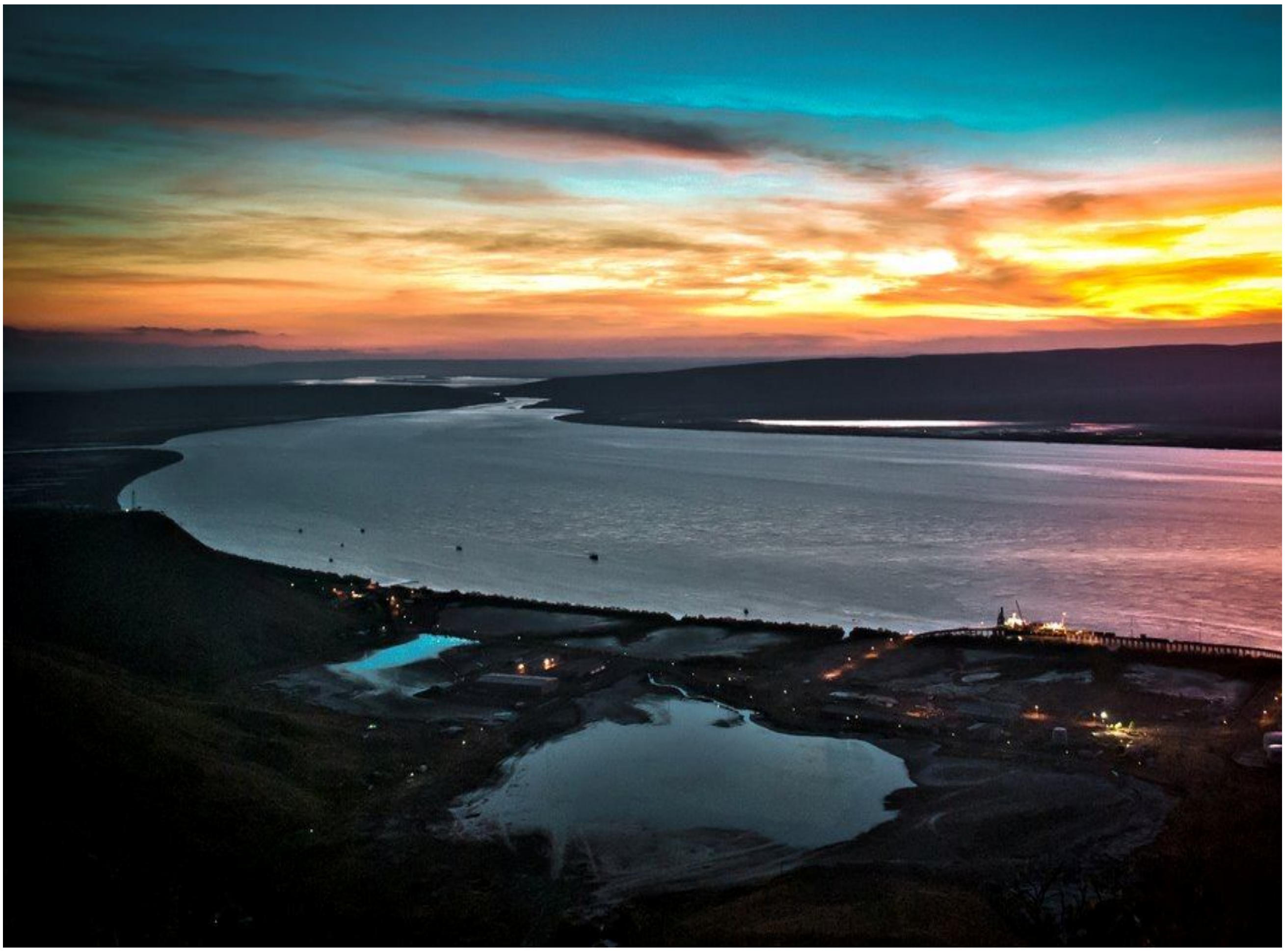
CAMBRIDGE GULF LIMITED

ABN: 16026785781

Financial Report For The Year Ended 30 June 2010



CAMBRIDGE GULF LIMITED AND CONTROLLED ENTITIES

ABN: 16026785781

Financial Report For The Year Ended 30 June 2010

CONTENTS **Page**

Directors' Report	1
Auditor's Independence Declaration	4
Consolidated Income Statement	5
Consolidated Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	31
Independent Auditor's Report	32

CAMBRIDGE GULF LIMITED ABN: 16026785781 AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2010.

As reported in the 31 December 2009 half yearly summary the group has not been immune to the GFC. Our trading partners and customers have all experienced production declines which in turn has affected our bottom line. During this period of austerity the Board determined not to seek contributing financial support from Shareholders, as many other companies have. Instead Board and management have concentrated on reviewing current operations, renegotiating more favourable supply contracts, paying down debt and improving the balance sheet. The 30 June reporting period also marks the end of the three year cross subsidy phase with ORDCO which will result in future positive cash savings for the business.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were:

- Importation and wholesaling of diesel fuel
- Management of the Wyndham port
- Manufacturing and fabrication of steel framed houses and sheds
- Agricultural retail outlet in Katherine NT
- Management services to the Ord River District Co-operative

The following significant changes in the nature of the principle activities occurred during the financial year:

- the consolidated group ceased its activities in the retailing of agricultural merchandise in Katherine NT by closing the division;

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results and Review of Operations for the year

Operating Results

The Consolidated profit of the group amounted to **$974,515** after providing for income tax. This represents a 4.13% decrease on the result reported for the year ended 30th June 2009. The accounts for 2008-2009 have been restated to accurately record the impairment of the Wyndham Assets. The assets at Barytes road Wyndham which are leased to Ord River District Co-operative (ORDCO) for a pepper corn rent were incorrectly reintroduced to the accounts in 2008-2009. The assets which are impaired are the sugar storage shed, fertiliser storage shed and the molasses tank. As part of the demerger process it was the wish of the members that the newly formed co-operative (ORDCO) have a long term pepper corn rent over these assets. In keeping with AASB 136 "Impairment of Assets" Cambridge Gulf Limited has continued to impair these assets in recognition of the fair value of these assets.

