Company Announcements
Australia Stock Exchange
by e-lodgement

22 August 2011

CLIME CAPITAL LIMITED

ANNOUNCES $5.3 MILLION PROFIT

PORTFOLIO RETURN OF 8.7%

- Profit before tax $ 5.3 million for the year ended 30 June 2011.
- After-tax net tangible assets (after payment of dividends) rose from $59.59 million at 30 June 2010 to $62.23 million at 30 June 2011.
- Gross portfolio increased by 8.7% after fees and expenses for the 12 months ended 30 June 2011.
- There were two Bonus share issues to ordinary sharesholders both declared on a 1 for 20 basis. Converting preference shareholders are now entitled to receive 1.157625 ordinary shares for every converting preference share upon conversion date.
- Total cash dividends paid during the year of $3.09 million.
- Share price improved from $0.92 per share (bonus adjusted) as at 30 June 2010 to $1.01 (bonus adjusted) as at 30 June 2011.
- Shareholders return of over 14%, based on opening and closing share price plus dividends received.

For further information please contact:

John Abernethy
Chairman
(02) 9252 8522

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

Year Ended 30 June 2011
(Previous corresponding period – 30 June 2010)

Results for Announcement to the Market

Revenue from ordinary activities	down	58%	$6,525,799
Profit after tax attributable to members	down	54%	$5,317,540

	Amount per security	Franked amount per security
Dividends per share – Fully Paid Ordinary Shares		
Interim Dividend – FY11 (paid 18 October 2010)	1 cent	1 cent
Interim Dividend – FY11 (paid 25 January 2011)	1 cent	1 cent
Interim Dividend – FY11 (paid 28 April 2011)	1 cent	1 cent
Final dividend – FY11 (paid 28 July 2011)	1 cent	1 cent
Dividends per share – Converting Preference Shares		
July to Sep 10 – Quarterly Dividend (paid 15 October 2010)	4.75 cents	4.75 cents
Oct to Dec 10 – Quarterly Dividend (paid 24 January 2011)	4.75 cents	4.75 cents
Jan to March 11 – Quarterly Dividend (paid 27 April 2011)	4.75 cents	4.75 cents
Apr to Jun 11 – Quarterly Dividend (paid 27 July 2011)	4.75 cents	4.75 cents

Explanation of revenue from ordinary activities
Revenues for the period decreased to $6,525,799 (FY10: $15,695,635). This decrease was primarily caused by a decrease in realised and unrealised gains on financial assets.

Explanation of profit from ordinary activities after tax attributable to members
Profit after tax attributable to members decreased to a profit of $5,317,540 (FY10: $11,441,944).

COMMENTARY ON RESULTS
FINANCIAL YEAR ENDED 30 JUNE 2011

Performance

The Board reports that the invested portfolio underperformed the ASX All Ordinaries Accumulation Index for the financial year 2010/11. The portfolio return of 8.7% over the year is after deducting all fees, expenses and tax. The portfolio was affected prinicipally by its investments in Willmott Forests when it was placed into administration.

	1 year	2 years*	3 years*	4 years*
Clime Capital Limited	8.7%	16.9%	11.7%	0.4%
ASX All Ordinaries Acc. Index	12.2%	13.0%	-0.2%	-3.3%
Outperformance	**-3.5%**	**3.9%**	**11.9%**	**3.7%**

Outlook

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

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

During the year the portfolio held no more than twenty investments at any point in time. The average cash balance of the portfolio throughout the year was 18%. We have noted in earlier reports that the portfolio has over 3 to 4 years been able to generate returns far superior to market returns without being fully invested at any point.

Supplementary Appendix 4E information

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2011 are as follows:

Record Date	Payment Date	Type	Amount per security	Total Dividend	Franked amount per security	Foreign sourced dividend amount per security
Fully Paid Ordinary Shares						
1 Oct 2010	18 Oct 2010	Interim	1 cent	$402,379	1 cent	-
07 Jan 2011	25 Jan 2011	Interim	1 cent	$403,524	1 cent	-
8 April 2011	28 April 2011	Interim	1 cent	$424,849	1 cent	-
11 July 2011	28 July 2011	Final	1 cent	$447,295	1 cent	-
Converting Preference Shares						
1 Oct 2010	15 Oct 2010	Quarterly	4.75 cents	$364,066	4.75 cents	-
7 Jan 2011	24 Jan 2011	Quarterly	4.75 cents	$364,067	4.75 cents	-
8 April 2011	27 April 2011	Quarterly	4.75 cents	$364,067	4.75 cents	-
11 July 2011	27 July 2011	Quarterly	4.75 cents	$364,068	4.75 cents	-

Dividend/distribution reinvestment plan

The company operates a dividend reinvestment plan.

Net tangible assets per security

	2011 $	2010 $
Fully diluted net tangible asset backing per ordinary share – pre-tax	$1.27*	$1.34*
Fully diluted net tangible asset backing per ordinary share – post-tax	$1.23*	$1.30*

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

Controlled Entities

The company did not gain or lose control over any entities during the 12 months ended 30 June 2011.

Associates and Joint Venture entities

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

Foreign Accounting standards

Not applicable

Audit

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

CLIME CAPITAL LIMITED

ABN 99 106 282 777

ANNUAL REPORT FOR THE YEAR ENDED

30 JUNE 2011

CLIME CAPITAL LIMITED

ABN 99 106 282 777

Contents

Dear Fellow Shareholder,

Last year I outlined the investment methodology that our manager, Clime Asset Management Pty Limited (“Clime”), undertakes to identify candidates for the investment portfolio of your company (“CAM”).

The process is fairly simple.

First, Clime filters hundreds of companies and reviews their recent history (up to 5 years) of profitability (i.e. return on equity). Clearly, high and growing returns are desirable but this must be considered in the context of the maturity and size of the individual business as well as the industry dynamics in which they operate.

Amongst other key issues Clime considers such things as:

. The description of the business - is it easily understood?
. How changing economic or market developments will affect the company;
. The quality of the management;
. The strength of the balance sheet; and
. The company’s potential to maintain or improve the return on equity.

The aim of the Clime is to build a portfolio of between 20 and 25 listed securities. The portfolio includes the companies identified above and other securities (debt notes and hybrids) which offer a high recurrent yield from strong balance sheets or business cash flows.

When the preferred companies and securities are identified, Clime will then undertake the process of determining value. In last year’s Annual Report I outlined Clime’s approach in some detail and I refer you to that report once again. The portfolio is built with companies and securities that are acquired at prices that Clime considers to be below their value.

There are two other key decisions or processes that Clime undertakes and these are crucial to understand. These decisions are based on a macroeconomic overlay of economic conditions and world markets.

