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Company Announcements
Australian Stock Exchange, Sydney
By e-lodgement

Annual Report for Year Ending 30 June 2009

The Directors are pleased to release the annual report for the year ending 30 June 2009.

The report is preceded by a letter to shareholders from John Abernethy, Chief Investment Officer of Clime Asset Management Pty Ltd.

On behalf of the Board

Jennifer El-Sibai
Company Secretary

Clime Asset Management Pty Limited ABN 72 098 420 770
Level 1, 7 Macquarie Place, Sydney NSW 2000 Australia
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Dear Shareholder,

2008/09 is now confirmed as one of the worst equity markets in financial history. The declines in equity markets around the world averaged negative 25%. These returns came despite an average 25% recovery from market lows in March 2009. The market declines of last year followed 20% declines in 2007/08. The Australian market, which recently reached 4100 on the Index, is still 2700 points below the peak reached in November 2007.

We are very pleased to report that portfolios managed by Clime Asset Managed achieved positive returns over the financial year to 30 June 2009. In the main our patient and disciplined approach protected your capital and generated returns which have not been achieved by other Australian equity managers.

We would like to share with you our thoughts on the future of the world economy an equity markets in 2009/10. In particular, we would like to articulate our investment approach in these uncertain times.

The macroeconomic environment – a global perspective[1]

We have previously noted that the world's GDP can be dissected into four distinct economies. They are the US, Europe/Japan, China and the developing world.

The world's GDP is about $55 trillion and the bulk of production and consumption is undertaken in the US ($14 trillion), Europe ($15 trillion), Japan ($4.5 trillion) and Chine ($3.5 trillion). The Australian GDP of $1 trillion is less than 2% of the world GDP. The developing world (ex China) represents about 20% of the world GDP and is dominated by India, Brazil and Argentina. The developing world however houses well over 50% of the world's population and these people can be classified as poor.

According to IMF, the developed world will continue to suffer a sharp economic downturn in 2009. As a consequence the world GDP is likely to decline by about 1.5% this year.

In our view, one of the least understood but most potent causes of the current economic malaise is the poor distribution of wealth and debt. Whilst the distribution of wealth between the developed and the developing world is overtly unfair, it is the distribution of wealth and subsequent burden of debt, which is acutely unfair in developed countries. We have sighted recently research reports that noted the distribution of income going to the highest 1% of income earners in the US in 2007 – at 22% of total income – was skewed to the same extent that it was in 1929. Concurrently, the debt burden of the poor, which became the genesis of 'sub-prime' debt, grew to levels never previously seen. In Australia, the level of household debt to income ratio is 150% and is actually higher than that of the US household sector.

It is our view that the fair distribution of wealth and income is essential for the sustainability of economic growth in an economy. A direct result of a poor wealth distribution policy is the accumulation of debt by the aspirational, the have nots and the poor. W do not debate that a conservative level of debt is essential for a society. On the one hand it allows people to improve their standard of living. On the other hand it allows savers to lend to borrowers and generate interest income through a profitable financial sector. If the system operates within conservative economic boundaries then the free market capitalist system works superbly. Overlay it with a democratic and skilled government elected by an educated society and then we can achieve Shangri-la.

The next five years (at least) will involve the developed world instigating strategies to repay debt, improve the distribution of wealth and help the developing world build sustainable economic bases. Indeed, growth in the developing world is essential for the developed world to generate income through trade and therefore ensure the sustainability of the world recovery.

Unfortunately, the recent history of the developed world has seen excessive greed generate excessive debt-funded consumption and speculation. For instance, in the nine years since the internet bubble of 2000, the US economy has grown its debt burden to dangerous levels. As at March 2009, the total level of indebtedness in the US economy had reached $48 trillion or 350% of US GDP. It had peaked at about 250% in the Great Depression. By the end of 2009 it is likely that the US government will have issued debt of $8 trillion or 60% of GDP. In the current year the US Federal deficit will approach $2 trillion and the government will issue and refinance over $3.5 trillion of government securities. It is expected (maybe hoped) that at least $1 trillion will be funded by non-US investors (in particular, 50% by China).

Thus the US economy has become excessively geared. This debt did support excessive levels of consumption and investment speculation in 2005 to 2007. It did result in the US economy growing excessively and allow the corporate sector to produce unsustainable profits. The private debt growth has been refinanced by the government. The financing of the government and the economy has reached a point where money has had to be printed.

We focus on the plight of the US economy because it represents 30% of the world's GDP. The US consumer represents 70% of the US economy. The consumption of 350 million people (or less than 70% of the world's population) accounts for 17% of the world's consumption. Thus, if the US consumer slows their consumption then the world will slow. Further, if the European and Japanese consumer also slows their consumption then the world will seriously slow and contract.

An unfortunate consequence of the consumptive binge was that Australia was at the forefront on household consumption. The Australian household debt (as noted above) is about 150% of household income and is actually worse that the same measure in the US. Australia's foreign debt as a percentage of GDP has doubled in the last ten years as banks financed household debt with offshore credit lines. The resources boon generated growth in income and government revenue allowing the Australian government to pay the debt. So whilst government debt is low, every other measure of Australian debt was at record levels when we entered the Global Financial Crisis.

Consumption is slowing for two clear reasons:

1. The blow-out of debt and subsequent write-offs by banks have meant that those people with debt are being encouraged or coerced into paying it back. If debt is repaid then debt funded consumption declines.
2. As economies slow then unemployment begins to rise dramatically. The growth in unemployment will negatively affect consumption.

The above outcomes are currently affecting the US and Europe. The drop in consumption is dramatically affecting the revenue of major industrial companies. Indeed, the recent reports from S&P 500 companies in the US show June quarter revenue has dropped by over 20% in each of the last three quarters in the US. The response of the US corporate sector has been dramatic. Job shedding is occurring at an unprecedented rate and there are now eleven states in the US that have unemployment exceeding 15%.