Review of Operations

(i) CGL Fuel Pty Ltd

A review of the fuel supply arrangement was undertaken and has resulted in a more appropriate supplier margin structure that will ensure profitability at the lower demands currently being experienced

(ii) CGL Wyndham port

CGL purchased two new tractors that are more suitable for the cartage of nickel concentrate. These tractors are providing an additional income stream for CGL. Improvements in the handling of nickel concentrate have continued through the year. Storage and cartage trials have now been completed and will see a new purpose built nickel concentrate shed being proposed to be constructed on CGL's freehold land in 2010/11. The subsidised Coastal Shipping Service has been extended for a further two years and the contract has been awarded to Jebsens. A more favourable lease contract for CGL's live export yards has been developed with National Livestock Solutions who have commenced a series of upgrades to improve the condition, capacity and the level of service provided. Issues with the Indonesian permit system have adversely impacted on the live export numbers through all Australian ports at the end of 2009/10 and into the beginning of 2010/11.

(iii) CGL Steel Pty Ltd

CGL purchased the Kimberley Steel property and have undertaken a number of modifications to increase the factory's capacity. Kimberley Steel employs six indigenous workers including one apprentice. The business has secured a number of significant East Kimberley Development projects that will be undertaken in 2010/11.

Financial Position

The net assets of the consolidated group have increased by $1,198,702 from 30 June 2009 to $10,230,481 in 2010. This increase is largely due to the following factors:

- Continued profitability and efficiency gains made by the group;
- Accelerated debt reduction
- Purchase of the land and buildings at 2 Cocus Way, Kununurra (CGL Steel Pty Ltd t/a Kimberley Steel).

The consolidated groups strong financial position has enabled the group to repay $1,052,317 of its borrowings to the National Australia Bank while maintaining a healthy working capital ratio. The groups working capital, being current assets divided by current liabilities, has improved from 1.24 in 2009 to 1.61 in 2010.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

CGL ceased providing management services to ORDCO at 30th June 2010. In accordance with the Management Services Agreement, ORDCO reviewed the arrangement and determined that it is more appropriate for them to employ their own management and administration team from July 2010.

CGL Fuel has secured the contract to supply diesel to Leighton's for the first phase of the Ord Expansion Project. The demand is estimated to be 2 million litres. CGL will supply diesel to the Kimberley Metal Group (KMG) for the establishment of their Ridges Iron Project mine site 170kms south of Wyndham and their stockpiling area adjacent to the Wyndham Port. Once these sites are established. KMG will be seeking formal submissions for the supply of fuel for their mining, cartage and shiploading operation which is projected to be 7 million litres a year.

Dividends Paid or Recommended

The Directors are unable to recommend the payment of a dividend for the financial year ended 30th June 2010 due to banking covenant constraints.

After Balance Date Events

CGL Steel Pty Ltd purchased a second hand truck and hiab on the 27th August 2010.
CGL Fuel has won the annual tender to wholesale and administer bulk diesel fuel to the Argyle Diamond Mine in its own right.

CAMBRIDGE GULF LIMITED ABN: 16026785781 AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Information on Directors

Mr Lindsay A Innes	—	Chairperson, Non-executive Director
Qualifications	—	GAICD
Experience	—	Director and Chairman of the Ord Irrigation Asset Mutual Co-operative since 2005, served as a Director the Perth Market Authority (2000-2002) Founding Director Ord Irrigation Co-operative (1996 -2009). since 2001, Chairman since September 2003.
Interest in Shares	—	155,080
Dr Gabriele Bloecker	—	Non-executive Director
Qualifications	—	(Dr. Sc.agr)
Experience	—	Appointed Director of Cambridge Gulf in November 2007. Founding Director of East Kimberley Co-Ltd in 2006. Chair of Ord River District Co-operative since 2006.
Interest in Shares	—	285,772
Mr Robert J Boshammer	—	Non-executive Director and Deputy Chairperson
Qualifications	—	B.Ag (Hons)
Experience	—	Director of Rural Industries Research and Development Council (2002-2008), current directorships Odeum Produce and Ord Canegrowers. Director since 2002.
Interest in Shares	—	156,767
Mr Paul A Mock	—	Non-executive Director
Qualifications	—	B.Bus (Agric) (Hons), GAICD
Experience	—	Director of Ord River District Co-operative since 2006, Chairperson of Ord River Canegrowers Pty Ltd 2007 and Chairperson of Kununurra Youth CARE council. Director since 2004.
Interest in Shares	—	110,026
Mr Darryl W Smith	—	Non-executive Director.
Qualifications	—	
Experience	—	Director of Ord Irrigation Co-operative since 2001 and appointed Director of CGL in September 2002. Retired from CGL directorship December 2009.
Interest in Shares	—	150,398
Mrs Judith A Hughes	—	Non-executive Director
Qualifications	—	GAICD
Experience	—	School Business Manager for Halls Creek DHS and a member of Kununurra DHS Council.
Interest in Shares	—	181,121

Interest in shares and options is an interest held by directors and related parties as per Sec 228 of the Corporations act.

Company Secretary

The following person held the position of company secretary at the end of the financial year:
Yale J Bolto— B.Bus, Certified Practicing Accountant (CPA), Certificated Member of Chartered Secretaries Australia. Yale was appointed company secretary January 2009. The board would like to thank Jo Cullimore for her services as Company Secretary of Cambridge Gulf Limited.

Meetings of Directors

During the financial year, 13 meetings of directors were held.
Attendances by each director during the year were as follows:

	Board Meetings	
	Directors' Meetings	
Director	Number eligible to attend	Number attended
Mr Lindsay A Innes	13	13
Dr Gabriele Bloecker	13	12
Mr Robert J Boshammer	13	9
Mr Paul A Mock	13	8
Mr Darryl W Smith	6	6
Mrs Judith A Hughes	7	6

Indemnifying Officers

During the year the consolidated entity has paid premiums to insure Directors and Officers against proceedings arising out of their conduct while acting in the capacity of Director / Officer for the company.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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

The lead auditor's independence declaration for the year ended 30 June 2010 has been received.

Shareholder Returns

	2006	2007	2008	2009	2010
Net Profit	$ 2,569,513	$ 3,777,505	$ 854,162	$ 1,016,529	$ 974,515
Basic EPS	$ 0.98	$ 1.79	$ 0.40	$ 0.48	$ 0.46
Ordinary dividends paid	*580,822	$ 1,265,810	$ 433,033	$ 316,452	$ -
Preference dividends paid	$ 152,325.00	$ -	$ -	$ -	$ -
Dividends per ordinary share	*0.28	$ 0.60	$ 0.21	$ 0.15	$ -
Dividends per preference share	$ 0.30	$ -	$ -	$ -	$ -
Net equity based share price	$ 5.06	$ 6.21	$ 4.18	$ 4.28	$ 4.85
Return on capital employed	19.35%	28.84%	9.69%	11.26%	9.53%

* Inclusive of dividends paid on share repurchases of $87,241
The table above includes co-operative results for 2006 and 2007.
All dividends were fully franked

This Report of the Directors', is signed in accordance with a resolution of the Board of Directors.

