

Community Life Limited and Subsidiaries



Financial report for the half-year ended 31 December 2005

This Half-Year Report is provided to the ASX under ASX Listing Rules 4.2A.3

This information should be read in conjunction with the most recent annual financial report

Community Life Limited ABN 38 104 475 345

APPENDIX 4D
Half-Year Report
Period ending 31 December 2005

This information is provided under listing rule 4.2A.3 for the half-year period ending 31 December 2005 and includes comparative information for the half-year period ending 31 December 2004.

Results for announcement to the market

	Half-year ended 31 December 2005 \$	Half-year ended 31 December 2004 \$	Amount change \$	% change
Revenue	607,535	2,665,173	(2,057,638)	(77)
(Loss) / profit for the period	(88,092)	1,296,206	(1,384,298)	(107)
No final or interim dividend was paid and it is not proposed to pay any dividends.				

Net tangible assets per security

	Half-year ended 31 December 2005 \$	Half-year ended 31 December 2004 \$
Net tangible assets per ordinary share	0.493	0.527

Controlled entities

Armidale One Pty Ltd and Townsville One Pty Ltd, wholly-owned dormant subsidiaries with nil assets, were disposed of in July 2005 and December 2005 respectively for nil consideration.

Joint ventures and associated

Not applicable.

Foreign entities

Not applicable.

Review report

Refer to the half-year financial report attached.

Financial report for the half-year ended 31 December 2005

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Directors' report

The directors of Community Life Limited submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporation Act 2001, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the half-year are:

Theodore Baker, Managing Director
Gary Dainton, Non-executive Director
Peter Mitropoulos, Non-executive Director

Review of operations

Summary

1. The Company has been progressing its development applications in respect of its land holdings, based on their best and most profitable use, consistent with the Board's decision to opt out of the seniors' rental accommodation business as announced 18 August 2005. An update for each of the Company's properties is presented below.
2. The Company continues to consider other business opportunities, both related and unrelated to the Company's current line of business, with a view of identifying opportunities that may provide greater and sustainable returns to shareholders.
3. To increase Community Life's return on its cash resources the Company has extended two loans to third parties (unrelated to any of the Directors, Company employees or related parties), which are secured by first and second ranking registered mortgages over real estate and charges over other assets. The returns on these loans are superior to returns that would be generated through deposits at financial institutions.
4. The Company's result for the period ending 31 December 2005 is a net loss of \$88,092 with net tangible assets ("NTA") of \$23.1m.

Business review

Development Progress on Land Holdings

The Board has continued with the "tread carefully" approach (announced previously), i.e. conserve cash to the extent possible whilst exploring alternative options for existing sites, with a focus on providing the highest possible return to shareholders. Whilst development applications ("DAs") for alternative uses may be pursued, the Company is committed to doing this when it believes the DA will enhance the value of the property, hence leaving the sale of the property prior to development as a viable option.

Feasibility studies of existing sites are ongoing. A status of all sites owned by the Company's subsidiaries, and an overview of alternatives currently being considered, is presented below.

1. Waratah, NSW
 - a) Phase 1 - (40 student units) is completed and occupied.
 - b) Phase 2 - (25 student units) is under construction and expected to be completed and ready for occupancy by the end of April 2006.
 - c) Phase 3 – The original DA for seniors' accommodation with Newcastle City Council has been withdrawn. Plans for the construction of approximately 60 freestanding and semi-detached houses have been prepared. Extensive cost feasibilities are currently underway. Market product demand has been undertaken, confirming the feasibility of the project subject to confirmation of construction cost estimates (which are currently underway).

Directors' report (continued)

Business review (continued)

