

# **CLIME AUSTRALIAN VALUE FUND**

**ARSN: 126 118 189**

**(Responsible Entity: Total Fund Services Limited ABN 70 120 380 627)**

**ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2011**

**CLIME AUSTRALIAN VALUE FUND  
ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2011**

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**CLIME AUSTRALIAN VALUE FUND  
RESPONSIBLE ENTITY'S REPORT  
FOR THE YEAR ENDED 30 JUNE 2011**

The directors of Total Fund Services Limited, the Responsible Entity of Clime Australian Value Fund, present their report together with the financial statements of Clime Australian Value Fund (the "Fund"), for the year ended 30 June 2011.

**Directors**

The names of the Directors of the Responsible Entity, who held office during or since the end of the year are:

	<b>Period of directorship</b>
John Abernethy	Appointed 26 June 2006
Paul Jensen	Appointed 1 July 2009, resigned 23 May 2011
Peter Fagan	Appointed 1 July 2009, resigned 25 March 2011
Roger Campbell	Appointed 1 July 2009
Richard Proctor	Appointed 23 March 2011

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Review of Operations**

The net profit attributable to unitholders for the year ended 30 June 2011 was \$2,520,052 (2010: \$3,908,351 net profit).

**Distributions Paid**

For the year ending 30 June 2011, distributions were paid or payable to unitholders was \$1,015,251 (2010: \$999,260).

**Fund Assets**

At 30 June 2011, the Fund held assets to the total value of \$18,682,272 (2010: \$18,977,313). The basis of valuation of the assets is disclosed in note 2 to the financial statements.

**Units on issue**

14,790,687 units of the Fund were on issue at 30 June 2011 (2010: 16,068,932). During the year 2,124,958 (2010: 694,869) units were issued by the Fund and 3,403,203 (2010: 2,747,437) units were redeemed.

**Principal Activity**

The principal activity of the Fund during the financial year was investing in Australian listed securities, listed hybrids and fixed interest securities.

No significant change in the nature of these activities occurred during the year.

**Significant Changes in State of Affairs**

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

**Events after the Balance Sheet Date**

Since 30 June 2011 there has been no matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

**CLIME AUSTRALIAN VALUE FUND  
RESPONSIBLE ENTITY'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 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 Fund, 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 Fund 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 Fund will make a further announcement in the event that an agreement is reached.

**Environmental Issues**

The Fund's operations are not regulated by any significant environmental regulation under the law of the Commonwealth or of a State or Territory.

**Indemnifying Officers and Auditor**

During the year ended 30 June 2011, no insurance premium was paid out of the Fund in regards to insurance cover provided to Total Fund Services Limited. No insurance premium is paid for out of the assets of the Fund in regards to insurance cover provided to the auditors of the Fund.

So long as the officers of Total Fund Services Limited act in accordance with the Fund Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

**Proceedings on Behalf of the Fund**

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

The Fund was not a party to any such proceedings during the year.

**Fees paid or payable to the Responsible Entity**

The following fees were paid or payable to the Responsible Entity out of the Fund during the year:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Management Fees	194,521	202,962
Performance Fees	101,911	-
	<b>296,432</b>	<b>202,962</b>

**CLIME AUSTRALIAN VALUE FUND  
RESPONSIBLE ENTITY'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**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 5.

Signed in accordance with a resolution of the Board of Directors of Total Fund Services Limited, the Responsible Entity.



**Roger Campbell**  
Director

Dated 23 September 2011

**DECLARATION OF INDEPENDENCE BY IAIN KEMP TO THE DIRECTORS OF TOTAL FUND SERVICES LIMITED, THE RESPONSIBLE ENTITY OF CLIME AUSTRALIAN VALUE FUND**

As lead auditor of Clime Australian Value Fund 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, 23 September 2011

**CLIME AUSTRALIAN VALUE FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>Investment Income</b>			
Unrealised gain on revaluation of financial assets held at fair value through profit or loss		1,110,778	1,851,318
Net realised gain on sale of financial assets held at fair value through profit or loss		854,765	1,273,886
Dividends and trust distributions	3	638,227	738,893
Interest		338,121	396,639
Other income		-	433
<b>Total net investment income</b>		<b>2,941,891</b>	<b>4,261,169</b>
<b>Expenses</b>			
Management and performance fees		(296,432)	(202,962)
Other expenses		(125,407)	(149,856)
<b>Total expenses</b>		<b>(421,839)</b>	<b>(352,818)</b>
<b>Profit for the year</b>		<b>2,520,052</b>	<b>3,908,351</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year attributable to unitholders</b>		<b>2,520,052</b>	<b>3,908,351</b>

The accompanying notes form part of these financial statements.