....
Mr Lindsay A Innes

Dated: 26/10/2010

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CAMBRIDGE GULF LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

UHY Haines Norton

UHY HAINES NORTON
CHARTERED ACCOUNTANTS

DAVID TOMASI
PARTNER

26 October 2010

Perth, WA

16 Lakeside Corporate 24 Parkland Road Osborne Park WA 6017
PO Box 1707 Osborne Park Perth WA 6916
t + 61 8 9444 3400
f + 61 8 9444 3430
e perth@uhyhn.com.au
w www.uhyhainesnorton.com.au

CAMBRIDGE GULF LIMITED ABN: 16026785781
AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010 $	2009 $
Continuing operations			
Revenue	2	54,748,219	92,545,102
Other income	2	77,759	21,428
Changes in inventories		(6,220,532)	(2,658,110)
Cost of Sales		(40,890,708)	(81,782,710)
Employee benefits expense		(3,747,301)	(3,705,096)
Depreciation and amortisation expense		(380,635)	(342,093)
Finance costs		(510,000)	(658,580)
Other expenses		(1,542,328)	(1,872,247)
Profit before income tax	3	1,534,473	1,547,694
Income tax expense	4	(429,351)	(489,288)
Profit from continuing operations		1,105,122	1,058,406
Discontinued operations			
Profit/(loss) for the year from discontinued operations after tax	5	(130,607)	(41,889)
Profit for the year	3	974,515	1,016,516

CAMBRIDGE GULF LIMITED ABN: 16026785781
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010	2009
		$	$
Profit for the year		974,515	1,016,516
Other comprehensive income:			
Net gain on revaluation of land and buildings		-	-
Net gain on revaluation of stock options		-	-
Net gain on revaluation of financial assets		-	-
Effective portion of gain on cash flow hedges		-	-
Share of other comprehensive income of associates and joint ventures		-	-
Exchange differences on translating foreign controlled entities		-	-
Realised loss on sale of investments		-	-
Realised loss on settlement of cash flow hedges		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		974,515	1,016,516
Total comprehensive income attributable to:			
Members of the parent entity			
Non-controlling interest			
		-	-

The accompanying notes form part of these financial statements.

Other comprehensive income:		
Net gain on revaluation of land and buildings	-	-
Net gain on revaluation of stock options	-	-
Net gain on revaluation of financial assets	-	-
Effective portion of gain on cash flow hedges	-	-
Share of other comprehensive income of associates and joint ventures	-	-
Exchange differences on translating foreign controlled entities	-	-
Realised loss on sale of investments	-	-
Realised loss on settlement of cash flow hedges	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	974,515	1,016,516

CAMBRIDGE GULF LIMITED ABN: 16026785781
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Group 2010 $	2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	1,122,573	797,852
Trade and other receivables	9	4,761,520	4,400,922
Inventories	10	4,037,413	10,450,371
Other financial assets	11	1,062,408	817,528
Other assets	15	108,371	327,630
TOTAL CURRENT ASSETS		11,092,285	16,794,303
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,637,925	3,111,610
Deferred tax assets	18	110,317	195,115
Intangible assets	14	2,440,000	2,440,000
TOTAL NON-CURRENT ASSETS		7,188,242	5,746,725
TOTAL ASSETS		18,280,526	22,541,028
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	1,061,766	9,805,976
Borrowings	17	6,199,184	3,150,000
Short-term provisions	19	789,096	553,273
TOTAL CURRENT LIABILITIES		8,050,045	13,509,249
TOTAL LIABILITIES		8,050,045	13,509,249
NET ASSETS		10,230,481	9,031,779
EQUITY			
Issued capital	20	4,543,903	4,543,903
Reserves	27	2,095,877	1,871,690
Retained earnings		3,590,701	2,616,186
TOTAL EQUITY		10,230,481	9,031,779

The accompanying notes form part of these financial statements.

CAMBRIDGE GULF LIMITED ABN: 16026785781
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Note	Share Capital							
		Ordinary	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Foreign Currency Translation Reserve	General Reserve	Financial Assets Reserve	Total
Consolidated Group		$	$	$	$	$	$	$	$
Balance at 1 July 2008		4,543,903	1,916,122		514,979		1,836,093		8,811,097
Revaluation adjustment on listed shares					(522,786)				(522,786)
Foreign currency translation reserve					43,404				43,404
Profit attributable to equity shareholders			1,016,516						1,016,516
Sub-total		4,543,903	2,932,638	-	35,597	-	1,836,093	-	9,348,231
Dividends paid or provided for	7		(316,452)						(316,452)
Balance at 30 June 2009		4,543,903	2,616,186	-	35,597	-	1,836,093	-	9,031,779
Balance at 1 July 2009		4,543,903	2,616,186	-	35,597	-	1,836,093	-	9,031,779
Revaluation adjustment on listed shares					224,187				224,187
Foreign currency translation reserve									-
Profit attributable to equity shareholders			974,515						974,515
Sub-total		4,543,903	3,590,701	-	259,784	-	1,836,093	-	10,230,481
Dividends paid or provided for	7		-						-
Balance at 30 June 2010		4,543,903	3,590,701	-	259,784	-	1,836,093	-	10,230,481

The accompanying notes form part of these financial statements.

CAMBRIDGE GULF LIMITED ABN: 16026785781
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		61,000,173	108,195,049
Dividends received		42,926	63,896
Interest received		22,904	26,420
Payments to suppliers and employees		(60,701,341)	(96,148,801)
Finance costs		(510,000)	(658,580)
Income tax paid		(390,191)	(958,188)
Net cash provided by/(used in) operating activities	23	(535,530)	10,519,795
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,081,949)	(418,572)
Purchase of available-for-sale investments		-	(2,440,000)
Investment in listed shares		-	(60,111)
Net cash provided by/(used in) investing activities		(2,081,949)	(2,918,683)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,300,000	3,000,000
Dividends paid by parent entity		(105,484)	(210,968)
Repayment of Bills of Exchange		(1,052,317)	(650,000)
Advance Bills of exchange		-	(1,240,000)
Net cash provided by/(used in) financing activities		142,199	899,032
Net increase(decrease) in cash held		(2,475,280)	8,500,144
Cash and cash equivalents at beginning of financial year	8	(2,148)	(8,502,292)
Cash and cash equivalents at end of financial year	8	(2,477,427)	(2,148)

The accompanying notes form part of these financial statements.