- | | |
|---------------------|---|
| 2. Bendigo, VIC | The Company has considered a number of alternatives for the site and has concluded that a semi-detached housing development is likely to be the best use of the land. We are now progressing the development plans for this site with the view to submitting a planning permit application to Bendigo Council by mid April 2006. |
| 3. Rockhampton, QLD | The original DA consent for 116 seniors' accommodation units was not pursued on the basis of the prospective returns would be too low. The Company has reviewed alternative options for residential development, matching local market demand and confirmed its financial feasibility. Development plans are now being prepared in readiness for submission to Rockhampton Council for consideration. |
| 4. Hervey Bay, QLD | Existing DA for seniors' accommodation was rejected principally on the grounds of over-density by the local council. The Company has submitted revised development plans to Hervey Bay Council. Construction cost and product demand feasibilities are on-going. |
| 5. Caboolture, QLD | The Company is still awaiting DA consent for its seniors' accommodation facility. In parallel, it has been conducting a feasibility analysis for a mobile home park styled development that from the initial work undertaken appears to provide a better return from the site. |
| 6. Maryborough, QLD | DA consent for 120 seniors' accommodation units was obtained but construction cost estimates indicated that prospective returns would be too low. Since then the Company has been assessing the prospects for a mobile home park styled development with the outcomes looking favourable. Accordingly a revised DA has been submitted to Maryborough Council. |
| 7. Gunnedah, NSW | The DA consent received for 60 seniors' accommodation units was similarly disregarded on the basis that cost estimates rendered the development unviable. The Company has been analysing alternative development plans, including looking at methods of reducing construction costs by utilising relocatable housing methodologies. No revised development plan has yet been concluded. |

Other Opportunities

In addition to exploring development opportunities in respect to the Company's existing sites, Community Life continues to consider other opportunities (related and unrelated to the Company's existing business), which may generate future sustainable growth and earnings for its shareholders and form the basis of the Company's longer term strategy.

As per the Company's announcements dated 18 August 2005, Community Life is continuing with the establishment of a trust. Whilst the current strategy for the Company means there is no immediate requirement for a trust, the Board remains of the view that being a licensed Responsible Entity for its own trust will prove to be of value to the Company in the future (see also Company's announcement dated 26 April 2005 and 6 June 2005), and can be achieved with relatively modest expense.

Short Term Treasury Opportunities

Considering the Company's current levels of cash and the low, short term requirement for cash on existing projects the Company continues to explore short term investment opportunities either through the direct provision of funding or through joint venture arrangements with third parties where the return on capital is more attractive than that offered by standard bank term deposit interest rates.

These short term treasury arrangements will only be considered where the level of security is high and where the anticipated returns are appropriate given the nature of the security and the structure of the arrangement. These activities will enable the Company to generate profits in the short term through better return on cash resources.

During the first half of FY2006 the Company extended two loans to third parties (unrelated to any of the Directors, Company employees or related parties), which are secured by first ranking registered mortgages over real estate and other assets. The returns on these loans are significantly greater than that of bank interest rates.

Directors' report (continued)

Auditor's independence declaration

The auditor's independence declaration is included on page 7.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Theodore Baker', with a stylized, cursive script.

Theodore Baker
Managing Director
Sydney
10 March 2006

The Board of Directors
Community Life Limited
28 Clarke Street
Crows Nest
NSW 2065

10 March 2006

Dear Board Members

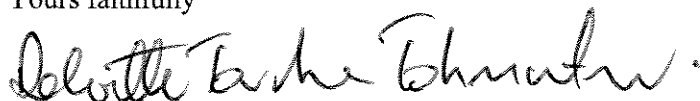
COMMUNITY LIFE LIMITED

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

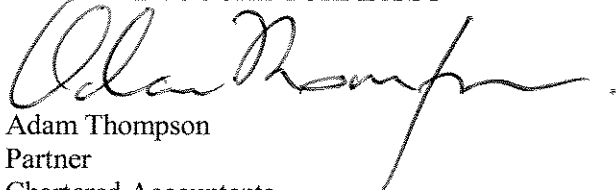
As lead audit partner for the review of the financial statements of Community Life Limited for the half-year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Adam Thompson
Partner
Chartered Accountants

Independent review report to the members of Community Life Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, selected explanatory notes and the directors' declaration for the consolidated entity for the half-year ended 31 December 2005 as set out on pages 10 to 27. The consolidated entity comprises both Community Life Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.


Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Community Life Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



Adam Thompson
Partner
Chartered Accountants
10 March 2006

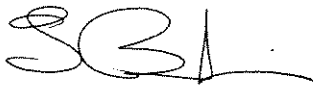
Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Theodore Baker', with a horizontal line extending to the right.