**CLIME AUSTRALIAN VALUE FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>Assets</b>			
Cash and cash equivalents	5	4,646,230	4,903,590
Trade and other receivables	6	134,510	538,008
Financial assets held at fair value through profit or loss	7	13,901,532	13,535,715
<b>Total assets</b>		<b>18,682,272</b>	<b>18,977,313</b>
<b>Liabilities</b>			
Trade and other payables	9	239,898	407,429
Distributions payable	8	1,015,251	999,260
<b>Total liabilities</b>		<b>1,255,149</b>	<b>1,406,689</b>
<b>Net assets</b>		<b>17,427,123</b>	<b>17,570,624</b>
<b>Equity</b>			
Units issued	10	16,730,836	18,379,138
Retained earnings/(accumulated losses)		696,287	(808,514)
<b>Total equity</b>		<b>17,427,123</b>	<b>17,570,624</b>

The accompanying notes form part of these financial statements.

**CLIME AUSTRALIAN VALUE FUND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Units Issued \$	Retained Earnings/ (Accumulated Losses) \$	Total \$
<b>Balance at 1 July 2009</b>		<b>20,717,187</b>	<b>(3,717,605)</b>	<b>16,999,582</b>
Profit for the year		-	3,908,351	3,908,351
Other comprehensive income/(loss) for the year		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>3,908,351</b>	<b>3,908,351</b>
<b>Transactions with owners in their capacity as owners</b>				
Distributions paid	8	-	(999,260)	(999,260)
Applications	10	805,051	-	805,051
Redemptions	10	(3,143,100)	-	(3,143,100)
		<b>(2,338,049)</b>	<b>(999,260)</b>	<b>(3,337,309)</b>
<b>Balance at 30 June 2010</b>		<b>18,379,138</b>	<b>(808,514)</b>	<b>17,570,624</b>
Profit for the year		-	2,520,052	2,520,052
Other comprehensive income/(loss) for the year		-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>2,520,052</b>	<b>2,520,052</b>
<b>Transactions with owners in their capacity as owners</b>				
Distributions paid	8	-	(1,015,251)	(1,015,251)
Applications	10	2,560,852	-	2,560,852
Redemptions	10	(4,209,154)	-	(4,209,154)
		<b>(1,648,302)</b>	<b>(1,015,251)</b>	<b>(2,663,553)</b>
<b>Balance at 30 June 2011</b>		<b>16,730,836</b>	<b>696,287</b>	<b>17,427,123</b>

The accompanying notes form part of these financial statements.

**CLIME AUSTRALIAN VALUE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial assets held at fair value through profit or loss		11,274,624	17,110,271
Payments for purchases of financial assets held at fair value through profit or loss		(9,766,811)	(14,899,885)
Interest received		342,425	396,099
Dividends and trust distributions received		747,393	685,530
Payments to Manager		(291,698)	(301,852)
Other income received		-	432
Other expenses paid		(25,731)	(52,378)
<b>Net cash inflow from operating activities</b>	12	<b>2,280,202</b>	<b>2,938,217</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		2,670,852	805,051
Payment on redemptions by unitholders		(4,209,154)	(3,143,100)
Distributions paid		(999,260)	-
<b>Net cash outflow from financing activities</b>		<b>(2,537,562)</b>	<b>(2,338,049)</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		<b>(257,360)</b>	<b>600,168</b>
Cash and cash equivalents at the beginning of the year		4,903,590	4,303,422
<b>Cash and cash equivalents at the end of the year</b>	5	<b>4,646,230</b>	<b>4,903,590</b>

The accompanying notes form part of these financial statements.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: GENERAL INFORMATION**

These financial statements cover Clime Australian Value Fund (the "Fund") as an individual entity. The Fund was constituted on 11 August 2006. Clime Australian Value Fund is an Australian registered managed investment scheme under the *Corporations Act 2001*.