This financial report includes the consolidated financial statements and notes of Cambridge Gulf Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Cambridge Gulf Limited as an individual parent entity ('Parent Entity').

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Cambridge Gulf Limited at the end of the reporting period. A controlled entity is any entity over which Cambridge Gulf Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer note 1(i)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Cambridge Gulf Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.
The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 April 2003. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income.Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are stated at cost or deemed cost less accumulated depreciation and impairement losses. The cost of self-constructed assets include the cost of materials and direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairement losses.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Non-residential buildings	4%
Plant and equipment	10%-15%
Motor vehicles	10%-15%
Furniture	10%-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(f) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Investments

Investments in debt and equity securities.

Financial instruments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments.

Derivative financial instruments

Current accounting policy

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and commodity (fuel price) price risks arising from operating, financing and investing activities. In accordance with its policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(g) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) Investments in Associates

Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the reporting dates of the Group and the associate are different, the associate prepares, for the Group's use, financial statements as of the same date as the financial statements of the Group with adjustments being made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

(i) Intangibles

Goodwill

Goodwill is calculated as the excess of the sum of:
(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds a less than 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The group determines which method to adopt for each acquisition.

Under the 'full goodwill' method, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where the investment had been equity accounted, any credit reserve balances are recycled to the income statement.

In determining the net identifiable assets acquired, contingent liabilities of the acquiree are included to the extent to which they represent a present obligation and can be measured reliably.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(n) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(q) 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

The group has adjusted the profit for the 2009 financial year by reversing the introduction of the impaired assets. The result of this reversal is that 2009 stated profit of $1,900,442 will now decrease by the impaired asset and impaired asset depreciation. The reinstated profit for the 2009 financial year is $1,016,516.

(aa) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for plant and equipment based in Australia, growth rates of 3% have been factored into valuation models for the next five years on the basis of management's expectations around the Group's continued ability to capture market share from competitors. Pre-tax discount rates of 10.75% - 13.31% have been used in preparing model scenarios.

No impairment has been recognised in respect of goodwill at the end of the reporting period.

(ab) Adoption of new and revised accounting standards

During the current year the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Cambridge Gulf Limited.

AASB 8 Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114 segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports, using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment Testing of the Segments Goodwill

AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined implementation of AASB 8 has not impacted the CGU's of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The group's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(ac) New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

• *AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value
- simplifying the requirements for embedded derivatives
- removing the tainting rules associated with held-to-maturity assets
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on
  (a) the objective of the entity's business model for managing the financial assets; and
  (b) the characteristics of the contractual cash flows

• *AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)*

This standard removes the requirement for government related entities to disclose details of all transaction with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

• *AASB 2009-4 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]" (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010)*

These standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

• *AASB 2009-8 "Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]" (applicable for annual reporting periods commencing on or after 1 January 2010)*

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

• *AASB 2009-9 "Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1]" (applicable for annual reporting periods commencing on or after 1 January 2010)*

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

• *AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010)*

The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to impact the Group.

• *AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)*

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

• *AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010)*

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This Interpretation is not expected to impact the Group.

• *AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011)*

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

• *AASB Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (applicable for annual reporting periods commencing from 1 July 2010).*

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate early adoption of any of the above Australian Accounting Standards.

Note 2 Revenue and Other Income

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
Revenue from Continuing Operations			
Sales Revenue			
— sale of goods		50,652,190	88,244,515
— provision of services		3,871,523	3,961,263
		54,523,713	92,205,778
Other Revenue			
— dividends received	2(a)	42,926	63,896
— interest received	2(b)	14,424	25,824
— rental revenue		167,156	249,604
		224,505	339,324
Total Revenue		54,748,219	92,545,102
Other Income			
— Other income		77,759	21,428
Total Other Income		77,759	21,428
(a) Dividend revenue from:			
— other corporations		42,926	63,896
Total dividend revenue		42,926	63,896
(b) Interest revenue from:			
— ultimate parent entity		15,046	18,939
— wholly-owned controlled entities		7,857	7,480
Total interest revenue on financial assets not at fair value through profit or loss		22,904	26,419

Note 3 Profit for the Year

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
(a) **Expenses - Continuing Operations**			
Cost of sales		47,111,240	84,440,820
Interest expense on financial liabilities not at fair value through profit or loss:			
— Wholly-owned controlled entities		510,000	658,580
Total interest expense		510,000	658,580
Other expenses			
— Equipment maintenance and running costs		222,550	264,392
— Insurances		243,138	268,204
— Property lease and rentals		211,445	207,948
— Water and electricity		148,863	90,588
— Other		716,333	1,041,115
Depreciation		380,635	342,093
Employee expenses		3,747,301	3,705,096
Total Expenses		53,291,504	91,018,836

Note 4 Income Tax Expense

	Note	Consolidated Group 2010 $	2009 $
(a) The components of tax expense comprise:			
Current tax - continued operations		459,460	590,060
Current tax - discontinued operations		54,689	17,955
Deferred tax	18	(84,798)	(118,727)
		429,351	489,288
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
— consolidated group		447,472	445,141
Add:			
Tax effect of:			
— non-deductible depreciation and amortisation		116,548	105,923
— other non-allowable items		43,303	-
— Closing provisions		143,457	134,337
— Imputation credits		18,386	27,382
		769,166	712,783
Less:			
Tax effect of:			
— Other allowable items		38,733	99,119
— S40-880 deductions		29,284	37,413
— Depreciation		137,462	2,813
— Provisions opening		134,336	84,149
Income tax attributable to entity		429,351	489,288
The applicable weighted average effective tax rates are as follows:		28.0%	31.6%

The decrease in the weighted average effective consolidated tax rate for 2010 is a result of accelerated tax allowances on plant and equipment compared to 2009.