First, Clime makes a conscious decision to allocate its portfolio between cash (passive) and invested (active). The level of the cash holding indicates the confidence level that Clime has in the market environment. Clearly, the events of the last four years are proof that an Australian equity investor must be acutely aware of international developments. The strategic decision by Clime to lift cash holdings in early 2008 ensured that capital was partly insulated from the savage market decline.

Second, Clime actively undertakes portfolio rotation. Whilst the aim is to maintain at least 20 invested positions, the actual portfolio is actively managed. This means that attractive companies or securities will enter the portfolio if there is room. Otherwise a position will be need to be liquidated to facilitate a rotation of positions.

Performance

	1 year	2 years*	3 years*	4 years*
Clime Capital Limited	8.7%	16.9%	11.7%	0.4%
ASX All Ordinaries Acc. Index	12.2%	13.0%	-0.2%	-3.3%
Outperformance	**-3.5%**	**3.9%**	**11.9%**	**3.7%**

During the financial year 2010/11, CAM maintained cash at between $9 million and $13 million. The opening and closing cash levels were approximately $11 million. Companies that entered the portfolio were Coca Cola Limited, Brickworks Limited, Oroton Limited, MT2 Communications Limited, Mortgage Choice Limited and IMF convertible notes. Positions that were rotated out were Fiducian Limited, Qube Logistics Trust, JB Hi Fi Limited and Flexigroup Limited. Willmott Forests Limited fell into receivership and was written off.

Over the year it was observable that the majority of CAM's investments did not change. The turnover of the portfolio was well down on previous years and this indicates that the securities selected in prior years still met the investment requirements of CAM today.

Capital Management, Dividends and Bonus issues

The Board intends to maintain its policy of declaring ordinary and preference share dividends each quarter. The current portfolio has a high level of income generation from its shares and yielding investments. The portfolio also generates franking which are beneficial to shareholders.

During 2010/11 financial year CAM declared two 1 for 20 bonus share issues and maintained the ordinary dividend levels on the increased shares. The Directors believe that bonus shares have improved the liquidity of CAM shares and resulted in a rerating of CAM shares in the market.

The Board is of the view that buybacks of CAM stock would result in reduced liquidity and a de-rating of CAM shares. Further, the manager is contracted to invest in investments to generate attractive returns for shareholders over both the medium and longer term. Clearly the investing of capital in late 2008 and early 2009 was a highly beneficial activity. Had the manager been focused on buying back CAM shares then the significant returns to shareholders in the following three years would not have eventuated.

clime

Board Changes

At last year's Annual Meeting Mr. Tony Hockey announced that he would be moving to the United Kingdom and that he would therefore have to resign from the CAM Board. Tony was a foundation Director of CAM and contributed greatly in the early years of the company. Most notably it was Tony who chaired some of the shareholder meetings called by a green mailer in Melbourne.

On behalf of all shareholders and the Board I thank Tony for his work and guidance over the past years.

I believe that CAM was very fortunate to be able to replace Tony with Mr. Brett Spork. Brett has many years experience in capital markets as a senior executive at Macquarie Bank and the Managing Director of E*TRADE. On your behalf I welcome Brett to the Board and look forward to a productive future together.

Thank you

I would like to thank the staff of Clime for their funds management and administrative services. CAM aims to achieve attractive investment returns and is committed to keeping its shareholders continuously informed of portfolio and market developments. I believe this has been achieved to a high level in recent years.

Finally, I would like to thank the owners of CAM. The provision of patient capital in a small listed investment company does test the resolve of shareholders. This is more so in recent times where the market often seems to lose focus on the fundamentals of investment.

John Abernethy
Chairman

Sydney, 22 August 2011

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE DIRECTORY

Directors	John Abernethy (Chairman) Geoffrey Wilson Julian Gosse Anthony Hockey - Resigned on 5 July 2011 Brett Spork - Appointed on 24 May 2011
Company Secretary	Richard Proctor
Registered Office	Level 5 352 Kent Street Sydney NSW 2000
Contact Details	P: (02) 9252 8522 F: (02) 9252 8422 E: www.clime.com.au
Share Registry	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2001 P: 1300 737 760 F: 1300 653 459 W: www.boardroomlimited.com.au
Auditor	BDO Level 19, 2 Market Street Sydney NSW 2000
Stock Exchange Listings	Clime Capital Limited securities are listed on the Australian Stock Exchange under the following exchange codes:

Fully Paid Ordinary Shares	CAM
Converting Preference Shares	CAMPA

DIRECTORS' REPORT

Your directors present their report on Clime Capital Limited ("the Company") for the financial year ended 30 June 2011.

Directors

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

- Mr. John Abernethy
- Mr. Geoffrey Wilson
- Mr. Julian Gosse
- Mr. Anthony Hockey - Resigned on 5 July 2011
- Mr. Brett Spork - Appointed on 24 May 2011

Information on Directors

Mr. John Abernethy (Age 52) **Non-Executive Chairman**

Experience and expertise

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

Other current directorships

Mr. Abernethy is a non-executive director of WAM Research Limited, Australian Leaders Fund Limited, WAM Active Limited and Jasco Holdings Limited.

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

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

306,916 ordinary shares in Clime Capital Limited.
111,641 converting preference shares in Clime Capital Limited.

Mr. Geoffrey Wilson (Age 53) **Non-Executive Director**

Experience and expertise

Mr. Geoffrey Wilson has had 31 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, WAM Research Limited, WAM Active Limited, the Australian Stockbrokers' Foundation Limited and Ascham Foundation. He is a Director of Australian Leaders Fund Limited, Cadence Capital Limited, Vietnam Fund Limited, Incubator Capital Limited, the Sporting Chance Cancer Foundation, Australian Fund Managers Foundation and Odyssey House McGrath Foundation.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares

418,984 ordinary shares in Clime Capital Limited.

Information on directors (continued)

Mr. Julian Gosse (Age 61) **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, WAM Research Limited and Iron Road Limited.

Former directorships in last 3 years

None.

Special responsibilities

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

Interest in shares

None.

Mr. Anthony Hockey (Age 46) **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).

Mr. Hockey was appointed non-executive director in September 2003 and resigned on 5 July 2011.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

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

Interests in shares

None.

Information on directors (continued)

Mr. Brett Spork (Age 49) **Independent, Non-Executive Director**

Experience and expertise

Mr. Brett Spork was appointed independent Director of the Company in May 2011. Mr. Spork has extensive experience in the Funds Management, Banking and Financial Services sectors. Mr. Spork's previous roles include CEO of Investorfirst , CEO of E*Trade Australia and Executive Director with Macquarie Bank.