The decline in consumption has caused a slowing in demand for Chinese-produced products. As a result China has sought a reduction in the prices of bulk commodities from

Australian suppliers. From April the contract price of coking and steaming coal declined by 40%. Whilst iron ore negotiations are still in train the will also decline sharply. This is occurring despite a huge Chinese government stimulus package. Clearly, in 2009/10 the terms of trade for Australian will decline sharply. While Australia avoided the worst of the global credit crisis it will be affected in the next 12 months by the global economic downturn.

Impact on Australian equities

We would suggest that the above analysis is well known and thus factored into Australian share prices. The recent recovery in share prices since March was from an extremely oversold market position. Using our return on equity valuation modelling we were able to identify oversold stocks in late 2008 and early 2009. These stocks were acquired from September through to March and included Macquarie Bank Limited (ASX: MBL), National Australia Bank (ASX: NAB), Australia and New Zealand Banking Group Limited (ASX: ANZ), Leighton Holdings Limited (ASX: LEI), Monadelphous Group Limited (ASX: MND), Fleetwood Corporation Limited (ASX: FWD) and QBE Insurance Group Limited (ASX: QBE); as well as the hybrid securities issued by Australand and Multiplex. In many cases the stocks in our portfolios have risen sharply. In some cases we believe that the rise in prices have moved some stocks to about 20% above our assessment of value. In these cases we have lightened our positions. Given the economic outlook, we do not believe it is prudent to hold positions in extremely overvalued companies. It is better to replace them with good companies which can be purchased at rational prices.

Given the market is trading in the main at fair value, with limited justifiable upside, we do have some concerns for the world economy and thus share markets in the second half of calendar 2009. These concerns may not be factored into the market outlook by participants at present.

In particular, and following a recent trip to Europe, we see no real evidence that the economic decline in the Northern Hemisphere is abating. Economic decline is slowing, but it is still declining. We are most concerned about the concurrence of the continued economic US slowdown with the onset of swine flu in the Northern Winter. In recent days, one of the largest airlines in Europe, Ryanair, announced a 30% reduction in its planned services. It now expects that European travel from about November will fall dramatically. Similarly, the onset of swine flu in a severely weak US economy could slow economic and consumption recovery well into 2010.

What are the current influences on Australian equities?

1. Excessive levels of debt have been created and transferred from the private sector to the public sector of most developed countries.
2. There remain excessive levels of debt in the household sectors in developed countries. Australia’s household debt to income ratio is possibly the worst and this debt will have to be addressed in a climate of rising unemployment.
3. This debt must be serviced and repaid. The debt will remain high until economic recovery becomes established when governments will increase taxes and means test social security payments. The US, United Kingdom, Spain, Ireland and Greece are all countries with excessive public debt,
4. Economic recovery will be slow and the IMF has already forecast that some parts of Europe will still be in recession (i.e. negative growth) well into 2010. The onset of swine flu in the Northern winter has not been calculated in economic forecasts.
5. The Chinese growth recently reported was enhanced by significant government expenditure. The Chinese government stimulus package amounted to 15% of GDP which in turn is showing growth of about 8%. Continued government stimulus is financeable in China but in very few other major economies.

6. The Australian economy may not technically record a recession reading but the nominal growth follows a 5% fiscal deficit and major cash handouts. With an external shock coming from declining trade receipts, it is likely that unemployment will rise sharply and consumption will decline in the next six months.
7. When recover does occur, it is unlikely that the resulting profit growth will be matched by growth in profitability due to the extraordinary levels of capital raised in the Australian Equity market.

Our investment strategy

In summary, we believe that there is no reason to become fully invested in the equity market at this point. We do believe that it continues to be possible to generate good returns without excessive exposure to the market by selectively acquiring stocks when the prices on offer are at a reasonable discount to our assessment of value. We cannot predict when this will occur, but recent history suggests that market sentiment can move quickly from excessive optimism to excessive pessimism.

Our intention is not to trade, but in recent months we have witnessed some stocks rising by 50% to 100%. It is simply not sensible to hold positions in companies which have produced returns in six months which should occur over five years. In doing so, some of these stocks have re-priced to above our assessment of fair value. This has occurred in an economic climate which is extremely difficult to predict.

It is our intention, therefore, to rotate part of the portfolio should the opportunity arise. That is, we will sell down excessively overpriced companies and replace them with better value, quality companies. At all times we will focus upon well financed companies with high sustainable return on equity. We intend to maintain a good level of liquidity and acquire or hold high yielding securities which are fairly priced. It is our view that inflation will not be an issue in the next year and therefore as interest rates remain low we will seek out high yielding securities.

In many respects the strategy that we have adopted last year will be maintained for the foreseeable future. It is our view that our macro overview gives us a clear guidance as to when to buy the shares that we identify as being in value and the percentage of your portfolios which should be allocated to shares.

John Abernethy
Chief Investment Officer
Clime Asset Management Pty Limited

CLIME CAPITAL LIMITED
ABN 99 106 282 777

An Investment Company

2009 Annual Report

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DIRECTORY

Directors

John Abernethy
Geoffrey Wilson
Anthony Hockey
Julian Gosse

Company Secretary

Jennifer El-Sibai

Registered Office and Contact Details

Suite 1, Level 1
7 Macquarie Place,
Sydney NSW 2000

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

Share Registry

Registries Limited
Level 7, 207 Kent 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

Deloitte Touche Tohmatsu
Level 1
225 George Street
Sydney NSW 2000

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

Securities Exchange Codes:

Fully Paid Ordinary Shares	CAM
Converting Preference Shares	CAMPA

FY10 FINANCIAL CALENDAR
anticipated dates only

Final Dividend
N/A

Annual General Meeting
November 2009

Half Year End
31 December 2009

Half year results announcement
February 2010

Interim Dividend
*March 2010 **

Year End
30 June 2010

Annual Report
September 2010

* Subject to declaration by Directors

DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2009.

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

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

Mr. Roger Montgomery was a Director from the beginning of the financial year until his resignation on 30 June 2009.