Note 5 Discontinued Operations

During the 2009/2010 financial year the consolidated group made the decision to close Northern Agricultural Services based in Katherine, Northern Territory.
The division ceased trading on 17th March 2010.
Financial information relating to the discontinued operation for the financial year is set out below

	Consolidated Group 2010 $	2009 $
Revenue		
Sale of goods	874,703	1,225,404
Provision of services	427	348
Interest received	8,480	595
	883,610	1,226,348
Expenses		
Cost of sales	878,450	1,140,257
Employee benefits expense	113,932	84,749
Depreciation and amortisation expense	1,869	1,605
Other expenses	74,656	59,581
Total Expenses	1,068,906	1,286,192
Profit before income tax	(185,296)	(59,844)
Income tax expense	54,689	17,955
Profit attributable to members of the parent entity	(130,607)	(41,889)

Note 6 Auditors' Remuneration

	Consolidated Group 2010 $	2009 $
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	72,500	66,000
— taxation services	18,370	13,975
— due diligence services	2,000	11,270
Total Auditors remuneration	92,870	91,245

Note 7 Dividends

	Consolidated Group 2010 $	2009 $
(a) Distributions paid		
Interim fully franked ordinary dividend of $0.10 cents per share fully franked.	-	210,968
2009 final dividend fully franked of $0.05 per share paid in 2010	-	105,484
	-	316,452
Total dividends per share for the period		

	Consolidated Group 2010 $	2009 $
(b) Balance of franking account at year end adjusted for credits arising from:	5,476,540	4,583,701
— payment of provision for income tax	234,626	955,871
— dividends recognised as receivables, and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	(26,821)	(63,032)
	5,684,345	5,476,540

Note 8 Cash and Cash Equivalents

	Note	Consolidated Group 2010 $	2009 $
Cash at bank and in hand		1,122,573	797,852
	26	1,122,573	797,852

The effective interest rate on short-term bank deposits was 3.65% (2009: 3.25%).

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	2010 $	2009 $
Cash and cash equivalents		1,122,573	797,852
Bank overdrafts	17	(3,600,000)	(800,000)
		(2,477,427)	(2,148)

Note 9 Trade and Other Receivables

	Note	Consolidated Group 2010 $	2009 $
CURRENT			
Trade receivables		4,498,566	4,407,330
Total receivables		4,498,566	4,407,330
Other receivables		262,955	(6,408)
Total current trade and other receivables		4,761,520	4,400,922

	Note	Consolidated Group 2010 $	2009 $
(a) **Financial Assets classified as loans and receivables**			
Trade and other Receivables			
— Total Current		4,761,520	4,400,922
Financial Assets	26	4,761,520	4,400,922

(b) **Collateral pledged**

A floating charge over trade receivables has been provided for certain debt. Refer to Note 17 for further details.

Note 10 Inventories

	Note	Consolidated Group 2010 $	2009 $
CURRENT			
At cost			
Work in progress		33,016	-
Agricultrual products		28,646	265,321
Diesel fuel		3,465,004	9,620,590
Steel and building products		510,747	564,460
		4,037,413	10,450,371

Note 11 Other Financial Assets

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
CURRENT			
Available-for-sale financial assets	11a	1,062,408	817,528
		1,062,408	817,528

(a) **Available-for-sale financial assets comprise:**

	Note	2010 $	2009 $
CURRENT			
Listed investments, at fair value			
— shares in listed corporations		1,062,408	817,528
		1,062,408	817,528
Total available-for-sale financial assets	26	1,062,408	817,528

Note 12 Controlled Entities

(a) **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)* 2010	Percentage Owned (%)* 2009
Subsidiaries of Cambridge Gulf Limited:			
CGL Steel Pty Ltd	Australia	100.00	100.00
CGL Fuel Pty Ltd	Australia	100.00	100.00

* Percentage of voting power is in proportion to ownership

Note 13 Property, Plant and Equipment

	Consolidated Group 2010 $	Consolidated Group 2009 $
LAND AND BUILDINGS		
Land and Buildings at:		
— at cost	2,679,221	1,179,222
Less accumulated depreciation	(274,052)	(232,591)
Total Land and Buildings	2,405,168	946,631
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	3,881,003	3,477,830
Accumulated depreciation	(1,648,247)	(1,312,851)
	2,232,756	2,164,979
Total plant and equipment	2,232,756	2,164,979
Total Property, Plant and Equipment	4,637,925	3,111,610

(a) **Movements in Carrying Amounts**

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold Land and Buildings			
	Residential $	Non-Residential $	Plant and Equipment $	Total $
Consolidated Group:				
Balance at 1 July 2008	113,536	1,065,686	3,059,685	4,238,907
Additions			418,145	418,145
Depreciation expense and accumulated Depreciation	(24,292)	(208,299)	(1,312,851)	(1,545,442)
Balance at 30 June 2009	89,244	857,387	2,164,979	3,111,610
Additions	-	1,588,888	337,175	1,926,063
Disposals			(17,243)	(17,243)
Depreciation expense	(2,480)	(81,153)	(298,873)	(382,505)
Balance at 30 June 2010	86,764	2,365,123	2,186,039	4,637,925

(f) **Impairment losses**

The reinstatement of the impaired assets last financial year was incorrect and has been reversed in last years accounts. The Income Statement for the year ended 30 June 2009 has decreased by $883,916, the assets within the Balance Sheet have also decreased by $883,916. The statement of Changes in Equity and Cash Flow Statement have also been impacted by the reversal of the introduction of impaired assets.

Note 14 Intangible Assets

	Consolidated Group 2010 $	Consolidated Group 2009 $
Goodwill		
Cost	2,440,000	2,440,000
Net carrying value	2,440,000	2,440,000

Impairment Disclosures
Goodwill is allocated to cash-generating units which are based on the group's reporting segments

	2010 $	2009 $
CGL Steel Pty Ltd	2,440,000	2,440,000
Total	2,440,000	2,440,000

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using the yield of 10-year government bonds plus a discount rate at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
CGL Steel Pty Ltd	3.00%	10.75% - 13.31%

Management has based the value-in-use calculations on budgets for CGL Steel Pty Ltd. The budget uses historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 15 Other Assets

	Consolidated Group 2010 $	Consolidated Group 2009 $
CURRENT		
Prepayments	15,297	15,768
Tax asset	93,075	311,862
	108,371	327,630

Note 16 Trade and Other Payables

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
CURRENT			
Unsecured liabilities			
Trade payables		828,520	9,098,858
Sundry payables and accrued expenses		233,246	707,118
		1,061,766	9,805,976

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
(a) Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables			
— Total Current		1,061,766	9,805,976
	26	1,061,766	9,805,976

Note 17 Borrowings

	Note	Consolidated Group 2010 $	2009 $
CURRENT			
Secured liabilities			
Market rate facility and equipment finance	17a,b	2,599,184	2,350,000
Bank overdrafts		3,600,000	800,000
		6,199,184	3,150,000
Total borrowings	23	6,199,184	3,150,000

Collateral provided

The bank debt is secured by a registered mortgage over the assets of all companies within the consolidated group. The NAB took a lien over 20,000 Wesfarmers shares (total holding 35,302) in the 2009/2010 financial year as security. Covenants imposed by the bank require Net Tangible Worth (NTW) to be greater than $8,000,000 as at the 30th June 2010, the consolidated group had net tangible assets of $7,790,481 as at 30th June 2010 and was therefore in breach of the NTW covenant.