Mr. Spork holds a Degree in Business from Queensland University of Technology.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of Audit Committee

Interests in shares

None.

Company Secretary

Mr. Richard Proctor was appointed to the position of Company Secretary effective 1 January 2011 following the resignation of Ms. Jennifer El Sibai. Mr. Proctor is the Chief Operating Officer of Clime Investment Management Limited (the parent entity of the Investment Manager).

Mr. Proctor holds a Bachelor of Business Studies (Hons) from the University of Brighton, United Kingdom and is a qualified Chartered Accountant. Mr. Proctor has over 25 years experience in operations and finance and has held senior roles with Readers Digest, Time Warner, Heinz Food and Rothmans Tobacco in Australia and Europe.

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 2011, and the numbers of meetings attended by each director were:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Mr. John Abernethy	5	5	-	-	-	-
Mr. Geoffrey Wilson	5	5	-	-	-	-
Mr. Julian Gosse	5	5	2	2	-	-
Mr. Anthony Hockey	4	4	2	2	-	-
Mr. Brett Spork	1	1	-	-	-	-

A - Number of meetings eligible to attend

B - Number of meetings attended

Rotation and election of directors

In accordance with the Company's Constitution, Mr. Brett Spork and Mr. Julian Gosse 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 Stock Exchange.

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

Operating result

The net profit after providing for tax amounted to $5,317,540 (2010: $11,441,944).

Dividends paid or recommended

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

	2011 $	2010 $
Total dividends paid		
Final ordinary dividend paid during the year in respect of the prior financial year (2010: $376,253)	401,212	376,253
Converting preference share dividend paid during the year in respect of the prior financial year (2010: Nil)	364,068	-
Interim ordinary dividend paid in respect of the September 2010 quarter (2010: $378,467)	402,379	378,467
Converting preference share dividend paid in respect of the September 2010 quarter (2010: $344,907)	364,066	344,907
Interim ordinary dividend paid in respect of the December 2010 quarter (2010: $379,958)	403,524	379,958
Converting preference share dividend paid in respect of the December 2010 quarter (2010: $344,907)	364,067	344,907
Interim ordinary dividend paid in respect of the March 2011 quarter (2010: $380,995)	424,849	380,995
Converting preference share dividend paid in respect of the March 2011 quarter (2010: $344,907)	364,067	344,907
Total dividends paid	**3,088,232**	**2,550,394**
Total dividends declared not paid		
Final ordinary dividend in respect of the current financial year (2010: $401,212)	447,295	401,212
Converting preference share dividend paid in respect of the June 2011 quarter (2010: $364,068)	364,068	364,068
Total dividends declared not paid	**811,363**	**765,280**
Total dividends paid or recommended	**3,899,595**	**3,315,674**

Prior to the end of the financial year, the directors declared a fully franked dividend of 1 cent per share payable on 28 July 2011 on ordinary shares as at record date 11 July 2011 and a fully franked dividend of 4.75 cents payable 27 July 2011 on converting preference shares as at record date 11 July 2011.

Review of operations

Investment income from ordinary activities

Investment income for the period decreased to $6,525,799 (2010: $15,695,635). This decrease was primarily caused by a significant decrease in realised and unrealised gains.

Net profit attributable to members of the Company

Profit from ordinary activities after tax attributable to members decreased to a profit of $5,317,540 (2010: $11,441,944).

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

After balance date events

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

On 27 June 2011 the Board announced a bonus issue for ordinary shareholders, on a 1 for 20 basis. Converting preference shareholders will receive 1.157625 ordinary shares for every converting preference share upon conversion date. The record date for this issue is 27 July 2011.

Future developments

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

On 19 August 2011, orders were made in the Federal Court in respect of the class action commenced by the Company and other parties represented by Clime relating to alleged conduct by Credit Corp from 7 November 2007 to 11 February 2008.

The orders vacate the hearing which was to commence on 22 August 2011 and list the matter for directions on 23 August 2011. The Court noted the parties have reached an in principle settlement and are in the process of negotiating the terms of such settlement.

The company will make a further announcement in the event that an agreement is reached.

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 wilful 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 BDO Audit (NSW-VIC) Pty Limited (2010: 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 information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

The remuneration report is set out in the following sections:

A Directors and key management personnel details
B Principles used to determine the nature and amount of remuneration
C Details of remuneration
D Service agreements
E Additional information

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

A Directors and key management personnel details

The following persons acted as directors of the company during or since the end of the financial year.

John Abernethy	Non-Executive Chairman
Geoffrey Wilson	Non-Executive Director
Julian Gosse	Independent, Non-Executive Director
Anthony Hockey - Resigned on 5 July 2011	Independent, Non-Executive Director
Brett Spork - Appointed on 24 May 2011	Independent, Non-Executive Director

The term "Executives" used in this report to refer to the following persons.

Richard Proctor - Appointed 1 January 2011	Company Secretary
Jennifer El-Sibai - Resigned 23 December 2010	Company Secretary

B Principles used to determine the nature and amount of remuneration

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

Executives

The only executives employed during the financial year by the Company were Ms. Jennifer El-Sibai, employed in her capacity as Company Secretary up to 23 December 2010 being the date of her resignation, and Mr. Richard Proctor who was appointed as Company Secretary with effect from 1 January 2011.

Non-executive directors

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

Directors' fees

The current base remuneration was last reviewed with effect in November 2010. 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.

Remuneration report - audited (continued)

C Details of remuneration

The company's Chairman (Mr. John B Abernethy) and Secretary (Mr. Richard Proctor) are employed by Clime Investment Management Ltd and do not receive any form of direct remuneration from the Company. Instead Clime Investment Management Limited receives fees from Clime Capital Ltd designed to cover the cost of provision of these services and Clime Investment Management Ltd. settles this amount directly with the Chairman and Secretary. The company has no other staff and therefore has no key management personnel other than the Directors.

Amounts of remuneration
Details of the remuneration of the directors of Clime Capital Limited for services rendered to the Company are set out below. 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.

Mr. Richard Proctor and Ms. Jennifer El-Sibai up to the date of resignation on 23 December 2010 are the company executives whose remuneration must be disclosed under the *Corporations Act 2001* as one of the 5 highest remunerated executives.