Information on Directors

Mr. Geoffrey Wilson (Age 51) - Non-Executive Director

Experience and expertise

Mr. Geoffrey Wilson has had 28 years' experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

Mr. Geoffrey Wilson was appointed as a Non-Executive Director in November 2003.

Other current directorships

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

Former directorships in last 3 years

Mr. Wilson is formerly a Director of Keybridge Capital 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 59) - Independent, Non-Executive Director

Experience and expertise

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

Other current directorships

Mr. Gosse is Chairman of ITL Limited and Iron Road Limited. He is also a Director of Australian Leaders Fund Limited (formerly known as Wilson Leaders Fund Limited) and Wilson Investment Fund Limited.

Former directorships in last 3 years

Mr. Gosse was formerly Chairman of Northern Crest Investments Limited and was a Director of Keybridge Capital 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 44) - Independent, Non-Executive Director

Experience and expertise

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

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

Other current directorships

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

DIRECTORS' REPORT (continued)

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

33,595 ordinary shares in Clime Capital Limited

Mr. John Abernethy (Age 50) - Non-Executive Director

Experience and expertise

Mr. John Abernethy was appointed Director on 31 July 2009. Mr. Abernethy has over 20 years' funds management experience in Australia having been General Manager Investments of the NRMA.

Other current directorships

Mr. Abernethy is a Non-Executive Director of Wilson Investment Fund Limited, of Australian Leaders Fund Limited (formerly Wilson Leaders Limited) and WAM Active Limited.

Mr. Abernethy is also an Executive Director of Clime Investment Management Limited.

Former directorships in last 3 years

Mr. Abernethy was previously a Non-Executive Director of Headline Group Limited (formerly HomeLeisure Limited).

Special responsibilities

None

Interests in shares and options

180,132 ordinary shares in Clime Capital Limited.

121,641 7.5% Non-Cumulative Preference Shares in Clime Capital Limited.

Company Secretary

The names of the Company Secretaries who were in office for the duration of the financial year are:

Mr. Cameron Fellows (Age 31)

Mr. Cameron Fellows was appointed to the position of Company Secretary in February 2006. 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.

Mr. Cameron Fellows resigned from his position as Company Secretary on 28 February 2009.

Ms. Jennifer El-Sibai (Age 26)
Ms. Jennifer El-Sibai was appointed to the position of Company Secretary on 1 March 2009. She is the Group Financial Controller / Company Secretary of the listed financial services Company Clime Investment Management Limited.

Ms. El-Sibai holds a Bachelor of Commerce from the University of Sydney and is currently undertaking the Chartered Accountants Program through the Institute of Chartered Accountants. Ms. El-Sibai previously worked within a chartered accounting firm and has over 6 years commercial accounting experience.

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 2009, and the numbers of meetings attended by each Director were:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr. Roger Montgomery	4	4	-	-	-	-
Mr. Geoffrey Wilson	4	4	-	-	-	-
Mr. Julian Gosse	4	3	3	2	-	-
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 and Mr. Geoffrey Wilson retire by rotation and, being eligible, offer themselves for re-election.

Principal Activities

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

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

DIRECTORS' REPORT (continued)

Operating Result

The net profit after providing for tax amounted to $1,179,098 (2008: loss of $14,928,802).

Dividends Paid or Recommended

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

	2009 $	2008 $
Nil final ordinary dividend paid during the year in respect of the prior financial year (2008: 2.75c per share)	-	1,026,842
Nil converting preference share dividend paid in respect of the September 08 quarter (2008: 4.5c per share)	-	344,906
Nil converting preference share dividend paid in respect of the December 08 quarter (2008: 4.5c per share)	-	344,906
Converting preference share dividend declared in respect of the 30 June 09 quarter (2008: nil)	344,906	-
	344,906	1,716,654

Subsequent to the end of the financial year, the Directors declared a fully franked dividend of 1 cent per share payable on 17 July 2009 on ordinary shares as at record date 13 July 2009.

Review of Operations

Investment income from ordinary activities

Investment income for the period increased to positive $2,374,465 (FY08: negative $17,618,537). This increase was primarily caused by a significant decrease in realised and unrealised losses

Net (loss) / profit attributable to members of the company

Profit from ordinary activities after tax attributable to members increased to a profit of $1,179,098 (FY08: loss of $14,928,802).

Significant Changes in State of Affairs

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

After Balance Date Events

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

Future Developments

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

DIRECTORS' REPORT (continued)

Review of Operations (continued)

The Statement alleges that Credit Corp Limited, from 7 November 2007 to 11 February 2008, engaged in misleading and deceptive conduct and breached its continuous disclosure obligations.

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

Environmental Issues

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

Insurance of Officers

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

Non-Audit Services

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

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

Remuneration Report (Audited)

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
D Additional information

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

A Principles used to determine the nature and amount of remuneration

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 executives employed during the financial year by the Company, namely Mr. Roger Montgomery, Mr. Cameron Fellows and Ms. Jennifer El-Sibai, are employed in their capacities as Executive Chairman and Company Secretaries 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 October 2007. The Non-Executive Directors' fees are inclusive of committee fees.

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

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 for services rendered to the Company 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.

Both Mr. Cameron Fellows and Ms. Jennifer El-Sibai are company executives whose remuneration must be disclosed under the *Corporations Act 2001* as they are two of the 5 highest remunerated executives.