The Custodian of the Fund is JP Morgan (2010: ANZ Banking Group Limited).

The Responsible Entity of Clime Australian Value Fund is Total Fund Services Limited. The Responsible Entity's registered office is Level 5, 352 Kent Street, Sydney, NSW, 2000.

The financial statements were authorised for issue by the directors on 23 September 2011.

The Responsible Entity is incorporated and domiciled in Australia.

Clime Australian Value Fund is a limited life entity with the life of the Fund limited to a maximum of 80 years from its date of constitution.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

These financial statements are general purpose financial statements that have been prepared in accordance with the Fund's Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. These financial statements are presented in Australian Dollars, which is the Fund's functional and presentation currency.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current, additional information regarding this are included in the relevant notes.

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

**(b) Statement of compliance**

The financial statements comply with International Financial Reporting Standards (IFRS) as adopted in Australia in their entirety. The financial statements are prepared from the records of the Fund on the accrual basis of accounting.

**(c) Financial instruments**

**(i) Classification**

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

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in equity instruments, convertible notes and options.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the responsible entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Financial instruments (continued)**

***(ii) Recognition/derecognition***

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

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

***(iii) 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.

**(d) Net assets attributable to unitholders**

As the fund manager has discretion to pay distributions and refuse early redemptions of units, unitholders' funds are classified as equity.

The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholders exercised their right to put the units back to the Fund.

**(e) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes deposits at call and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

**(f) Revenue**

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. Investment income is brought to account on an accrual basis.

Interest is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Trust distributions are recognised on an entitlements basis.

Interest on convertible notes is recognised when the right to receive the interest is established.

**(g) Expenses**

Expenses, including manager's fees, are recognised in profit or loss on accruals basis.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Income tax**

Under current legislation, the Fund is not subject to income tax provided the distributable income of the Fund is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

**(i) Distributions**

In accordance with the Fund's Constitution, the Fund has the discretion to distribute its distributable income to unitholders by cash or reinvestment. Distributions are recognised in the Statement of Changes in Equity as transactions with owners in their capacity as owners.

**(j) Goods and Services Tax (GST)**

The Fund qualifies for Reduced Input Tax Credits (RITCs) at a rate of 75% on investment management fees, custodial fees and other expenses. Accounts payable are inclusive of GST. The net amount of GST recoverable from the Australian Taxation Office (ATO) is included in receivables in the Statement of Financial Position. In the Statement of Comprehensive Income, expenses have been reported net of GST recoverable from the ATO. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

**(k) Trade and other receivables**

Receivables include amounts for dividends, interest and securities sold where settlement has not yet occurred. Dividends are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables. The receivables are stated at their amortised costs less impairment losses.

Amounts due from/to brokers represent payables from securities purchased and receivables for securities sold that have been contracted but not yet delivered at year end. Trades are recorded on trade date, and normally settled within three business days.

**(l) Trade and other payables**

These amounts represent liabilities for amounts owing by the Fund at year end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(m) Applications and redemptions**

The application price for units in the Fund is calculated as the net asset value of the Fund divided by the number of units on issue in the Fund prior to the application. The application price is net of any entry fees and application spread (to recover transaction costs) payable.

The redemption price for units in the Fund is calculated as the net asset value of the Fund divided by the number of units on issue. The redemption price is net of any redemption spread payable to recover transaction costs. Issues and redemptions of units are processed simultaneously.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) 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 Amendment to Australia 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 Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund 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 Fund will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Fund'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 Fund's disclosures. The Fund 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 Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) New accounting standards and interpretations (continued)**

*(v) IFRS 13 Fair value measurement (effective 1 January 2013)*

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

**(o) Critical judgements and significant accounting estimates**

There were no items disclosed in the financial statements that require the directors of the Responsible Entity to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses at 30 June 2011.

	2011	2010
	\$	\$

**NOTE 3: DIVIDEND AND TRUST DISTRIBUTION INCOME**

Dividend income	638,227	738,893
	<b>638,227</b>	<b>738,893</b>

**NOTE 4: AUDITOR'S REMUNERATION**

Auditing the financial report	-	-
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The auditor's remuneration was borne by the Manager in accordance with the trust deed. There were no other services undertaken by the Fund's auditor, BDO Audit (NSW-VIC) Pty Ltd.