Key management personnel and other executives of Clime Capital Limited

2011	**Short-term employee benefits**	**Post-employment benefits**	
	Cash salary	**Superannuation**	**Total**
	$	$	$
John Abernethy	30,000	-	30,000
Geoffrey Wilson	9,174	826	10,000
Julian Gosse	27,523	2,477	30,000
Anthony Hockey	27,445	2,477	29,922
Brett Spork	2,500	-	2,500
Total key management personnel	**96,642**	**5,780**	**102,422**
Other executives			
Richard Proctor[1]	12,000	-	12,000
Jennifer El-Sibai[1]	12,000	-	12,000
Total Executives	**24,000**	**-**	**24,000**

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

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

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

Remuneration report - audited (continued)

D Service agreements

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

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

Ms. Jennifer El-Sibai **Company Secretary**
• Term of agreement – No fixed term
• Notice period for termination by employee – 1 month
• Notice period for termination by company – 1 month
• Payment of a termination benefit on early termination by the company – in lieu of 1 month's notice and other than for gross misconduct – equal to a maximum of 8.33% of the annual remuneration package current at the time of termination
• Resigned on 23 December 2010

E 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 2011:

Performance result - historical analysis

	30 June 2011 $	30 June 2010 $	30 June 2009 $	30 June 2008 $	30 June 2007 $
Investment gains/(losses)	6,525,799	15,695,635	2,374,465	(17,618,537)	17,385,671
Net profit/(loss) before tax	5,300,683	13,186,731	1,176,956	(18,657,962)	15,637,114
Net profit/(loss) after tax	5,317,540	11,441,944	1,179,098	(14,928,802)	11,500,608

Movements in shareholder wealth - historical analysis

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Share price at 1 July	$1.02	$0.76	$0.90	$1.40	$0.95
Share price at 30 June	$1.06	$1.02	$0.76	$0.90	$1.40
NTA - pre-tax	$1.27	[2] 1.34	$1.12	$1.11	$1.56
NTA - post-tax	$1.23	[2] 1.30	$1.12	$1.11	$1.47
Interim dividends - ord. shares [1]	3.0cps	3.0cps	-	-	2.5cps
Final dividend - ord. shares [1]	1.0cps	1.0cps	1.0cps	-	2.75cps
Special dividend - ord. shares [1]	-	-	-	-	2.0cps
Preference share dividends	19.00cps	18.25cps	4.5cps	9.0cps	3.0cps
Bonus share issue - ord. shares	1 for 20	1 for 20	-	-	-
Basic EPS	9.96cps	21.61cps	2.50cps	(31.68cps)	28.75cps
Diluted EPS	9.96cps	21.61cps	2.50cps	(31.68cps)	28.75cps

[1] Fully franked dividends

[2] Does not take into account the dilutive effect of the bonus shares.

END OF AUDITED REMUNERATION REPORT

Proceedings on behalf of company

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Signed in accordance with a resolution of the directors.

John Abernethy
Director
Clime Capital Limited

Sydney, 22 August 2011

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Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Australia

DECLARATION OF INDEPENDENCE BY IAIN KEMP TO THE DIRECTORS OF CLIME CAPITAL LIMITED

As lead auditor of Clime Capital Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Iain Kemp
Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, 22 August 2011

CLIME CAPITAL LIMITED
ABN 99 106 282 777
CORPORATE GOVERNANCE STATEMENT

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

Board of directors and its committees

Role of the board

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

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 (five until 5 July 2011). Three of the Company's non-executive directors, Mr. J Gosse, Mr. B Spork and Mr. A Hockey, are also independent.

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

An independent director is considered to be a director:

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

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

Nomination Committee

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

The Nomination Committee comprised the following members during the year:

- A Hockey
- J Gosse (Chairman)

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

Remuneration Committee

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

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

The Remuneration Committee comprised the following members during the year:

- J Gosse (Chairman)
- A Hockey
- B Spork

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 twice during the year.

The Audit Committee comprised the following members during the year:

- J Gosse (Chairman)
- A Hockey

The responsibilities of the Audit Committee are to:

1. Oversee the existence and maintenance of internal controls and procedures to ensure compliance with all applicable regulatory obligations;
2. Oversee the financal 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. BDO Audit (NSW-VIC) Pty Limited was appointed as the external auditor in November 2010 (2010: Deloitte Touche Tohmatsu). It is BDO'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.

Executive management

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

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

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

Ethical standards and code of conduct

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

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

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

Shareholder communications.

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

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

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

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

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

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

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

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

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

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Investment income			
Investment revenue	2	4,754,673	3,581,116
Net realised gain on disposal of financial assets at fair value through profit or loss		4,009,146	4,546,927
Net unrealised (loss)/gain on financial assets at fair value through profit or loss		(2,238,625)	7,567,535
Other income		605	57
Total investment income		**6,525,799**	**15,695,635**
Expenses			
Management fees		(665,395)	(594,412)
Performance fees		-	(1,416,987)
Administrative expenses		(433,299)	(373,505)
Directors' fees and company secretarial fees		(126,422)	(124,000)
Total expenses		**(1,225,116)**	**(2,508,904)**
Profit for the year before income tax expense		**5,300,683**	**13,186,731**
Income tax benefit/(expense)	4(a)	16,857	(1,744,787)
Profit for the year		**5,317,540**	**11,441,944**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**5,317,540**	**11,441,944**
Basic earnings per share	6	**9.96 cents**	**21.61 cents**
Diluted earnings per share	6	**9.96 cents**	**21.61 cents**

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

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 $	2010 $
Assets			
Cash and cash equivalents	13(a)	11,674,763	11,567,885
Trade and other receivables	7	521,515	755,428
Financial assets at fair value through profit or loss	8	52,660,472	51,440,987
Current tax asset		990	990
Prepayments	9	24,978	29,091
Total assets		**64,882,718**	**63,794,381**
Liabilities			
Trade and other payables	10	114,770	1,696,845
Dividends payable	5(b)	811,363	765,280
Deferred tax liability	4(c)	1,727,931	1,744,787
Total liabilities		**2,654,064**	**4,206,912**
Net assets		**62,228,654**	**59,587,469**
Equity			
Issued capital	11	53,754,701	53,296,741
Retained earnings	12	8,473,953	6,290,728
Total equity		**62,228,654**	**59,587,469**

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

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Issued Capital $	Retained Earnings/ (Accumulated Losses) $	Total Equity $
Balance at 1 July 2009		**52,748,890**	**(1,835,542)**	**50,913,348**
Profit for the year		-	11,441,944	11,441,944
Other comprehensive income/(loss) for the year		-	-	**-**
Total comprehensive income for the year		**-**	**11,441,944**	**11,441,944**
Transactions with owners in their capacity as owners				
Issue of Ordinary shares	11(a)	547,851	-	547,851
Dividends provided for or paid - Ordinary shares	5	-	(1,916,885)	(1,916,885)
Dividends provided for or paid - Converting Preference Shares	5	-	(1,398,789)	(1,398,789)
		547,851	**(3,315,674)**	**(2,767,823)**
Balance at 30 June 2010		**53,296,741**	**6,290,728**	**59,587,469**
Profit for the year		-	5,317,540	5,317,540
Other comprehensive income/(loss) for the year		-	-	**-**
Total comprehensive income for the year		**-**	**5,317,540**	**5,317,540**
Transactions with owners in their capacity as owners				
Issue of Ordinary shares	11(a)	457,960	-	457,960
Dividends provided for or paid - Ordinary shares	5	-	(1,678,047)	(1,678,047)
Dividends provided for or paid - Converting Preference Shares	5	-	(1,456,268)	(1,456,268)
		457,960	**(3,134,315)**	**(2,676,355)**
Balance at 30 June 2011		**53,754,701**	**8,473,953**	**62,228,654**