Key management personnel and other executives of Clime Capital Limited

2009	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	6,881	-	-	3,119	-	-	10,000
Julian Gosse	18,349	-	-	1,651	-	-	20,000
Anthony Hockey	18,349	-	-	1,651	-	-	20,000
Sub-total Non-Executive Directors	**43,579**	**-**	**-**	6,421	**-**	**-**	**50,000**
Executive Directors							
Roger Montgomery	55,046	-	-	4,954	-	-	60,000
Total Key Management Personnel Compensation	**98,625**	**-**	**-**	**11,375**	**-**	**-**	**110,000**
Other Company Executives							
Cameron Fellows [1]	7,339	-	-	661	-	-	8,000
Jennifer El-Sibai [1]	3,670	-	-	330	-	-	4,000

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

Remuneration Report (continued)

2008	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	10,000	-	-	-	-	-	10,000
Julian Gosse	20,000	-	-	-	-	-	20,000
Anthony Hockey	20,000	-	-	-	-	-	20,000
Sub-total Non-Executive Directors	**50,000**	**-**	**-**	**-**	**-**	**-**	**50,000**
Executive Directors							
Roger Montgomery	60,000	-	-	-	-	-	60,000
Total Key Management Personnel Compensation	**110,000**	**-**	**-**	**-**	**-**	**-**	**110,000**
Other Company Executives							
Cameron Fellows [1]	18,000	-	-	-	-	-	18,000

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

C Service Agreements

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

Ms. Jennifer El-Sibai **Company Secretary / Financial Controller**

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

D Additional Information

Performance of Clime Capital Limited

The tables below set out the summary information regarding the company's earnings and movements in shareholder wealth for the five years to 30 June 2009:

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

Income Statement – Historical Analysis

	30 June 2009 $	30 June 2008 $	30 June 2007 $	30 June 2006 $	30 June 2005 $ [1]
Investment income/(loss)	2,374,465	(17,618,537)	17,385,671	9,159,343	1,288,794
Net (loss) / profit pre-tax	1,176,956	(18,657,962)	15,637,114	7,803,338	832,145
Net (loss) / profit post-tax	1,179,098	(14,928,802)	11,500,608	5,800,748	620,000

[1] Clime Capital Limited adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2005, which resulted in various changes to its accounting policies from that date. The above results for the year ended 30 June 2005 are reported in accordance with Clime Capital Limited's previous accounting policies as permitted under Australian Accounting Standards as applicable at that time.

Movements in Shareholder Wealth – Historical Analysis

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005 [1]
Share price at start of year	$0.90	$1.40	$0.95	$0.89	$0.87
Share price at end of year	$0.76	$0.90	$1.40	$0.95	$0.89
NTA – Pre-Tax	$1.12	$1.11	$1.56	$1.10	$1.01
NTA – Post-Tax [2]	$1.12	$1.11	$1.47	$1.06	$1.01
Interim dividend – Ords [3]	-	-	2.5cps	2.0cps	1.0cps
Final dividend – Ords [3, 4]	1cps	-	2.75cps	2.25cps	1.0cps
Special dividend – Ords [3]	-	-	2.0cps	1.0cps	-
Preference share dividends [3]	4.5cps	9.0cps	3.0cps	N/A	N/A
Bonus share issue – Ords	-	-	-	1 for 12	-
Basic EPS	2.60cps	(33.02cps)	30.20cps	18.28cps	2.75cps
Diluted EPS	2.60cps	(33.02cps)	30.20cps	18.28cps	2.75cps

[1] Clime Capital Limited adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2005, which resulted in various changes to its accounting policies from that date. The above earnings per share results for the year ended 30 June 2005 are reported in accordance with Clime Capital Limited's previous accounting policies as permitted under Australian Accounting Standards as applicable at that time.
[2] Post-tax NTA as at 30 June 2009 of $1.12 per share does not include an additional 1 cent per share of tax losses which are available for future use by the Company.
[3] Fully franked dividends (franked to 100% at 30% corporate tax rate)
[4] Declared after each respective balance date and not reflected in the financial statements

Proceedings on Behalf of Company

As at the date of this report, no person has applied for leave of Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the Directors.

John Abernethy
Director
Clime Capital Limited

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Dear Board Members

Clime Capital Limited

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

As lead audit partner for the audit of the financial statements of Clime Capital Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Alfred Nehama
Partner
Chartered Accountants
Sydney, 29 September 2009

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

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

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

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

Board Processes

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

Composition of the Board

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

The Board is comprised of four Non-Executive Directors. Two of the Company's Non-Executive Directors, Mr J Gosse and Mr A Hockey, are also independent.

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

An independent Director is considered to be a Director:

(a) who is not a member of management;

(b) who has not within the last three years been employed in an executive capacity by the Company or been a 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.

All Directors (with the exception of the Managing Director, where applicable) must retire from office no later than the third annual general meeting (AGM) following their last election. Any Directors appointed by the Board must be duly appointed at the next AGM.

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

Remuneration Committee

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

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

The 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 must not also be the Chairman of the Board. The Committee is responsible for considering the effectiveness of the systems of internal control and financial reporting. Due to the size and structure of the Board, and having regard to the number of Non-Executive Directors, it is not currently practicable for the Audit Committee to consist of more than two members. The Audit Committee met three times during the year.

The members of the Audit Committee during the year were:

- J Gosse (Chairman)
- A Hockey

CORPORATE GOVERNANCE STATEMENT (continued)

The responsibilities of the Audit Committee are to:

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

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

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

External Auditor

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

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

Risk Management Policy

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

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

- The nature and extent of the risk facing the Company;
- The extent and categories of risks which the Board considers acceptable to bear;
- The likelihood of the risk materialising;

- The Company's ability to minimize the risk of incident and its resultant impact on the business should a particular risk materialise; and
- The costs of operating particular controls relative to the benefit obtained by managing the relevant risk.

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

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

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

Director and Executive Dealing in Company Shares

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

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

Independent Professional Advice and Access to Company Information

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

CORPORATE GOVERNANCE STATEMENT (continued)

Executive Management

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

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

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

Ethical Standards and Code of Conduct

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

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

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

Shareholder Communications

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

- An Annual Report will be mailed at the close of the financial year to those shareholders who have elected to receive a hard copy. Alternatively, for those shareholders who so choose, a link to a copy of the Annual Report on the Company's website will be emailed in lieu of a hard copy;

- Net asset backing per share is released to the ASX by the 14th day following each month-end;

- Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous Disclosure requirement.