Other covenants imposed around the financing terms are capital adequacy ratio (CAR) greater than 40% as at the 30th June 2010. The consolidated group had a CAR of 49.18% and was therefore within the covenant. The third financial covenant is that the consolidated group has to meet an interest coverage of 2.5 as at the 30th June 2010, the groups interest coverage as at 30th June 2010 is 3.75 and therefore within the covenant.

All borrowings through the NAB have been classified as current liabilities due to the fact that CGL is in breach of its borrowing covenants. Because of this breach AASB 101.48 states that the liabilities must be presented as current. If the covenant had not been breached CGL would have reported $1,145,771 as a non current liability.

	Note	Consolidated Group 2010 $	2009 $
Cash and cash equivalents	8	1,122,573	797,852
Trade receivables	9	4,498,566	4,407,330
Listed investments	11	1,062,408	817,528
Total financial assets pledged		6,683,546	6,022,710

	Consolidated Group 2010 $	2009 $
(a) **Bills Payable**		
CGL Fuel Pty Ltd	360,000	800,000
CGL Steel Pty Ltd	2,050,000	1,550,000
(b) **Equipment finance**		
CGL Wyndham Port	189,184	-
Total market rate facility and equipment finance	2,599,184	2,350,000

Note 18 Tax

NON-CURRENT **Consolidated Group**	Opening Balance $	Charged to Income $	Charged directly to Equity $	Changes in Tax Rate $	Exchange Differences $	Closing Balance $
Deferred Tax Assets						
Provisions	84,149	61,136				145,285
Other	-	4,649				4,649
Property plant and Equipment	25,363	(5)				25,358
Borrowing cost	43,471	(18,292)				25,179
Blackhole	-	53,925				53,925
Sundry creditors	21,684	(4,044)				17,640
Listed shares	(127,341)	50,420				(76,921)
Balance as at 30 June 2009	47,326	147,789	-	-	-	195,115
Provisions	145,285	(1,828)				143,457
Other	4,649	23,461				28,110
Property plant and Equipment	25,358	(25,358)				-
Borrowing cost	25,179	(13,220)				11,959
Blackhole	53,925	(13,481)				40,444
Sundry creditors	17,640	(17,640)				-
Listed shares	(76,921)	(36,732)				(113,653)
Balance as at 30 June 2010	195,115	(84,798)	-	-	-	110,317

Note 19 Provisions

	Consolidated Group 2010 $	Consolidated Group 2009 $
CURRENT		
Short-term Employee Benefits		
Opening balance at 1 July 2009	447,789	280,496
Additional provisions	84,470	167,293
Amounts used	(54,069)	-
Balance at 30 June 2010	478,190	447,789
Other		
Opening balance at 1 July 2009	160,625	-
Additional provisions	150,281	-
Balance at 30 June 2010	310,906	-
Dividends	-	105,484

Analysis of Total Provisions

	Consolidated Group 2010 $	Consolidated Group 2009 $
Current	789,096	553,273
	789,096	553,273

Provision for Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave and annual leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 20 Issued Capital

	Consolidated Group 2010 $	Consolidated Group 2009 $
Issued and paid capital	4,543,903	4,543,903
	4,543,903	4,543,903

(a) **Ordinary Shares**

	Consolidated Group 2010 No.	Consolidated Group 2009 No.
At the beginning of the reporting period	2,109,683	2,109,683
Shares issued during the year	-	-
Shares bought back during year	-	-
At the end of the reporting period	2,109,683	2,109,683

(e) **Capital Management**

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
Total borrowings	16, 17	7,260,949	12,955,976
Less cash and cash equivalents	8	(1,122,573)	(797,852)
Net debt		6,138,377	12,158,124
Total equity		10,230,481	9,031,779
Total capital		16,368,858	21,189,903
Gearing ratio		38%	57%

Note 21 Capital and Leasing Commitments

	Consolidated Group	
	2010	2009
(a) **Operating Lease Commitments**	$	$
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	10,665	40,359
— between 12 months and 5 years	11,554	22,377
— greater than 5 years		
	22,219	62,736

The property leases are non-cancellable leases with a four-year term (Port Operating Agreement) and two years and one month (Fuel Terminal Facilities) with rent payable monthly in advance.

Note 22 Operating Segments

Segment Information

Identification of reportable segments

The Group 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 in determining the allocation of resources.

Types of products and services by segment

(i) **CGL Fuel Pty Ltd**
The Fuel segment imports diesel from Asia and wholesales that product from it's terminal based in Wyndham, Western Australia.

(ii) **CGL Wyndham Port**
The Port segment operates the Wyndham Port, it offers services to the mining, cattle, tourism and fuel industries.

(iii) **CGL Steel Pty Ltd**
The Steel segment manufactures steel house frames and trusses, steel sheds and also offers fabrication and engineering services. CGL Steel Pty Ltd is based in Kununurra.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions
Corporate charges are allocated to reporting segments based on the segments budgeted use of administration and managements time and rescources.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

(c) Segment assets
Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority of economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items
The following item of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives
- Net gains on disposal of available-for-sale investments
- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities
- Intangible assets
- Discontinuing operations
- Retirement benefit obligations

(f) Comparative information
This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