**NOTE 5: CASH AND CASH EQUIVALENTS**

Cash held by custodian	4,646,230	4,903,590
	<b>4,646,230</b>	<b>4,903,590</b>

**NOTE 6: TRADE AND OTHER RECEIVABLES**

Dividends receivable	64,331	173,497
Interest accrued	64,179	68,483
GST receivable	6,000	8,441
Unsettled sales	-	287,587
	<b>134,510</b>	<b>538,008</b>

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 7: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
<b>Financial assets at fair value through profit or loss</b>		
Listed equities	11,764,668	11,814,966
Convertible notes	2,136,864	1,720,749
<b>Total financial assets at fair value through profit or loss</b>	<b>13,901,532</b>	<b>13,535,715</b>

**NOTE 8: DISTRIBUTION PAYABLE**

Provision for Distribution	1,015,251	999,260
	<b>1,015,251</b>	<b>999,260</b>

**NOTE 9: TRADE AND OTHER PAYABLES**

Unsettled investment purchases	4,425	383,924
Management fees payable	15,647	15,579
Performance fees payable	101,911	-
Application monies received in advance	110,000	-
Other payables	7,915	7,926
	<b>239,898</b>	<b>407,429</b>

**NOTE 10: UNITS ISSUED**

Movements in units issued during the year were as follows:

	2011		2010	
	No.	\$	No.	\$
Opening balance	16,068,932	18,379,138	18,121,500	20,717,187
Applications	2,124,958	2,560,852	694,869	805,051
Redemptions	(3,403,203)	(4,209,154)	(2,747,437)	(3,143,100)
Closing balance as at 30 June	<b>14,790,687</b>	<b>16,730,836</b>	<b>16,068,932</b>	<b>18,379,138</b>

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

**Capital risk management**

The Responsible Entity manages the Fund's net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a weekly basis as the Fund is subject to weekly applications and redemptions at the discretion of the fund manager.

The Responsible Entity monitors the level of weekly applications and redemptions relative to the liquid assets in the Fund and aims to ensure there is adequate liquidity to meet the needs of unitholders.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 11: RELATED PARTY TRANSACTIONS**

**Key management personnel**

**Directors**

Key management personnel includes persons who were directors of Total Fund Services Limited at any time during the financial year, as follows:

	<b>Period of directorship</b>
John Abernethy	Appointed 26 June 2006
Paul Jensen	Appointed 1 July 2009, resigned 23 May 2011
Peter Fagan	Appointed 1 July 2009, resigned 25 March 2011
Roger Campbell	Appointed 1 July 2009
Richard Proctor	Appointed 23 March 2011

**Other key management personnel**

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

**Key management personnel unitholdings**

The key management personnel and their related parties held units in the Fund as follows:

<b>Key management personnel</b>	<b>Units held No</b>	<b>Fair value of investment \$</b>	<b>Interest held %</b>
<b>June 2011</b>			
John Abernethy	93,180	117,136	0.64
<b>June 2010</b>			
John Abernethy	57,193	66,097	0.36

**Key management personnel compensation**

Key management personnel are not paid by Total Fund Services Limited and are paid by Clime Investment Management Limited, a related party of Total Fund Services Limited. Payments made from the Fund to Total Fund Services Limited do not include any amounts directly attributable to key management personnel remuneration.

**Key management personnel loan disclosures**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the year.

**Manager's remuneration**

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive management fees and performance fees. The transactions during the year and amount payable at year end between the Fund and trustee are as follows:

	<b>2011 \$</b>	<b>2010 \$</b>
Total Fund Services Limited		
Management fees paid/payable	194,521	202,962
Performance fees paid/payable	101,911	-
Expense recoveries paid/payable	97,234	100,879
Amount payable to the Responsible Entity at reporting date	125,473	23,505

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 11: RELATED PARTY TRANSACTIONS**

**Manager's remuneration (continued)**

Total Fund Services Limited is the Responsible Entity of the Clime Australian Value Fund and provides accounting, treasury and investment services to the Fund in accordance with the Constitution of the Fund.