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

CLIME CAPITAL LIMITED
ABN 99 106 282 777
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Proceeds from sale of investments		25,355,481	31,364,473
Payments for purchase of investments		(24,799,349)	(30,760,524)
		556,132	603,949
Dividends and trust distributions received		3,193,586	2,030,596
Interest received		1,594,506	1,481,441
Payments for administrative and other expenses		(534,061)	(548,432)
Investment manager's fees paid		(663,985)	(730,989)
Performance fees paid		(1,409,631)	(301,594)
Other income received		605	57
Net cash inflow from operating activities	13(b)	**2,737,152**	**2,535,028**
Cash flows from financing activities			
Dividends paid		(2,630,274)	(2,347,449)
Net cash outflow from financing activities		**(2,630,274)**	**(2,347,449)**
Net increase in cash held		106,878	187,579
Cash and cash equivalents at beginning of the financial year		11,567,885	11,380,306
Cash and cash equivalents at end of the financial year	13(a)	**11,674,763**	**11,567,885**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

The financial statements of the Company comply with International Financial Reporting Standards (IFRS) as adopted in Australia in their entirety. The financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Statements are prepared from records of the company on an accrual basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities 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.

(b) Investments

i) Classification

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

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

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

ii) Valuation

All investments are classified as "held-for-trading" investments and are recognised at fair value.

iii) Recognition/derecognition

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

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

iv) Measurement

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments (continued)

v) Investment income

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

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

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

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 reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

(c) Derivatives

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

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

(d) Income Tax

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

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

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

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

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

(e) Bills of Exchange

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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

(g) Goods and Services Tax (GST)

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

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

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

(h) Earnings per share

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

ii) Diluted earnings per share

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

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

(i) Operating segments

The company has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 July 2009. AASB 8 requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purpose.

The information being reported is based on what the key decision makers use internally for evaluating segment performances and deciding how to allocate resources to operating segments. The company is organised into one main segment which operates solely in the business of investment management within Australia.

(j) Dividends

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Issued capital

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

(l) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Company has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Company's financial statements as the Company does not hold any available-for-sale investments.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Company's financial statements.

(iii) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First-time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Company's disclosures. The Company intends to apply the amendment from 1 July 2011.

(iv) AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Company does not expect that any adjustments will be necessary as the result of applying the revised rules.

	2011 $	2010 $
2. INVESTMENT REVENUE		
Dividends received	3,124,454	2,112,382
Trust distributions	14,707	-
Interest	1,615,512	1,468,734
TOTAL	**4,754,673**	**3,581,116**

3. AUDITORS' REMUNERATION

Remuneration of the auditor of the Company, BDO (2010: Deloitte Touche Tohmatsu), in relation to:

	2011 $	2010 $
Audit and review of the financial reports	34,990	41,650
Taxation	3,150	-
TOTAL	**38,140**	**41,650**

4. TAXATION

(a) Income tax expense

	2011 $	2010 $
The prima facie tax on profit before income tax is reconciled to income tax expense as follows:		
Prima facie tax payable on profit before income tax at 30%	1,590,205	3,956,019
Less tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Imputation gross up on dividends received	356,138	203,551
Franking credits on dividends received	(1,187,127)	(678,503)
Permanent differences	15,781	(107,724)
Over provision of prior year tax	(65,528)	-
	709,469	3,373,343
Recoupment of tax losses not previously brought to account	(726,326)	(1,628,556)
Income tax expense	**(16,857)**	**1,744,787**
The applicable weighted average effective tax rates are as follows:	(0.32%)	13.23%

(b) Current tax liabilities

	2011 $	2010 $
Income Tax	-	-

4. TAXATION (continued)

	2011 $	2010 $
(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:		
Provision for tax on unrealised losses on investment portfolio	1,623,132	1,590,985
Other temporary differences	112,608	153,802
	1,735,740	**1,744,787**
(d) Deferred tax assets		
Deferred tax assets comprises the estimated tax deductible at the current income tax rate of 30% on the following items:		
Temporary differences	4,950	-
Tax loss for the current year	2,859	-
	7,809	**-**
Net deferred tax liability	**1,727,931**	**1,744,787**
(e) Income tax (benefit) / expense recognised in the profit or loss		
Current income tax expense	726,326	1,628,556
Recoupment of tax losses not previously brought to account	(726,326)	(1,628,556)
Under provision of prior year tax	(65,528)	-
Deferred tax relating to the origination and reversal of temporary differences	51,530	1,744,787
Tax losses recognised during the year	(2,859)	-
	(16,857)	**1,744,787**
(f) Tax losses		
Unused temporary differences for which no deferred tax asset has been recognised	-	-
Unused tax losses for which no deferred tax asset has been recognised	-	2,421,088
	-	2,421,088
Potential tax benefit @ 30%	-	726,326

5. DIVIDENDS

(a) Paid in the current year

	2011 $	2010 $
Dividends paid in the current year		
A fully franked final dividend on ordinary shares in respect of the 2010 year of 1 cent per share was paid on 27 July 2010 (2010: A fully franked final dividend on ordinary shares in respect of the 2009 year of 1 cent per share was paid on 17 July 2009)	401,212	376,253
A fully franked dividend on converting preference shares in respect of the 2010 year of 4.75 cents per share was paid on 26 July 2010 (2010: Nil fully franked dividend on converting preference shares in respect of the 2009 year)	364,068	-
A fully franked dividend on ordinary shares for the quarter ended 30 September 2010 of 1 cent per share was paid on 18 October 2010 (2010: A fully franked dividend on ordinary shares for the quarter ended 30 September 2009 of 1 cent per share was paid on 21 October 2009)	402,379	378,467
A fully franked dividend on converting preference shares for the quarter ended 30 September 2010 of 4.75 cents per share was paid on 15 October 2010 (2010: A fully franked dividend on converting preference shares for the quarter ended 30 September 2009 of 4.5 cents per share was paid on 15 October 2009)	364,066	344,907
A fully franked dividend on ordinary shares for the quarter ended 31 December 2010 of 1 cent per share was paid on 25 January 2011 (2010: A fully franked dividend on ordinary shares for the quarter ended 31 December 2009 of 1 cent per share was paid on 29 January 2010)	403,524	379,958
A fully franked dividend on converting preference shares for the quarter ended 31 December 2010 of 4.75 cents per share was paid on 24 January 2011 (2010: A fully franked dividend on converting preference shares for the quarter ended 31 December 2009 of 4.5 cents per share was paid on 28 January 2010)	364,067	344,907
A fully franked dividend on ordinary shares for the quarter ended 31 March 2011 of 1 cent per share was paid on 28 April 2011 (2010: A fully franked dividend on ordinary shares for the quarter ended 31 March 2010 of 1 cent per share was paid on 16 April 2010)	424,849	380,995
A fully franked dividend on converting preference shares for the quarter ended 31 March 2011 of 4.75 cents per share was paid on 27 April 2011 (2010: A fully franked dividend on converting preference shares for the quarter ended 31 March 2010 of 4.5 cents per share was paid on 15 April 2010)	364,067	344,907
	3,088,232	**2,550,394**