Theodore Baker
Managing Director
Sydney
10 March 2006

Consolidated Income Statement**for the half-year ended 31 December 2005**

	Half-year ended 31 December 2005 \$	Half-year ended 31 December 2004 \$
Revenue	607,535	2,665,173
Employee benefits expenses	(273,816)	(387,159)
Depreciation and amortisation	(40,128)	(32,470)
Finance costs	-	(3,642)
Property expenses	(42,469)	(35,723)
Professional fees	(170,656)	(113,979)
Rates and taxes	(10,943)	(7,296)
Director fees	(30,000)	(35,000)
Corporate expenses	(18,430)	(5,429)
Licence fees and permits	-	(5,258)
Loan expenses	(50,677)	-
Property development expenditure write-off	(21,173)	-
Rent expenses	(32,984)	(21,280)
Insurance expenses	(12,727)	(34,681)
Telephone expenses	(5,163)	(7,843)
Other expenses	(25,992)	(11,900)
Total expenses from ordinary activities	(735,158)	(701,660)
(Loss) / Profit before income tax expense	(127,623)	1,963,513
Income tax benefit/(expense)	39,531	(667,307)
(Loss)/ Profit for the period attributable to equity holders of the parent	(88,092)	1,296,206
Earnings per share:		
Basic (cents per share)	(0.19)	4.68
Diluted (cents per share)	(0.19)	4.68

Notes to the financial statements are included on pages 15 to 27

Consolidated Balance Sheet

as at 31 December 2005

	Notes	31 December 2005 \$	30 June 2005 \$
Current assets			
Cash and cash equivalents		10,502,783	13,039,916
Trade and other receivables		186,805	227,528
Other financial assets	3	2,309,462	-
Other		26,811	686,441
Total current assets		13,025,861	13,953,885
Non-current assets			
Property, plant and equipment		3,591,772	9,631,111
Inventories	4	6,726,163	-
Deferred tax assets		527,676	488,143
Total non-current assets		10,845,611	10,119,254
Total assets		23,871,472	24,073,139
Current liabilities			
Trade and other payables		206,473	323,657
Provisions		6,036	2,427
Total current liabilities		212,509	326,084
Total liabilities		212,509	326,084
Net assets		23,658,963	23,747,055
Equity			
Issued capital		23,696,428	23,696,428
Reserves		202,250	202,250
Retained earnings		(239,715)	(151,623)
Total equity		23,658,963	23,747,055

Notes to the financial statements are included on pages 15 to 27

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2005

	Half-year ended 31 December 2005 \$	Half-year ended 31 December 2004 \$
Issued capital	23,696,428	100
Reserves	202,250	-
Accumulated losses	(151,623)	(14,947)
Total equity at beginning of period	23,747,055	(14,847)
Deferred tax recognised directly in equity	-	527,343
Net income recognised directly in equity	-	527,343
(Loss) / profit for the period	(88,092)	1,296,206
Total recognised income and expense for the period	(88,092)	1,823,549
Share issued during the period	-	23,168,985
Equity-settled reserves	-	202,250
Total equity at end of period	23,658,963	25,179,937

Notes to the financial statements are included on pages 15 to 27

Consolidated Cash Flow Statement
for the half-year ended 31 December 2005

	Half-year ended 31 December 2005 \$	Half-year ended 31 December 2004 \$
Cash flows from operating activities		
Receipts from customers	301,899	1,646,814
Payments to suppliers and employees	(795,677)	(652,102)
Interest and other costs of finance paid	-	(3,642)
Interest received	362,229	143,359
Other - refund/(deposits) on properties	562,000	(106,000)
Net cash provided by operating activities	430,451	1,028,429
Cash flows from investing activities		
Payment for property, plant and equipment	(658,125)	(2,448,492)
Loans to other unrelated entities	(2,642,000)	-
Loans repaid by other entities	332,538	-
Net cash (used in) investing activities	(2,967,587)	(2,448,492)
Cash flows from financing activities		
Proceeds from issues of equity securities	-	20,000,000
Payment for share issue costs	-	(1,432,763)
Loan proceeds from related parties	-	626,985
Proceeds from borrowings	-	490,000
Repayment of borrowings	-	(1,116,985)
Net cash provided by financing activities	-	18,567,237
Net (decrease)/increase in cash and cash equivalents	(2,537,136)	17,147,174
Cash and cash equivalents at the beginning of the half-year	13,039,919	(25,419)
Cash and cash equivalents at the end of the half-year	10,502,783	17,121,755

Notes to the financial statements are included on pages 15 to 27

Notes to the Financial Statements

for the half-year ended 31 December 2005

1. Summary of accounting policies

Basis of preparation

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 8.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004, the consolidated entity's date of transition, except for accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 annual financial report. There was no impact of the changes in accounting policies on 1 January 2005, the date of transition for financial instruments.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report:

(a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

Notes to the Financial Statements

for the half-year ended 31 December 2005

1. Summary of accounting policies (continued)

(c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits which are expected to be settled within 12 months are measured as their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(d) Financial assets

Trade receivables, other financial assets, and other receivables are recorded at amortised cost less impairment. Any difference between the initial recognised amount and the redemption value are recognised in profit and loss over the term of the asset using the effective interest rate method.

