which is usually within 30 days. Amounts payable to related parties includes management and performance fees payable to Clime Asset Management Pty Limited and Boutique Asset Management Pty Limited. No interest is applicable to any of these amounts.

13. PROVISIONS

	2007 $	2006 $
Provision for preference share dividend declared on 31 May 2007	229,937	-

		2007 $	2006 $

14. ISSUED CAPITAL

		2007 $	2006 $
	Issued and paid-up capital		
(a)	37,339,717 (2006: 36,424,891) ordinary fully paid shares	34,079,798	33,119,171
(b)	7,664,573 (2006: nil) converting preference fully paid shares	18,241,231	-
	Balance at the end of the year	52,321,029	33,119,171

		2007 Number of shares	2006 Number of shares	2007 $	2006 $
(a)	**Ordinary shares**				
	Balance at beginning of the year	36,424,891	25,086,589	33,119,171	24,686,614
	Options exercised	-	3,985,869	-	3,985,869
	Placements	-	4,203,966	-	4,037,694
	Dividend reinvestment plan	914,826	346,054	960,627	339,783
	Cost of issue of capital	-	-	-	(50,089)
	Bonus share issue 1:12	-	2,802,413	-	-
	Reversal of year end tax adjustment in cost of issue of capital	-	-	-	119,300
	Balance at the end of the year	37,339,717	36,424,891	34,079,798	33,119,171

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.

		2007 Number of shares	2006 Number of shares	2007 $	2006 $
(b)	**Converting preference shares**				
	Balance at beginning of the year	-	-	-	-
	Issued 30 April 2007	2,560,189	-	6,144,454	-
	Issued 4 May 2007	2,604,384	-	6,250,522	-
	Issued 7 May 2007	2,500,000	-	6,000,000	-
	Cost of issue of capital	-	-	(153,745)	-
	Balance at the end of the year	7,664,573	-	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 converting preference shares automatically convert into ordinary shares in ten years, or sooner at the option of the holder. The converting preference shares are non-redeemable. In the event of winding up the Company, converting 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 converting preference shares are entitled to vote at shareholders' meetings in certain circumstances as outlined in the Prospectus dated 16 March 2007.

15. RETAINED PROFITS

	2007 $	2006 $
Balance at the beginning of the year	5,183,953	619,070
Net profit attributable to members of the company	11,500,608	5,800,748
Dividends provided for or paid	(2,708,839)	(1,235,865)
Balance at end of financial year	13,975,722	5,183,953

16. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purpose of the Cash Flow Statement, cash includes cash at bank and held by custodian. Cash at the end of the year shown in the Cash Flow Statement is reconciled to the Balance Sheet as follows:-

	2007 $	2006 $
Cash at bank	4,450,087	9,348,461
Short term bank deposits	17,193,504	-
Total cash and cash equivalents	21,643,591	9,348,461

The weighted average interest rate for cash and short term deposits as at 30 June 2007 is 6.35% (2006: 5.50%)

(b) Reconciliation of net profit attributable to members of the company to net cash provided by operation activities

	2007 $	2006 $
Net profit attributable to members of the company	11,500,608	5,800,748
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,650,515	(2,336,192)
(Increase) in investments at fair value through profit or loss	(23,819,760)	(16,212,012)
(Increase) in prepayments	(19,120)	-
(Increase)/decrease in deferred tax asset	(80,774)	53,169
Increase in trade and other payables	737,915	908,039
Increase in deferred tax liability	2,276,639	1,569,691
Increase in current tax liability	1,366,377	41,069
Net cash provided by operating activities	(6,387,600)	(10,175,488)

17. 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:

			2007 $	2006 $
Clime Asset Management Pty Ltd	- Mr Roger J Montgomery	**note (c)(i)**	1,119,878	561,006
Boutique Asset Management Pty Ltd	- Mr Geoffrey J Wilson	**note (c)(ii)**	132,428	84,686
			1,252,306	645,692

As at 30 June 2007, $66,752 (2006: $71,903) of the year's management fees remain unpaid and within payables.
As at 30 June 2007, $775,467 (2006: $332,140) of the year's 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 Roger Montgomery 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.