(i) Segment performance

30 June 2010	**CGL Fuel Pty Ltd $**	**CGL Wyndham Port $**	**CGL Steel Pty Ltd $**	**All Other Segments $**	**Total $**
REVENUE					
External sales	45,556,970	3,926,484	5,129,964	1,073,265	55,686,683
Interest revenue	7,472	2,418	385	12,629	22,904
Total segment revenue	45,564,442	3,928,902	5,130,349	1,085,894	55,709,587
Reconciliation of segment revenue to group revenue					
Inter segment elimination					
Total group revenue					55,709,587
Segment net profit before tax					
Reconciliation of segment result to group net profit/loss before tax					
i. Amounts not included in segment result but reviewed by Board					
— Cost of Sales	43,442,385	296,561	3,372,294	878,450	47,989,690
— Employee benefits expense	235,924	1,781,675	678,433	1,165,200	3,861,233
— Depreciation and amortisation	13,229	119,471	64,583	185,221	382,504
— Impairment of property, plant and equipment					
ii. Unallocated items					
— Finance costs	416,480		93,514	6	509,999
— Other	719,536	903,093	596,346	(601,991)	1,616,985
Net profit before tax from continuing operations	736,889	828,101	325,180	(540,992)	1,349,176

30 June 2009	**CGL Fuel Pty Ltd $**	**CGL Wyndham Port $**	**CGL Steel Pty Ltd $**	**All Other Segments $**	**Total $**
REVENUE					
External sales	84,535,007	3,973,366	3,669,866	1,588,219	93,766,458
Interest revenue	7,480	10,251	-	8,688	26,419
Total segment revenue	84,542,487	3,983,616	3,669,866	1,596,907	93,792,877
Reconciliation of segment revenue to group revenue					
Inter segment elimination					
Total group revenue					93,792,877
Segment net profit before tax					
Reconciliation of segment result to group net profit/loss before tax					
i. Amounts not included in segment result but reviewed by Board					
— Cost of Sales	81,323,026	181,630	2,133,539	1,140,257	84,778,451
— Employee benefits expense	279,003	1,998,024	1,084,429	1,231,015	4,592,471
— Depreciation and amortisation	13,626	89,881	58,825	181,366	343,697
— Impairment of property, plant and equipment					
ii. Unallocated items					
— Finance costs	504,298	1,249	132,117	20,915	658,580
— Other	768,014	895,119	492,204	(223,515)	1,931,823
Net profit before tax from continuing operations	1,654,520	817,714	(231,249)	(753,130)	1,487,855

(ii) Segment assets

30 June 2010	CGL Fuel Pty Ltd $	CGL Wyndham Port $	CGL Steel Pty Ltd $	All Other Segments $	Total $
Segment assets					
Reconciliation of segment assets to group assets					
— Cash and cash equivalents	704,508	168,282	188,715	61,068	1,122,573
— Trade and other receivables	2,753,392	587,859	1,196,972	223,298	4,761,520
— Inventories	3,465,004		543,762	28,646	4,037,413
— Property, plant and equipment	23,607	631,272	1,852,996	4,570,049	7,077,925
— Other	22,026	56,523	22,819	1,179,728	1,281,096
Total group assets	6,968,537	1,443,936	3,805,265	6,062,788	18,280,526

30 June 2009	CGL Fuel Pty Ltd $	CGL Wyndham Port $	CGL Steel Pty Ltd $	All Other Segments $	Total $
Segment assets					
Reconciliation of segment assets to group assets					
— Cash and cash equivalents	258,836	289,750	64,691	184,575	797,852
— Trade and other receivables	2,683,887	642,326	884,160	190,549	4,400,922
— Inventories	9,620,590	-	564,460	265,321	10,450,371
— Property, plant and equipment	36,836	503,833	308,658	4,702,282	5,551,608
— Other	40,336	53,980	14,531	1,231,427	1,340,274
Total group assets	12,640,485	1,489,889	1,836,500	6,574,154	22,541,027

(iii) Segment liabilities

30 June 2010	CGL Fuel Pty Ltd $	CGL Wyndham Port $	CGL Steel Pty Ltd $	All Other Segments $	Total $
Segment liabilities					
Reconciliation of segment liabilities to group liabilities					
— Trade and other payables	425,425	232,355	311,288	92,697	1,061,766
— Borrowings	3,960,000	-	2,050,000	189,184	6,199,184
— Short term provisions	317,895	174,857	61,877	234,468	789,097
Total group liabilities	4,703,320	407,212	2,423,166	516,349	8,050,047

30 June 2009	CGL Fuel Pty Ltd $	CGL Wyndham Port $	CGL Steel Pty Ltd $	All Other Segments $	Total $
Segment liabilities					
Reconciliation of segment liabilities to group liabilities					
— Trade and other payables	8,721,667	242,627	617,492	224,191	9,805,976
— Borrowings	1,600,000		1,550,000	-	3,150,000
— Short term provisions	42,834	139,387	31,390	339,661	553,272
Total group liabilities	10,364,501	382,014	2,198,882	563,851	13,509,248

Note 23 Cash Flow Information

	Consolidated Group 2010 $	Consolidated Group 2009 $
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	974,515	1,016,516
Cash flows excluded from profit attributable to operating activities		
(Profit) / loss on sale of non current asset	1,281	
Non-cash flows in profit		
Depreciation	382,504	343,684
Increase / (decrease) in provision for staff benefits	(75,083)	167,288
Amounts set aside / (utilised) for deferred tax	84,798	(147,789)
Write-downs to recoverable amount		
Forgein currency loss (gain)	(24,594)	43,835
Impairment loss	-	-
(Increase)/decrease in trade and term receivables	(334,591)	4,282,005
(Increase)/decrease in prepayments	470	(5,131)
(Increase)/decrease in inventories	6,412,958	(2,658,109)
Increase/(decrease) in trade payables and accruals	(8,332,452)	7,814,227
Increase/(decrease) in income taxes payable	374,662	(336,744)
Increase/(decrease) in deferred taxes payable		
Increase/(decrease) in provisions		
Cash flow from operations	(535,530)	10,519,782

	Consolidated Group 2010 $	Consolidated Group 2009 $
(b) Credit Standby Arrangements with Banks		
Bank overdraft	100,000	100,000
Credit facility	15,000,000	15,000,000
Amount utilised:		
Bank overdraft	-	-
Trade draw down	(3,600,000)	(800,000)
Letter of credit	-	(8,163,271)
	11,500,000	6,136,729

The major facilities are summarised as follows:

Bank overdrafts

The bank overdraft facility is $100,000 and is arranged with the groups banker with the general terms and conditions being set and agreed to annually.

Interest rates are variable and subject to adjustment.

The group has negotiated a credit facility of $15,000,000 (exclusive of the market rate facility) which may be utilised by way of letter of credit, bank overdraft or trade draw down. The facility is subject to annual review but is repayable on demand.