	2011 $	2010 $
5. DIVIDENDS (CONTINUED)		
(b) Provided for in the current year		
A fully franked dividend in respect of the 2011 year of 1 cent per share was payable on ordinary shares as at 30 June 2011 (2010: A fully franked dividend in respect of the 2010 year of 1 cent per share was payable on ordinary shares as at 30 June 2010)	447,295	401,212
A fully franked dividend in respect of the 2011 year of 4.75 cents per share was payable on converting preference shares as at 30 June 2011 (2010: A fully franked dividend in respect of the 2010 year of 4.75 cents per share was payable on converting preference shares as at 30 June 2010)	364,068	364,068
	811,363	**765,280**
(c) Dividend franking account		
Franking account balance	1,862,582	2,792,122
Impact on franking account balance of dividends not recognised, payable on 27 and 28 July 2011 (2010: 26 and 27 July 2010)	(347,727)	(327,977)
	1,514,855	**2,464,145**

6. EARNINGS PER SHARE

	2011	2010
Basic earnings per share	**9.96 cents**	**21.61 cents**
Diluted earnings per share	**9.96 cents**	**21.61 cents**
Earnings used in calculating basic earnings per share	5,317,540	11,441,944
Earnings used in calculating diluted earnings per share	5,317,540	11,441,944
Weighted average number of ordinary shares used in the calculation of basic earnings per share	53,408,114	52,945,602
Weighted average number of shares used in the calculation of diluted earnings per share	53,408,114	52,945,602
Reconciliation of weighted average number of shares:		
Weighted average number of shares used in the calculation of basic earnings per share	44,535,413	44,072,901
Add:		
Weighted average number of converting preference shares at 1.157625 per share used in the calculation of earnings per share	8,872,701	8,872,701
Weighted average number of shares used in the calculation of earnings per share	53,408,114	52,945,602

	2011 $	2010 $
7. TRADE AND OTHER RECEIVABLES		
Income receivable	502,255	535,674
Unsettled trades	-	195,375
Other debtors	19,260	24,379
	521,515	**755,428**

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 Australian Tax Office. No interest is applicable to any of these amounts.

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

8. INVESTMENTS

	2011 $	2010 $
Financial assets at fair value through profit or loss		
(1) Listed equities	41,972,749	41,570,015
Unlisted trust	300,000	-
(2) Interest bearing securities		
Listed convertible notes	10,387,723	9,870,972
Total financial assets at fair value through profit or loss	**52,660,472**	**51,440,987**

9. OTHER ASSETS

	2011 $	2010 $
Prepayments	24,978	29,091
	24,978	**29,091**

10. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Accrued expenses	54,532	38,105
Amount payable to related parties	54,955	1,463,176
Unsettled trades	5,283	195,564
	114,770	**1,696,845**

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.

11. ISSUED CAPITAL

	2011 $	2010 $
Issued and paid-up capital		
(a) 42,598,946 (2010: 38,210,176) ordinary fully paid shares	35,513,470	35,055,510
(b) 7,664,573 (2010: 7,664,573) converting preference fully paid shares	18,241,231	18,241,231
Balance at the end of the year	**53,754,701**	**53,296,741**

	2011 Number of shares	2010 Number of shares	2011 $	2010 $
(a) Movements in ordinary share capital				
Balance at beginning of the year	38,210,176	37,625,277	35,055,510	34,507,659
Issue of ordinary shares pursuant to a 1 for 20 bonus issue on 2 July 2010	1,911,000	-	-	-
Issue of ordinary shares pursuant to a 1 for 20 bonus issue on 9 March 2011	2,023,596	-	-	-
Dividend reinvestment plan	454,174	584,899	457,960	547,851
Balance at the end of the year	**42,598,946**	**38,210,176**	**35,513,470**	**35,055,510**

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.

	2011 Number of shares	2010 Number of shares	2011 $	2010 $
(b) Movements in converting preference share capital				
Balance at beginning of the year	7,664,573	7,664,573	18,241,231	18,241,231
Balance at the end of the year	**7,664,573**	**7,664,573**	**18,241,231**	**18,241,231**

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

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

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

(c) Capital risk management

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

	2011 $	2010 $
12. RETAINED EARNINGS		
Balance at the beginning of the year	6,290,728	(1,835,542)
Net profit attributable to members of the company	5,317,540	11,441,944
Dividends provided for or paid	(3,134,315)	(3,315,674)
Balance at end of financial year	**8,473,953**	**6,290,728**

13. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise:

	2011 $	2010 $
Cash at bank	9,674,763	11,567,885
Short term bank deposits with maturity less than three months	2,000,000	-
Total cash and cash equivalents	**11,674,763**	**11,567,885**

(b) Reconciliation of net profit attributable to members of the Company to net cash provided by operating activities

	2011 $	2010 $
Profit attributable to members of the Company	5,317,540	11,441,944
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	38,539	(75,664)
Increase in investments at fair value through profit or loss	(1,214,389)	(11,510,513)
Decrease/(increase) in prepayments	4,113	(27,682)
(Decrease)/increase in trade and other payables	(1,391,795)	962,156
(Decrease)/increase in deferred tax liability	(16,856)	1,744,787
Net cash provided by operating activities	**2,737,152**	**2,535,028**

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:

	2011 $	2010 $
Clime Asset Management Pty Ltd - Mr. John B. Abernethy note (c)(i)	445,046	1,808,796
Clime Investment Management Ltd - Mr. John B. Abernethy note (c)(ii)	54,000	54,000
Boutique Asset Management Pty Ltd - Mr. Geoffrey J Wilson note (c)(iii)	166,349	148,603
	665,395	**2,011,399**

As at 30 June 2011, $54,955 (2010: $1,463,176) of the year's management and performance fees remain unpaid and within payables.