18. 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:

Roger Montgomery (Chairman)	- Executive Chairman
Anthony Hockey	- Non-Executive Director
Geoffrey Wilson	- Non-Executive Director
Julian Gosse	- Non-Executive Director

(a) Remuneration of Directors and Other Key Management Personnel

In accordance with Corporations Amendment Regulations 2005 (No. 4), all detailed information regarding the remuneration of directors and other key management personnel that is required by AASB 124 *Related Party Disclosures* has been included in the Remuneration Report in the Directors' Report on pages 17 to 19 of this Annual Report.

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

	2007 $	2006 $
Short-term employee benefits	96,331	98,318
Post-employment benefits	13,669	8,807
Share-based payments	-	
Termination benefits	-	
	110,000	107,125

(b) Shareholdings

2007	Balance at 1 July 2006	Shares acquired / (disposed)	Balance at 30 June 2007
Ordinary Shares			
Roger Montgomery (Chairman)	223,449	98,444	321,893
Anthony Hockey	54,167	3,570	57,737
Geoffrey Wilson	361,931	-	361,931
Julian Gosse	-	-	-
	639,547	102,014	741,561

2006	Balance at 1 July 2005	Shares acquired / (disposed)	Balance at 30 June 2006
Ordinary Shares			
Roger Montgomery (Chairman)	96,530	126,919	223,449
Anthony Hockey	50,000	4,167	54,167
Geoffrey Wilson	250,000	111,931	361,931
Julian Gosse	-	-	-
	396,530	243,017	639,547

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

19. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

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 the balance date, are included under the appropriate note for that instrument.

(b) Credit risk exposures

Credit risks 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 Balance Sheet, is the carrying amount. The Company is not materially exposed to any individual credit risk.

(c) Fair values

The carrying amounts of financial instruments in the balance sheet approximate their fair values.

(d) Interest rate risk exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets are disclosed in the relevant note.

Interest rate risk arises form the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Company may use derivatives to hedge against unexpected increases in interest rates.

(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 as the market price of these securities can fluctuate.

The Company can seek to reduce market risk by not being overly exposed to one company or one particular sector of the market. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

(f) 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 all instruments in the market. Equity price risk exposure arises from the Company's investment portfolio.

20. CONTINGENT LIABILITIES

The investment management agreement entered into by the company with Clime Asset Management Pty Ltd is for an initial period of 25 years, commencing from the date of listing.

There has been no change in contingent liabilities since the last annual reporting date.

21. EVENTS SUBSEQUENT TO BALANCE DATE

Dividend

The final dividend of 2.75 cents per share fully franked, as recommended by the Directors will be paid subsequent to balance date and is not provided for in the Balance Sheet. Refer to Note 6 of this report for further information.

22. 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 2007 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 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:

Roger Montgomery
Chairman

Date: 27 September 2007

DTT NSW

DTT NSW has changed its name from Horwath Sydney Partnership and is a continuation of that partnership.
The partners of DTT NSW have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 1 February 2007.

DTT NSW
ABN 30 856 062 171

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

Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of Clime Capital Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, and the directors' declaration as set out on pages 27 to 42.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124"), under the heading "remuneration report" on pages 17 to 19 of the directors' report, and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' 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. The directors are also responsible for the compensation disclosures contained in the directors' report. 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 and compensation disclosures contained in the directors' 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 and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the directors' 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 and the compensation disclosures contained in the directors' 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 and the compensation disclosures contained in the directors' report.

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

Auditor's Independence Declaration

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

Auditor's Opinion on the Financial Report

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 2007 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 complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 17 to 19 under the heading "remuneration report" of the directors' report, comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*.

DTT NSW
DTT NSW

Alfred Nehama
Partner
Chartered Accountants
Sydney, 27 September 2007

ASX ADDITIONAL INFORMATION
DETAILS OF SHAREHOLDERS

The shareholder information set out below was applicable as at 25 September 2007.