**NOTE 12: RECONCILIATION OF NET PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2011 \$	2010 \$
<b>Reconciliation of net profit to net cash inflow from operating activities</b>		
Net profit for the year	2,520,052	3,908,351
Unrealised gains on investment securities	(1,110,778)	(1,851,318)
Realised gains on investment securities	(854,765)	(1,273,886)
Decrease/(increase) in trade and other receivables	115,912	(57,305)
Increase in trade and other payables	101,968	1,989
Purchases of investments	(9,766,811)	(14,899,885)
Disposals of investments	11,274,624	17,110,271
<b>Net cash inflow from operating activities</b>	<b><u>2,280,202</u></b>	<b><u>2,938,217</u></b>

**NOTE 13: FINANCIAL RISK MANAGEMENT**

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the investment manager under policies approved by the Board of Directors of the Responsible Entity.

The Fund uses sensitivity analysis to measure its exposure to price risk and interest rate risk.

**(a) Market Risk**

*(i) Price risk*

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager aims to mitigate this price risk by investing in at least 10 but generally not more than 20 securities at any one time. All of the Fund's equity investments are publicly traded on the Australian Securities Exchange. Selection of the Fund's investments is made after careful review to ensure they meet the Investment Manager's prudent investment guidelines. Compliance of these investments to those guidelines contained in the Product Disclosure Statement is reported to the Board on a quarterly basis.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Market Risk (continued)**

*(i) Price risk (continued)*

Net assets attributable to unitholders include investments in listed equity and convertible note securities. At 30 June 2011 the overall market exposures were as follows:

	<b>As at 30 June</b>	
	<b>2011</b>	<b>2010</b>
Securities designated at fair value through profit or loss	13,901,532	13,535,715

The Fund's investment sector allocation as at 30 June is as below:

	<b>2011</b>	<b>2010</b>
	<b>%</b>	<b>%</b>
Materials	17.63	24.29
Banks	17.46	17.83
Real Estate	15.37	12.62
Commercial & Professional Services	7.87	10.17
Telecommunications	12.11	9.16
Food & Staples Retailing	7.28	7.39
Retailing	5.72	5.78
Utilities	6.12	5.60
Capital Goods	7.15	3.40
Energy	-	2.55
Software & Services	-	1.21
Consumer discretionary	1.44	-
Other	1.85	-
	<b>100.00</b>	<b>100.00</b>

The table on page 20 summarises the impact of a general market increase/decrease on the Fund's net assets attributable to unitholders at 30 June 2011 and 30 June 2010. The analysis is based on the assumption that the Index increased/decreased by 10% with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moves in correlation with the market. The impact arises from the reasonably possible changes in the fair value of listed equities.

*(ii) Foreign exchange risk*

The Fund is not directly exposed to currency risk as all its investments are quoted in Australian Dollars.

*(iii) Interest Rate Risk*

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the risk is measured using sensitivity analysis on page 20.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Market Risk (continued)**

*(iii) Interest Rate Risk (continued)*

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

2011	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
<b>Financial Assets</b>				
Cash and cash equivalents	2.46	4,646,230	-	4,646,230
Trade and other receivables		-	134,510	134,510
Financial assets held at fair value through profit or loss		-	13,901,532	13,901,532
<b>Total Financial Assets</b>		<b>4,646,230</b>	<b>14,036,042</b>	<b>18,682,272</b>
<b>Financial Liabilities</b>				
Distributions payable		-	1,015,251	1,015,251
Trade and other payables		-	239,898	239,898
<b>Total Financial Liabilities</b>		<b>-</b>	<b>1,255,149</b>	<b>1,255,149</b>

2010	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
<b>Financial Assets</b>				
Cash and cash equivalents	3.41	4,903,590	-	4,903,590
Trade and other receivables		-	538,008	538,008
Financial assets held at fair value through profit or loss		-	13,535,715	13,535,715
<b>Total Financial Assets</b>		<b>4,903,590</b>	<b>14,073,723</b>	<b>18,977,313</b>
<b>Financial Liabilities</b>				
Trade and other payables		-	407,429	407,429
Distributions payable		-	999,260	999,260
<b>Total Financial Liabilities</b>		<b>-</b>	<b>1,406,689</b>	<b>1,406,689</b>

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

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Market Risk (continued)**

*(iii) Interest Rate Risk (continued)*

The table in paragraph (b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 100 basis points (2010- +/- 100 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the floating interest rate on cash.