(b) Dividends

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

(c) Nature of Relationships

(i) Clime Asset Management Pty Ltd

Mr John Abernethy is the Director and Chief Investment Officer 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) Clime Investment Management Ltd

Mr John Abernethy is a Director in Clime Investment Management Ltd. Clime Investment Management Ltd receives management fees as remuneration for the employement of the Chairman and Secretary as detailed in note 15. Clime Investment Management Ltd owns 12.4% of the issued capital of Clime Capital Limited.

(iii) Boutique Asset Management Pty Ltd

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

15. KEY MANAGEMENT PERSONNEL DISCLOSURE

The company's Chairman (Mr. John B Abernethy) and Secretary (Mr. Richard Proctor) are employed by Clime Investment Management Ltd and do not receive any form of direct remuneration from the Company. Instead Clime Investment Management Limited receives fees from Clime Capital Ltd designed to cover the cost of provision of these services. Clime Asset Management Pty Ltd as the Manager receives a management and performance fee from the company as detailed below. The company has no other staff and therefore has no key management personnel other than the Directors.

There have been no other transactions with Key Management Personnel or their related entities other than those disclosed in Note 14.

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:

John Abernethy	- Non-Executive Chairman	
Anthony Hockey	- Non-Executive Director	Resigned 5 July 2011
Geoffrey Wilson	- Non-Executive Director	
Julian Gosse	- Non-Executive Director	
Brett Spork	- Non-Executive Director	Appointed 24 May 2011

(a) Remuneration of Directors and Other Key Management Personnel

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

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

	2011 $	2010 $
Cash salary, fees and commissions	96,642	94,220
Short-term employee benefits	**96,642**	**94,220**
Superannuation	5,780	5,780
Post-employment benefits	**5,780**	**5,780**
Total employment benefits	**102,422**	**100,000**

(b) Shareholdings

2011	Balance at 1 July 2010	Shares acquired / (disposed)	Balance at 30 June 2011
Ordinary Shares			
John Abernethy (Chairman)	258,289	32,467	290,756
Anthony Hockey	35,024	(35,024)	-
Geoffrey Wilson	361,931	37,100	399,031
	655,244	**34,543**	**689,787**
Converting Preference Shares			
John Abernethy (Chairman)	111,641	-	111,641
	111,641	**-**	**111,641**

15. KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

(b) Shareholdings (continued)

2010	**Balance at 1 July 2009**	**Shares acquired / (disposed)**	**Balance at 30 June 2010**
Ordinary Shares			
John Abernethy (Chairman)	177,728	80,561	258,289
Anthony Hockey	33,595	1,429	35,024
Geoffrey Wilson	361,931	-	361,931
	573,254	**81,990**	**655,244**
Converting Preference Shares			
John Abernethy (Chairman)	80,000	31,641	111,641
	80,000	**31,641**	**111,641**

There were no shares or options 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.

16. FINANCIAL INSTRUMENTS (CONTINUED)

(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 Statement of Financial Position, 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.

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

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

2011	Weighted Average Effective Interest Rate	Floating Interest Rate	Non Interest Bearing	Fixed Interest Rate	Total
	%	$	$	$	$
Financial Assets					
Cash and cash equivalents	5.03%	9,674,763	-	2,000,000	11,674,763
Trade and other receivables		-	502,255	-	502,255
Financial assets held at fair value through profit and loss		10,387,723	42,272,749	-	52,660,472
Total Financial Assets		**20,062,486**	**42,775,004**	**2,000,000**	**64,837,490**
Financial Liabilities					
Trade and other payables		-	60,238	-	60,238
Dividends payable		-	811,363	-	811,363
Total Financial Liabilities		**-**	**871,601**	**-**	**871,601**

16. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

(i) Interest rate risk (continued)

2010	Weighted Average Effective Interest Rate %	Floating Interest Rate $	Non Interest Bearing $	Total $
Financial Assets				
Cash and cash equivalents	4.12%	11,567,885	-	11,567,885
Trade and other receivables		-	731,049	731,049
Financial assets held at fair value through profit and loss		9,870,972	41,570,015	51,440,987
Total Financial Assets		**21,438,857**	**42,301,064**	**63,739,921**
Financial Liabilities				
Trade and other payables		-	1,658,740	1,658,740
Dividends payable		-	765,280	765,280
Total Financial Liabilities		**-**	**2,424,020**	**2,424,020**

(ii) Equity Price Risk

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

(iii) Summarised sensitivity analysis

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

	Price risk		Interest rate risk	
	Impact on profit and loss			
	-10%	**+10%**	**-100 bps**	**+100 bps**
30 June 2011	(5,266,047)	5,266,047	(217,237)	217,237
30 June 2010	(5,150,974)	5,150,974	(201,432)	201,432

No effect on other comprehensive income would result from price or interest rate risk in 2011 or 2010.

16. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values of financial assets and financial liabilities

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

The table below presents the Company's assets measured and recognised at fair value at 30 June 2011 by level of the following fair value measurement hierarchy:

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

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2011				
Financial assets at fair value through profit or loss				
Listed equities	41,972,749	-	-	**41,972,749**
Unlisted unit trust	-	-	300,000	**300,000**
Listed convertible notes	10,387,723	-	-	**10,387,723**
Total financial assets at fair value through profit or loss	**52,360,472**	**-**	**300,000**	**52,660,472**
At 30 June 2010				
Financial assets at fair value through profit or loss				
Listed equities	41,555,119	-	-	**41,555,119**
Listed convertible notes	9,885,868	-	-	**9,885,868**
Total financial assets at fair value through profit or loss	**51,440,987**	**-**	**-**	**51,440,987**

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

The fair value of financial instruments that are not traded in an active market (over-the-counter derivatives and unlisted unit trusts) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

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

17. SEGMENT INFORMATION

The Company is organised into one main segment which operates solely in the business of investment management within Australia.

The Company operates in Australia and holds all assets within Australia.

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

The directors are of the opinion that the current financial position and performance of the Company is equivalent to the operating segments identified above and as such no further disclosure has been provided.

18. CONTINGENT LIABILITIES

As at 30 June 2011, the Company has no contingent liabilities or commitments (2010: Nil).

19. EVENTS SUBSEQUENT TO BALANCE DATE

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

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

On 27 June 2011 the Board announced a bonus issue for ordinary shareholders, on a 1 for 20 basis. Converting preference shareholders will receive 1.157625 ordinary shares for every converting preference share upon conversion date. The record date for this issue is 7 July 2011.