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	113
1,001	-	5,000	442
5,001	-	10,000	301
10,001	-	100,000	679
100,001		and over	73
			1,608

Converting Preference Shares

Ordinary Shares			No. of Holders
1	-	1,000	58
1,001	-	5,000	374
5,001	-	10,000	240
10,001	-	100,000	165
100,001		and over	4
			841

B. Equity Security Holders
Twenty largest quoted equity security holders

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

	Fully Paid Ordinary Shares	
Name	No. of Shares	Percentage of issued shares
Clime Investment Management Limited	3,121,911	8.36
Super John Pty Ltd	710,742	1.90
Mr. & Mrs. Heathers <HEATHERS FAMILY S/FUND A/C>	597,018	1.60
Storfund Pty Ltd <KENNARDS SELF STOR S/F A/C>	541,667	1.45
Highland Endeavours Pty Ltd <HOWELL FAMILY A/C>	451,000	1.21
Dynasty Peak Pty Ltd <THE AVOCA SUPER FUND A/C>	361,931	0.97
Double Pty Ltd	290,000	0.78
Hollymac Pty Ltd <HOLLYMAC SUPERANNUATION A/C>	282,118	0.76
Mr. Malcolm David Fuller	270,834	0.73
Di Iulio Homes Pty Ltd <DI IULIO SUPER FUND A/C>	250,000	0.67
Sanjo Pty Ltd <THE P J MOULLIN NO 1 A/C>	250,000	0.67
Mr. John Charles McCormick	241,690	0.65
Ms. Fleur Leong	238,654	0.64
Ms. Holly Ann McNiven	218,235	0.58
Ms. Cheryl Maria Athayde	217,536	0.58
Ms. Christine Elizabeth Johnson	216,667	0.58
Naumai Pty Ltd <SEXTON UNIT A/C>	216,667	0.58
Iqtel Australia Pty Ltd <THE MENZIES FAMILY A/C>	216,667	0.58
Mr. & Mrs. Brown <GEOFF G BROWN P/L S/F A/C>	213,790	0.57
Apple Creek House Pty Ltd <APPLE CREEK SUPER FUND A/C>	211,667	0.57
	9,118,794	24.43

Name	Converting Preference Shares	
	No. of Shares	Percentage of issued shares
Clime Investment Management Limited	514,700	6.72
Mr. Berge Der Sarkissian	200,000	2.61
Sanolu Pty Ltd	140,000	1.83
Storfund Pty Ltd <KENNARDS SELF STOR S/F A/C>	135,417	1.77
Di Iulio Homes Pty Ltd <DI IULIO SUPER FUND A/C>	100,000	1.31
Mr. & Mrs. Heathers <HEATHERS FAMILY S/FUND A/C>	100,000	1.31
John Lamble Superannuation Pty Ltd	100,000	1.31
Mr. Anthony John Gill <THE STAG A/C>	100,000	1.31
Benmiren Nominees Pty Ltd <BENHAM SUPER BENEFIT A/C>	65,000	0.85
Mr. Anthony & Mrs. Anne O'Neill <EVENPEAK SUPER FUND A/C>	62,500	0.82
Dr. Ronald & Mrs. Ann Dolton <R&A DOLTON SUPER FUND A/C>	60,000	0.78
Barbright Australia Pty Ltd <INTERQUARTZ SUPER FUND A/C>	54,167	0.71
Nellie Dick Enterprises Pty Ltd <EMPLOYEES SUPER FUND A/C>	50,000	0.65
Mr. Derek John Cantle <DJ & AI CANTLE FAMILY A/C>	45,407	0.59
Mrs. Dorothy Anne Abernethy	45,000	0.59
Ophi Investments Pty Ltd <WARTON CHIENG A/C>	45,000	0.59
Mr. Graham Peter Verbunt	43,334	0.57
Huntfun Pty Ltd <THE HUNT SUPER FUND A/C>	41,670	0.54
Mr. & Mrs. Hartnell <HARTNELL RETIREMENT A/C>	40,400	0.53
Double Pty Ltd	40,000	0.52
	1,982,595	25.91

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):

	Number held	Percentage
Ordinary Shares		
Clime Investment Management Limited	3,121,911	8.36%

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 shall have one vote.

(b) Converting Preference Shares

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