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

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

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

CLIME CAPITAL LIMITED
ABN 99 106 282 777
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Investment income from ordinary activities			
Investment revenue	2	3,652,986	3,442,536
Net realised loss on disposal of financial assets at fair value through profit or loss		(462,757)	(6,839,289)
Net unrealised loss on financial assets at fair value through profit or loss		(815,764)	(14,221,784)
Total investment income/(loss) from ordinary activities		2,374,465	(17,618,537)
Management fees		(539,731)	(622,516)
Performance fees		(294,238)	-
Administrative and brokerage expenses		(253,540)	(288,909)
Directors' fees and company secretarial fees		(110,000)	(128,000)
Total expenses		(1,197,509)	(1,039,425)
Net profit/(loss) before income tax expense		1,176,956	(18,657,962)
Income tax benefit	4(a)	2,142	3,729,160
Net profit/(loss) attributable to members of the company		1,179,098	(14,928,802)
Basic earnings per share	6	2.60 cents	(33.02) cents
Diluted earnings per share	6	2.60 cents	(33.02) 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 2009

	Note	2009 $	2008 $
ASSETS			
Cash and cash equivalents	13(a)	11,380,306	30,762,037
Trade and other receivables	7	1,240,401	443,200
Financial assets at fair value through profit or loss	8(a)	39,323,289	18,642,082
Deferred tax asset	4(d)	-	61,327
Current tax asset		990	396,186
Prepayments	9	1,410	28,320
TOTAL ASSETS		51,946,396	50,333,152
LIABILITIES			
Financial liabilities at fair value through profit or loss	8(b)	26,250	-
Trade and other payables	10	661,892	190,525
Dividends payable	5(a)	344,906	-
Current tax liabilities	4(b)	-	-
Deferred tax liabilities	4(c)	-	63,471
TOTAL LIABILITIES		1,033,048	253,996
NET ASSETS		50,913,348	50,079,156
EQUITY			
Issued capital	11	52,748,890	52,748,890
Accumulated losses	12	(1,835,542)	(2,669,734)
TOTAL EQUITY		50,913,348	50,079,156

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 RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Net profit/(loss) for the year		1,179,098	(14,928,802)
Total recognised income and expense for the year		1,179,098	(14,928,802)
Total recognised income and expense for the year is attributable to:			
Members		1,179,098	(14,928,802)
		1,179,098	(14,928,802)

This Statement of Recognised Income and Expense 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 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Proceeds from disposal of financial assets at fair value through profit or loss		15,547,986	69,592,492
Payments for financial assets at fair value through profit or loss		(38,047,007)	(58,611,760)
		(22,499,021)	10,980,732
Dividends and trust distributions received		1,154,244	2,134,022
Interest received		2,361,306	1,401,790
Income tax refund received		395,196	-
Payments for administration expenses		(358,078)	(371,835)
Investment manager's fees paid		(435,378)	(1,378,966)
Income tax paid		-	(2,128,566)
Net cash (used in)/provided by operating activities	13(b)	(19,381,731)	10,637,177
Cash flows from financing activities			
Dividends paid		-	(1,518,731)
Net cash used in financing activities		-	(1,518,731)
Net (decrease)/increase in cash held		(19,381,731)	9,118,446
Cash and cash equivalents at beginning of the financial year		30,762,037	21,643,591
Cash and cash equivalents at end of the financial year	13(a)	11,380,306	30,762,037

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This 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. The Statements are prepared from records of the company on an accrual 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.

The financial statements were authorised for issue by the directors on 29 September 2009.

(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) Recognition/derecognition

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

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

iv) Measurement

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Investments (continued)

v) 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.

vi) Impairment of financial assets

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

(b) Derivatives

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

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

(c) 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 substantively enacted by the Balance Sheet date.

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.

(d) Bills of Exchange

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

(f) Goods and Services Tax (GST)

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

(g) Earnings per share

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

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

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

(h) 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.

(i) 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.

(j) Issued capital

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Adoption of new and revised accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations are set out below:

(i) AASB 8 Operating Segments and *AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.*

AASB 8 and AASB 2007-3 are effective for annual reporting periods beginning on or after 1 January 2009.

The Company has not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.

AASB 101 (Revised) is applicable to annual reporting period beginning on or after 1 January 2009.

The Company has not adopted this standard early. The revised standard requires the presentation of a Statement of Comprehensive Income and makes changes to the statement of changes in equity. Application of the standard will not affect any of the amounts recognised in the financial statements.

(iii) Revised AASB 123 Borrowing Costs and *AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123*

Revised AASB 123 is applicable for reporting periods beginning on or after 1 January 2009.

The Company has not adopted this standard early. Application of the standard will not affect any of the amounts recognised in the financial statements, nor will it affect any of the disclosures in the financial report. Application of the standard will therefore have no impact on the Company's financial statements.

(iv) AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual improvements Process

AASB 2009-4 is applicable for reporting periods beginning on or after 1 July 2009.

The Company has not adopted this standard early. Application of the standard will not affect any of the amounts recognised in the financial statements, nor will it affect any of the disclosures in the financial report. Application of the standard will therefore have no impact on the Company's financial statements.

(v) AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual improvements Process

AASB 2009-5 is applicable for reporting periods beginning on or after 1 January 2010.

The Company has not adopted this standard early. Application of the standard will not affect any of the amounts recognised in the financial statements, nor will it affect any of the disclosures in the financial report. Application of the standard will therefore have no impact on the Company's financial statements.

(vi) AASB 2009-6 Amendments to Australian Accounting Standards

AASB 2009-6 is applicable for reporting periods beginning on or after 1 January 2009.

The Company has not adopted this standard early. Application of the standard will not affect any of the amounts recognised in the financial statements, nor will it affect any of the disclosures in the financial report. Application of the standard will therefore have no impact on the Company's financial statements.

(vii) AASB 2009-7 Amendments to Australian Accounting Standards

AASB 2009-7 is applicable for reporting periods beginning on or after 1 July 2009.