On 19 August 2011, orders were made in the Federal Court in respect of the class action commenced by the Company and other parties represented by Clime relating to alleged conduct by Credit Corp from 7 November 2007 to 11 February 2008.

The orders vacate the hearing which was to commence on 22 August 2011 and list the matter for directions on 23 August 2011. The Court noted the parties have reached an in principle settlement and are in the process of negotiating the terms of such settlement.

The company will make a further announcement in the event that an agreement is reached.

19. COMPANY DETAILS

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

Level 5
352 Kent Street
Sydney NSW 2000

CLIME CAPITAL LIMITED
ABN 99 106 282 777
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2011

The directors declare that:

(a) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, and giving a true and fair view of the financial position and performance of the Company;

(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;

(c) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated on Note 1(a) of the financial statements;

(d) The directors have been given the declarations required by S.295A of the *Corporations Act 2001; and*

(e) The remuneration disclosures contained in the Remuneration Report comply with S300A of the *Corporations Act 2001.*

Signed in accordance with a resolution of the directors made pursuant to S.295(5) of the *Corporations Act 2001* .

On behalf of the directors

John Abernethy
Director

Sydney, 22 August 2011

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Clime Capital Limited

Report on the Financial Report

We have audited the accompanying financial report of Clime Capital Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Clime Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Clime Capital Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (NSW-VIC) Pty Ltd

Iain Kemp
Director

Sydney, 22 August 2011

CLIME CAPITAL LIMITED
ABN 99 106 282 777

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 19 August 2011.

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	100
1,001 - 5,000	307
5,001 - 10,000	237
10,001 - 100,000	612
100,001 and over	71
	1,327

Converting Preference Shares	No. of Holders
1 - 1,000	44
1,001 - 5,000	284
5,001 - 10,000	186
10,001 - 100,000	127
100,001 and over	6
	647

B. 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 LTD	5,335,891	11.896
MR VICTOR JOHN PLUMMER	2,666,080	5.944
PERPETUAL TRUSTEES CONSOLIDATED LIMITED <CLIME ASSET MANAGEMENT A/C>	2,585,298	5.764
DI IULIO HOMES PTY LIMITED <DI IULIO SUPER FUND A/C>	897,160	2.000
HIGHLAND ENDEAVOURS PTY LIMITED <HOWELL FAMILY A/C>	835,355	1.862
MR JOHN STEPHEN MICHAEL HEATHERS & MRS MARGARET JEAN HEATHERS <HEATHERS FAMILY S/F A/C>	691,124	1.541
STORFUND PTY LTD <KENNARDS SELF STOR S/F A/C>	627,049	1.398
JOHN E GILL OPERATIONS PTY LTD	562,081	1.253
HUDSON PHARMACEUTICALS PTY LTD <SEAGULLS S/FUND A/C>	529,133	1.180
DYNASTY PEAK PTY LTD <THE AVOCA SUPER FUND A/C>	418,984	0.934
MR RICHARD JONATHAN PROCTOR & MRS EVA MELAND <MELAND PROCTOR S/FUND A/C>	327,744	0.731
MR RORY DUNLEVY <DUNLEVY SUPER FUND A/C>	304,262	0.678
THE SPORTS CAFE (AUSTRALIA) PTY LTD	289,407	0.645
MR DON HOLDEN & MRS SUE HOLDEN	257,391	0.574
BARRY GEORGE FORBES & CARLA FORBES <FORBES SUPER FUND A/C>	252,757	0.563
MR DEREK JOHN CANTLE <DJ & AI CANTLE FAMILY A/C>	240,499	0.536
IQTEL AUSTRALIA PTY LTD <THE MENZIES FAMILY A/C>	231,525	0.516
NAUMAI PTY LIMITED <SEXTON UNIT A/C>	222,471	0.496
MR WARREN ARTHUR CASTRAY & MRS DENYSE ANN CASTRAY <CASTRAY FAM RETIREMENT A/C>	212,620	0.474
MANTHIA NOMINEES PTY LTD <SUPER FUND A/C>	206,224	0.460
	17,693,055	39.445

CLIME CAPITAL LIMITED
ABN 99 106 282 777

ASX ADDITIONAL INFORMATION

	Converting Preference Shares	
Name	**No. of Shares**	**Percentage of issued shares**
CLIME INVESTMENT MANAGEMENT LTD	1,149,121	14.993
DI IULIO HOMES PTY LIMITED <DI IULIO SUPER FUND A/C>	375,000	4.893
PERPETUAL TRUSTEES CONSOLIDATED LIMITED <CLIME ASSET MANAGEMENT A/C>	266,080	3.472
MR RICHARD TOOHER	196,351	2.562
SANOLU PTY LIMITED	145,857	1.903
STORFUND PTY LTD <KENNARDS SELF STOR S/F A/C>	135,417	1.767
MR ANTHONY JOHN GILL <THE STAG A/C>	100,000	1.305
GREAT D PTY LTD <GREAT D SUPER FUND A/C>	100,000	1.305
MR JOHN STEPHEN MICHAEL HEATHERS & MRS MARGARET JEAN HEATHERS <HEATHERS FAMILY S/F A/C>	100,000	1.305
MS MARGARET ANNE ABERNETHY	80,300	1.048
DOUBLE PTY LIMITED	80,000	1.044
MRS MARITA TOOHER	74,073	0.966
MR PETER JOHN DORAHY & MRS WENDY PATRICIA DORAHY <DORAHYS SUPER FUND A/C>	70,702	0.922
MR FELIX GUY LENOX HOLMER <THE SUNDANCER SUPER A/C>	65,000	0.848
MR ANTHONY DENIS O'NEILL & MRS ANNE MARIE O'NEILL <EVENPEAK SUPER FUND A/C>	62,500	0.815
BARBRIGHT AUSTRALIA PTY LTD <INTERQUARTZ SUPER FUND A/C>	54,167	0.707
MR DICK ROBERT LISTER & MRS JAN LOUISE LISTER <LUMEN S/F A/C>	52,000	0.678
MR DEREK JOHN CANTLE <DJ & AI CANTLE FAMILY A/C>	51,007	0.665
NELLIE DICK ENTERPRISES PTY LTD <EMPLOYEES SUPER FUND A/C>	50,000	0.652
MR GREGORY LESEBERG & MRS LINDA CORINNE LESEBERG	43,500	0.568
	3,251,075	42.418

Unquoted equity securities

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

C. Substantial Holders

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

Name	No. of shares held	Percentage of issued shares
Clime Investment Management Limited	5,335,891	11.896%

D. Voting Rights

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

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

(b) Converting Preference Share
One vote for each share held, but limited to matters affecting the rights of such shares.