	Consolidated Group	
(c) **Market Rate Facilities and Equipment Loans**	2010	2009
Approved Limit	$	$
CGL Fuel Pty Ltd	470,000	800,000
CGL Steel Pty Ltd	1,250,000	1,550,000
CGL Steel Pty Ltd	1,100,000	-
CGL Wyndham Port	200,000	-
Amount utilised	(2,599,184)	(2,350,000)
	420,816	-

The major facilities are summarised as follows:

Market Rate Facilities

The market rate facility is dominated in Australian dollars and is secured over all assets of the consolidated group.

CGL Fuel Pty Ltd ($470,000) - Interest is paid monthly, the yield rate on the facility at the year end was 7.783%. The facility is rolled over every 90 days at which time $110,000 repayment is made to the liability.

CGL Steel Pty Ltd ($1,250,000) - Interest is paid monthly, the yield rate on the facility at the year end was 7.783%. The facility is rolled over every 90 days at which time $150,000 repayment is made to the liability.

CGL Steel Pty Ltd ($1,100,000) - Interest is paid monthly, the yield rate on the facility at the year end was 7.782%. The facility is rolled over every 90 days at which time $27,500 repayment is made to the liability.

Equipment Loans

CGL Wyndham Port ($200,000) - Interest is capitalised quarterly, the yield rate on the facility for the term of the finance is 8.84%.Quarterly repayments of $12,317.95 are made against the liability.

Note 24 Events After the Reporting Period

CGL Steel Pty Ltd purchased a second-hand truck on 27th August 2010

Note 25 Related Party Transactions

	Consolidated Group	
	2010	2009
	$	$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
(a) **Key Management Personnel**		
Short term employee benefits	399,862	488,878
(b) **Directors**		
Directors remuneration	150,000	150,000

Note 26 Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group	
		2010	2009
	Note	$	$
Financial Assets			
Cash and cash equivalents	8	1,122,573	797,852
Loans and receivables	9a	4,761,520	4,400,922
Available-for-sale financial assets			
— at fair value			
— listed investments	11a	1,062,408	817,528
Total available-for-sale financial assets		1,062,408	817,528
Total Financial Assets		6,946,501	6,016,302
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	16	1,061,766	9,805,976
Total Financial Liabilities		1,061,766	9,805,976

ii. ***Foreign exchange risk***

The group sets forgein exchange contracts to eliminate the risk of adverse foreign currency movements when purchasing fuel cargoes in US dollars. The group has no open foreign exchange contracts as at 30th June 2010.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

	Footnote	2010		2009	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
Consolidated Group		$	$	$	$
Financial assets					
Cash and cash equivalents	(i)	1,122,573		797,852	
Trade and other receivables	(i)	4,761,520		4,400,922	
		5,884,093	-	5,198,774	-
Available-for-sale financial assets:					
- at fair value					
- listed investments		1,062,408		817,528	
Total available-for-sale financial assets	(iv)	1,062,408	-	817,528	-
Total financial assets		6,946,501	-	6,016,302	-
Financial liabilities					
Trade and other payables	(i)	1,061,766		9,805,976	
Bills of exchange and promissory notes	(vii)	2,599,184		2,350,000	
Bank debt	(viii)	3,600,000		800,000	
Total financial liabilities		7,260,949	-	12,955,976	-

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided for relating to annual leave which is not considered a financial instrument.

(ii) Term receivables generally reprice to a market interest rate every 6 months and fair value therefore approximates carrying value.

(iii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at the end of the reporting period for similar types of loans and advances. Differences between fair values and carrying values largely represent movements in the effective interest rate determined on initial recognition and current market rates.

(iv) For listed available-for-sale and held-for-trading financial assets, closing quoted bid prices at reporting date are used. In determining the fair values of the unlisted available-for-sale financial assets, the directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

(v) Fair values of held-to-maturity investments are based on quoted market prices at the end of the reporting period.

(vi) Quoted market prices at the end of the reporting period are used as well as valuation techniques incorporating observable market data relevant to the hedged position.

(vii) Discounted cash flow models are used that incorporate a yield curve appropriate to the remaining maturity of the debenture, bill or promissory note.

(viii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of fixed rate bank debt will differ to the carrying values.

Note 27 Reserves

a. *Capital Profits Reserve*
The capital profits reserve records non-taxable profits on sale of investments.

b. *Asset Revaluation Reserve*
The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

c. *Asset Realisation Reserve*
The asset realisation reserve records realised gains on sales of non-current assets.

d. *Foreign Currency Translation Reserve*
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled entity.

e. *General Reserve*
The general reserve records funds set aside for future expansion of the consolidated group.

f. *Financial Assets Reserve*
The financial assets reserve records revaluation of financial assets.

Note 28 Company Details

The registered office of the company is:
Cambridge Gulf Limited
Lot 672
Weaber Plains Road
Kununurra W.A 6743
The principal places of business are:
Kununurra and Wyndham, Western Australia.

CAMBRIDGE GULF LIMITED ABN: 16026785781
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 5 to 31, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards; and
   (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001;*
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view;

3. 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.

The company and wholly-owned subsidiaries have entered into a deed of cross guarantee under which the company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ______________________________

Mr Lindsay A Innes

Dated this 26th day of October 2010

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CAMBRIDGE GULF LTD**

Report on the Financial Report

We have audited the accompanying financial report of Cambridge Gulf Ltd and Controlled Entities (the Group), which comprises the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with out understanding of the Group's financial position and of their performance.

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

16 Lakeside Corporate 24 Parkland Road Osborne Park WA 6017
PO Box 1707 Osborne Park Perth WA 6916
t + 61 8 9444 3400
f + 61 8 9444 3430
e perth@uhyhn.com.au
w www.uhyhainesnorton.com.au

UHY Haines Norton
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CAMBRIDGE GULF LTD (Continued)

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Cambridge Gulf Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Emphasis of Matter

Breach of Borrowing Covenant

Without qualification to the opinion expressed above, we draw attention to Note 17 of the financial statements which describes a breach in one of the Group's covenants with its Bankers. The breach relates to the Net Tangible Worth (NTW) covenant which is lower than the requirement as at 30 June 2010. The bank has advised this shortfall will result in a review of the facilities currently provided by the bank.

UHY Haines Norton

UHY HAINES NORTON
CHARTERED ACCOUNTANTS

DAVID TOMASI
PARTNER

Perth, WA
26 October 2010