The Company has not adopted this standard early. Application of the standard will not affect any of the amounts recognised in the financial statements, nor will it affect any of the disclosures in the financial report. Application of the standard will therefore have no impact on the Company's financial statements.

(l) Functional and presentation currency

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

	2009 $	2008 $
2. INVESTMENT REVENUE		
Dividends received	1,244,394	1,129,454
Trust distributions	-	719,073
Interest	2,408,592	1,594,009
TOTAL	3,652,986	3,442,536

3. AUDITORS' REMUNERATION

Remuneration of the auditor of the Company, Deloitte Touche Tohmatsu, in relation to:

	2009 $	2008 $
Audit and review of the financial reports	33,506	25,297
TOTAL	33,506	25,297

4. TAXATION

(a) Income tax expense

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

	2009 $	2008 $
Prima facie tax payable on profit from ordinary activities before income tax at 30%	353,087	(5,597,389)
Less tax effect of:		
Imputation gross up on dividends received	89,952	230,456
Franking credits on dividends received	(299,839)	(545,905)
Origination and reversal of current year temporary differences	(37,759)	-
Under provision in prior year	-	15,135
	105,441	(5,897,703)
Tax losses (brought to account)/not brought to account	(105,441)	1,733,997
Temporary differences not brought to account	-	434,546
Write off of deferred tax assets	61,328	-
Write off of deferred tax liability	(63,471)	-
Income tax expense/(benefit) relating to ordinary activities	(2,142)	(3,729,160)
The applicable weighted average effective tax rates are as follows:	0%	-20%

	2009 $	2008 $
4. TAXATION (continued)		
(b) Current tax liabilities		
Income Tax	-	-
	-	-
(c) Deferred tax liabilities		
Provision for deferred income tax comprises the estimated tax payable at the current income tax rate of 30% on the following items:		
Temporary differences	-	63,471
	-	63,471
(d) Deferred tax assets		
Deferred tax assets comprises the estimated tax deductible at the current income tax rate of 30% on the following items:		
Tax benefit on listing costs	-	57,840
Temporary differences	-	3,487
	-	61,327
(e) Income tax (benefit) / expense recognised in the Income Statement		
Current income tax expense	-	-
Under provision in prior year	-	15,135
Deferred income tax relating to the origination and reversal of temporary differences	-	(3,744,295)
Write off of deferred tax assets	61,328	-
Write off of deferred tax liability	(63,471)	-
	(2,142)	(3,729,160)
(f) Tax losses		
Unused temporary differences for which no deferred tax asset has been recognised	2,264,250	1,448,487
Unused tax losses for which no deferred tax asset has been recognised	5,428,520	5,779,990
	7,692,770	7,228,477
Potential tax benefit @ 30%	2,307,831	2,168,543

5. DIVIDENDS

	2009 $	2008 $
(a) Dividends paid in the current year		
No fully franked dividends in respect of the 2009 year were paid on ordinary shares (2008: A fully franked final dividend in respect of the 2007 year of 2.75 cents per share paid on 15 October 2007)	-	1,026,842
No fully franked dividends in respect of the 2009 year were paid on converting preference shares (2008: A fully franked dividend on converting preference shares in respect of the 2007 year of 4.5 cents per share paid on 23 October 2007)	-	344,906
No fully franked dividends in respect of the 2009 year were paid on converting preference shares (2008: A fully franked dividend on converting preference shares in respect of the 2008 year of 4.5 cents per share paid on 23 January 2008)	-	344,906
	-	1,716,654
(b) Dividends provided for in the current year		
A fully franked dividend declared in respect of the 2009 year of 4.5 cents per share was payable on converting preference shares as at 30 June 2009. (2008: Nil).	344,906	-
	344,906	-
(c) Dividend franking account		
The amount of franking credits available to shareholders for the subsequent financial year.	2,113,619	2,261,436
	2,113,619	2,261,436

The tax rate at which paid dividends have been franked is 30% (2008: 30%)

	2009 $	2008 $
(d) Dividend franking account adjusted for unrecognised amounts		
Franking account balance	2,113,619	2,261,436
Impact on franking account balance of dividends not recognised, payable on 17 July 2009	(161,251)	-
	1,952,368	2,261,436

6. EARNINGS PER SHARE

	2009 $	2008 $
Basic earnings per share	**2.60 cents**	(33.02) cents
Diluted earnings per share	**2.60 cents**	(33.02) cents
Earnings used in calculating basic earnings per share	1,179,098	(14,928,802)
Earnings used in calculating diluted earnings per share	1,179,098	(14,928,802)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	45,289,850	45,206,934
Weighted average number of shares used in the calculation of diluted earnings per share	45,289,850	45,206,934
Reconciliation of weighted average number of shares:		
Weighted average number of ordinary shares used in the calculation of earnings per share	37,625,277	37,542,361
Weighted average number of converting preference shares used in the calculation of earnings per share	7,664,573	7,664,573
Weighted average number of shares used in the calculation of earnings per share	45,289,850	45,206,934

The calculation of earnings per share in the prior year has been amended to include the converting preference shares on issue. Accordingly, the earnings and weighted average number of shares used in the calculation of earnings per share has changed.

7. TRADE AND OTHER RECEIVABLES

	2009 $	2008 $
Income receivable	466,595	329,161
Unsettled trades	756,013	99,381
Other debtors	17,793	14,658
	1,240,401	443,200

Terms and conditions

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

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

	2009 $	**2008 $**
8. INVESTMENTS		
(a) Financial assets at fair value through profit or loss		
(1) Listed and unlisted equities	29,525,210	11,360,505
(2) Interest bearing securities		
Convertible notes and preference shares	9,798,079	7,281,577
Total financial assets at fair value through profit or loss	39,323,289	18,642,082
(b) Financial liabilities at fair value through profit or loss		
(1) Derivatives		
Options	26,250	-
Total financial liabilities at fair value through profit or loss	26,250	-
9. OTHER ASSETS		
Prepayments	1,410	28,320
10. TRADE AND OTHER PAYABLES		
Accrued expenses	54,765	73,077
Amount payable to related parties	484,360	85,769
Unsettled trades	122,767	31,679
	661,892	190,525