**(b) Summarised sensitivity analysis**

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

	<b>Impact on profit and loss</b>			
	<b>Price risk</b>		<b>Interest rate risk</b>	
	<b>-10%</b>	<b>+10%</b>	<b>-100bps</b>	<b>+100bps</b>
<b>30 June 2011</b>	(1,390,153)	1,390,153	(42,156)	42,156
<b>30 June 2010</b>	(1,353,572)	1,353,572	(35,854)	35,854

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

**(c) Credit Risk**

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the Fund to incur a financial loss.

Credit risk arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired.

The credit risk on liquid funds are limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies

**(d) Liquidity risk**

The Fund is exposed to weekly cash redemptions of redeemable units. It therefore only holds investments that are traded in an active market and can be readily disposed.

The Investment Manager, Clime Asset Management Pty Limited monitors the Fund's cash flow requirements daily in relation to the trading account taking into account upcoming distributions and trading activity.

The Fund's listed equities and convertible notes are considered readily realisable as they are listed on the Australian Securities Exchange. The liquidity of all investments held by the Fund is reported to the Board on a quarterly basis.

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Liquidity risk (continued)**

The following table analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year end date. The amounts in the table are contractual undiscounted cash flows.

	\$
<b>At 30 June 2011</b>	
Unsettled investment purchases	4,425
Management fees	15,647
Performance fees	101,911
Application monies received in advance	110,000
Distributions payable	1,015,251
Other payables	7,915
<b>Total financial liabilities</b>	<b>1,255,149</b>

**At 30 June 2010**

Unsettled investment purchases	383,924
Management fees	15,579
Distributions payable	999,260
Other payables	7,926
<b>Total financial liabilities</b>	<b>1,406,689</b>

**(e) Fair value of financial assets and 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 Fund's assets measured and recognised at fair value at 30 June 2011 and 30 June 2010 by level of the following fair value measurement hierarchy:

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

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

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

<b>At 30 June 2011</b>	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at fair value through profit or loss</b>				
Listed equities	11,764,668	-	-	11,764,668
Convertible notes	2,136,864	-	-	2,136,864
<b>Total financial assets at fair value through profit or loss</b>	<b>13,901,532</b>	-	-	<b>13,901,532</b>

**CLIME AUSTRALIAN VALUE FUND  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(e) Fair value of financial assets and liabilities (continued)**

At 30 June 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets at fair value through profit or loss</b>				
Listed equities	11,814,966	-	-	11,814,966
Convertible notes	1,720,749	-	-	1,720,749
<b>Total financial assets at fair value through profit or loss</b>	<b>13,535,715</b>	<b>-</b>	<b>-</b>	<b>13,535,715</b>

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 Fund is the current bid price. These instruments are included in level 1.

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

**NOTE 14: CONTINGENT LIABILITIES AND COMMITMENTS**

As at 30 June 2011, the Fund has no contingent liabilities or commitments (30 June 2010: none).

**NOTE 15: EVENTS AFTER THE REPORTING 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 Fund, the results of those operations or the state of affairs of the Fund in future financial years.

On 19 August 2011, orders were made in the Federal Court in respect of the class action commenced by the Fund 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 Fund will make a further announcement in the event that an agreement is reached.

**CLIME AUSTRALIAN VALUE FUND  
RESPONSIBLE ENTITY'S DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2011**

In the opinion of the Directors of Total Fund Services Limited, the responsible entity of Clime Australian Value Fund:

- (a) the financial statements and notes, set out on pages 5 to 22 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 2(b); and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Total Fund Services Limited.



**Roger Campbell**  
Director

Dated 23 September 2011

## INDEPENDENT AUDITOR'S REPORT

To the members of Clime Australian Value Fund

### Report on the Financial Report

We have audited the accompanying financial report of Clime Australian Value Fund, 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 Total Fund Services Limited, the Responsible Entity, 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 2(b), 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 the Responsible Entity, 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 Australian Value Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the fund'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 2(b).



BDO Audit (NSW-VIC) Pty Ltd



Iain Kemp  
Director

Sydney, 23 September 2011