Terms and conditions

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

		2009 $	2008 $
11.	**ISSUED CAPITAL**		
	Issued and paid-up capital		
(a)	37,625,277 (2008: 37,625,277) ordinary fully paid shares	34,507,659	34,507,659
(b)	7,664,573 (2008: 7,664,573) converting preference fully paid shares	18,241,231	18,241,231
	Balance at the end of the year	52,748,890	52,748,890

		2009 Number of shares	2008 Number of shares		
(a)	**Ordinary shares**				
	Balance at beginning of the year	37,625,277	37,339,717	34,507,659	34,079,798
	Dividend reinvestment plan	-	285,560	-	427,861
	Balance at the end of the year	37,625,277	37,625,277	34,507,659	34,507,659

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

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

		2009 Number of shares	2008 Number of shares	2009 $	2008 $
(b)	**Converting preference shares**				
	Balance at beginning of the year	7,664,573	7,664,573	18,241,231	18,241,231
	Balance at the end of the year	7,664,573	7,664,573	18,241,231	18,241,231

Holders of converting 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 on the tenth anniversary of their allotment date, 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.

	2009 $	2008 $
12. ACCUMULATED LOSSES		
Balance at the beginning of the year	(2,669,734)	13,975,722
Net profit/(loss) attributable to members of the company	1,179,098	(14,928,802)
Dividends provided for or paid	(344,906)	(1,716,654)
Balance at end of financial year	(1,835,542)	(2,669,734)

13. CASH FLOW INFORMATION

(a) Reconciliation of cash

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

	2009 $	2008 $
Cash at bank	6,380,306	6,811,000
Short term bank deposits	5,000,000	23,951,037
Total cash and cash equivalents	11,380,306	30,762,037

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

	2009 $	2008 $
Net profit/(loss) attributable to members of the company	1,179,098	(14,928,802)
Changes in assets and liabilities:		
(increase)/decrease in trade and other receivables	(797,204)	641,773
(increase)/decrease in investments at fair value through profit or loss	(20,654,957)	32,610,706
Decrease/(increase) in prepayments	26,912	(9,199)
Decrease/(increase) in current tax asset	395,196	(396,186)
Decrease in deferred tax asset	61,328	42,886
Increase/(decrease) in trade and other payables	471,367	(1,589,640)
Increase/(decrease) in provisions	-	(229,937)
Increase/(decrease) in deferred tax liability	(63,471)	(3,787,179)
Increase/(decrease) in current tax liability	-	(1,717,245)
Net cash (used in)/provided by operating activities	(19,381,731)	10,637,177

14. RELATED PARTY TRANSACTIONS

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

(a) Management and Performance Fees

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

	2009 $	2008 $
Clime Asset Management Pty Ltd - Mr. Roger J. Montgomery note (c)(i)	699,036	466,887
Boutique Asset Management Pty Ltd - Mr. Geoffrey J Wilson note (c)(ii)	134,933	155,629
	833,969	622,516

Performance fees have been calculated in accordance with Clime Capital Limited's prospectus.

As at 30 June 2009, $484,360 (2008: $85,769) of the year's management and performance fees remain unpaid and within payables.

(b) Dividends

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

(c) Nature of Relationships

(i) Clime Asset Management Pty Ltd

Mr Roger Montgomery was, up to the date of his resignation on 30 June 2009, the Managing Director of the Investment Manager, Clime Asset Management Pty Ltd (a wholly-owned subsidiary of ASX listed company Clime Investment Management Limited). Clime Asset Management Pty Ltd receives management and performance fees as remuneration for managing the Company's investment portfolio.

(ii) Boutique Asset Management Pty Ltd

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

15. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

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

		Period of Appointment
Roger Montgomery (Chairman)	- Executive Chairman	Resigned 30 June 2009
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 of the 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:

	2009 $	2008 $
Cash salary, fees and commissions	98,625	91,743
Short-term employee benefits	**98,625**	**91,743**
Superannuation	11,375	18,257
Post-employment benefits	**11,375**	**18,257**
Total emploment benefits	**110,000**	**110,000**

(b) Shareholdings

2009	Balance at 1 July 2008	Shares acquired / (disposed)	Balance at 30 June 2009
Ordinary Shares			
Roger Montgomery (Chairman)	382,342	11,132	393,474
Anthony Hockey	33,595	-	33,595
Geoffrey Wilson	361,931	-	361,931
Julian Gosse	-	-	-
	777,868	11,132	789,000

2008	Balance at 1 July 2007	Shares acquired / (disposed)	Balance at 30 June 2008
Ordinary Shares			
Roger Montgomery (Chairman)	321,893	60,449	382,342
Anthony Hockey	57,737	(24,142)	33,595
Geoffrey Wilson	361,931	-	361,931
Julian Gosse	-	-	-
	741,561	36,307	777,868

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

16. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives, Policies and Procedures

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

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

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

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

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

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

(b) Credit risk

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

(c) Liquidity risk

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

Maturity analysis for financial liabilities

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

(d) Market risk

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

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

16. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

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

(i) Interest rate risk

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

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

2009	Weighted Average Effective Interest Rate	Floating Interest Rate	Non Interest Bearing	Total
	%	$	$	$
Financial Assets				
Cash and cash equivalents	7.40%	11,380,306	-	11,380,306
Trade and other receivables		-	1,240,401	1,240,401
Financial assets held at fair value through profit and loss		-	39,323,289	39,323,289
Total Financial Assets		**11,380,306**	**40,563,690**	**51,943,996**
Financial Liabilities				
Trade and other payables		-	661,892	661,892
Dividends payable		-	344,906	344,906
Financial liabilities at fair value through profit or loss		-	26,250	26,250
Total Financial Liabilities		**-**	**1,033,048**	**1,033,048**

2008	Weighted Average Effective Interest Rate	Floating Interest Rate	Non Interest Bearing	Total
	%	$	$	$
Financial Assets				
Cash and cash equivalents	7.84%	30,762,037	-	30,762,037
Trade and other receivables		-	443,200	443,200
Financial assets held at fair value through profit and loss		-	18,642,082	18,642,082
Total Financial Assets		**30,762,037**	**19,085,282**	**49,847,319**
Financial Liabilities				
Trade and other payables		-	190,525	190,525
Total Financial Liabilities		**-**	**190,525**	**190,525**

An analysis of financial liabilities by maturities is provided in paragraph (c).

16. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

(ii) Equity Price Risk

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

(iii) Summarised sensitivity analysis

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

	Price risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders			
	-10%	**+10%**	**-100 basis points**	**+100 basis points**
30 June 2009	(3,917,924)	3,917,924	(177,396)	177,396
30 June 2008	(1,864,208)	1,864,208	(203,717)	203,717

(e) Net fair values

The carrying amounts of financial instruments in the Balance Sheet approximate their net fair values.

(f) Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company's overall strategy remains unchanged from 2008.

17. CONTINGENT LIABILITIES

As at 30 June 2009, the Fund has no contingent liabilities or commitments.

18. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the end of the financial year, the Directors declared a fully franked dividend of 1 cent per share payable on the 17 July 2009 on ordinary shares as at 13 July 2009.

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

19. 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 2009 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:

____
John Abernethy
Director

Date: 29 September 2009

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Clime Capital Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration as set out on pages 22 to 42.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Clime Capital Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Clime Capital Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants
Sydney, 29 September 2009

ASX ADDITIONAL INFORMATION
DETAILS OF SHAREHOLDERS

The shareholder information set out below was applicable as at 24 August 2009.

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	109
1,001	-	5,000	398
5,001	-	10,000	270
10,001	-	100,000	630
100,001		and over	75
			1,482

Converting Preference Shares

Ordinary Shares			No. of Holders
1	-	1,000	53
1,001	-	5,000	318
5,001	-	10,000	202
10,001	-	100,000	149
100,001		and over	5
			727

B. Equity Security Holders
Twenty largest quoted equity security holders

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

	Ordinary Shares	
Name	**No. of Shares**	**Percentage of issued shares**
Clime Investment Management Limited	4,485,079	11.85
Super John Pty Ltd	710,742	1.88
Mr. & Mrs. Heathers <HEATHERS FAMILY S/FUND A/C>	597,018	1.58
Highland Endeavours Pty Ltd <HOWELL FAMILY A/C>	570,768	1.51
Storfund Pty Ltd <KENNARDS SELF STORAGE S/F A/C>	541,667	1.43
Di Iulio Homes Pty Ltd <DI IULIO SUPER FUND A/C>	530,000	1.40
Hudson Pharmaceuticals Pty Ltd <SEAGULLS S/FUND A/C>	422,919	0.12
Dynasty Peak Pty Ltd <THE AVOCA SUPER FUND>	361,931	0.96
Mr Rory Dunlevy <DUNLEVY SUPER FUND A/C>	291,835	0.77
Perpetual Trustees Cons. Ltd <CLIME ASSET MANAGEMENT A/C>	285,703	0.76
Mr Victor John Plummer	250,000	0.66
Tylden Pty Ltd <NO 2 ACCOUNT>	241,451	0.64
ANZ Nominees Ltd <CASH INCOME A/C>	225,483	0.60
Iqtel Australia Pty Ltd <THE MENZIES FAMILY A/C>	216,667	0.58
Ms Christine Elizabeth Johnson	216,667	0.58
Naumai Pty Ltd <SEXTON UNIT A/C>	216,667	0.58
Mr & Mrs Balsarini <A&K MERCANTILE PROV FUND A/C>	210,358	0.56
Mr & Mrs Woolfitt <BERTRE SUPER FUND A/C>	208,334	0.55
Mr & Mrs Holden	205,724	0.54
Apple Creek House Pty Ltd <APPLE CREEK SUPER FUND A/C>	202,267	0.53
	10,991,280	29.04

Name	Converting Preference Shares	
	No. of Shares	Percentage of issued shares
Clime Investment Management Limited	1,053,949	13.75
D B Management Pty Ltd <D B SUPERANNUATION FUND A/C>	200,000	2.61
Di Iulio Homes Pty Ltd <DI IULIO SUPER FUND A/C>	153,675	2.01
Storfund Pty Ltd <KENNARDS SELF STORAGE S/F A/C>	135,417	1.77
Mr Richard Tooher	102,984	1.34
Mr Anthony Gill <THE STAG A/C>	100,000	1.31
Mr. & Mrs. Heathers <HEATHERS FAMILY S/FUND A/C>	100,000	1.31
Mr & Mrs Dorahy <DORAHYS SUPER FUND A/C>	80,331	1.05
Double Pty Ltd	80,000	1.04
Mr Kenneth Edgar Freeman	68,000	0.89
Mr & Ms Nichols <NICHOLS SUPER FUND>	63,871	0.83
Mr & Mrs O'Neill <EVENPEAK SUPER FUND A/C>	62,500	0.82
Dr & Mrs Dolton <R & A DOLTON SUPER FUND A/C>	60,000	0.78
Benmiren Nominees Pty Ltd <BENHAM SUPER BENEFIT A/C>	55,000	0.72
Barbright Australia Pty Ltd <INTERQUARTZ SUPER FUND A/C>	54,167	0.71
Mr & Mrs Glasson <JJG SUPER FUND NO 2>	52,208	0.68
Mr & Mrs Lister <LUMEN S/F A/C>	52,000	0.68
Nellie Dick Enterprises Pty Ltd <EMPLOYEES SUPER FUND A/C>	50,000	0.65
Ophi Investments Pty Ltd <WARTON CHIENG A/C>	50,000	0.65
Mr Derek Cantle <DJ & AI CANTLE FAMILY A/C>	45,407	0.59
	2,619,509	34.18

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	4,485,079	11.85%

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.