(e) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Financial Statements

for the half-year ended 31 December 2005

1. Summary of accounting policies (continued)

(g) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(h) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

for the half-year ended 31 December 2005

1. Summary of accounting policies (continued)

(h) Income tax (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(i) Property, plant and equipment

Land, buildings, property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Buildings 40 years
- Plant and equipment 5 years

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(k) Operating leases

Leases in which substantially all of the risks and rewards incidental to ownership of the asset are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement in the periods in which they are incurred.

(l) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

Notes to the Financial Statements

for the half-year ended 31 December 2005

1. Summary of accounting policies (continued)

(m) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(n) Revenue recognition

Rental revenue

Rental revenue is recognised when it is earned.

Interest revenue

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

(o) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

Notes to the Financial Statements**for the half-year ended 31 December 2005****2. Segment information**

The consolidated entity operates in Australia only concentrating on the development and sale of residential and commercial accommodation, the rental of residential and commercial accommodation to tenants, and the provision of secured short term bridging, business, investment and commercial loans.

	Consolidated	
	Half-year ended 31 December 2005 \$	Half-year ended 31 December 2004 \$
Segment revenue		
Licensing	-	2,415,000
Rental	112,195	103,653
Lending	136,539	-
Unallocated corporate revenue (bank interest received)	358,801	146,520
Total of all segments	607,535	2,665,173
Segment result		
Licensing	-	2,192,790
Rental	26,124	42,756
Lending	85,862	-
Total of all segments	111,986	2,235,546
Unallocated corporate expenses	(239,609)	(272,033)
Profit before income tax expense	(127,623)	1,963,513
Income tax benefit/(expense)	39,531	(667,307)
Profit from ordinary activities after income tax for the period	(88,092)	1,296,206

Notes to the Financial Statements
for the half-year ended 31 December 2005

		Consolidated	
		31 December 2005	30 June 2005
		\$	\$
3. Other financial assets			
Secured loans		2,309,462	-
4. Non-current inventories			
Properties		6,726,163	-

5. Changes in the composition of the consolidated entity

There was no change to the composition of the consolidated entity during the period except the disposal of two wholly-owned dormant subsidiaries with nil assets for nil consideration.

6. Contingent liabilities and contingent assets

The consolidated entity has no material contingent liabilities or contingent assets as at 31 December 2005.

7. Subsequent events

Except for the matters referred to in the notes to the financial statements, there has not been any other matter or circumstance that has arisen since the end of the half-year period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

8. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the Financial Statements

for the half-year ended 31 December 2005

Effect of A-IFRS on the balance sheet as at 1 July 2004

	Note	As per Previous AGAAP \$	Effect of transition to A-IFRS \$	A-IFRS \$
Current assets				
Trade and other receivables		49,756	-	49,756
Other		99,140	-	99,140
Total current assets		148,896	-	148,896
Non-current assets				
Property, plant and equipment		4,725,923	-	4,725,923
Intangible assets – due diligence costs		338,953	-	338,953
Deferred tax assets	a	-	7,590	7,590
Total non-current assets		5,064,876	7,590	5,072,460
Total assets		5,213,772	7,590	5,221,362
Current liabilities				
Trade and other payables		377,950	-	377,950
Total current liabilities		377,950	-	377,950
Non-current liabilities				
Trade and other payables		4,858,259	-	4,858,259
Total non-current liabilities		4,858,259	-	4,858,259
Total liabilities		5,236,209	-	5,236,209
Net assets		(22,437)	7,590	(14,847)
Equity				
Issued capital		100	-	100
Accumulated losses		(22,537)	7,590	(14,947)
Total equity		(22,437)	7,590	(14,847)

Notes to the Financial Statements
for the half-year ended 31 December 2005

Effect of A-IFRS on the balance sheet as at 31 December 2004

	Note	As per Previous AGAAP \$	Effect of transition to A-IFRS \$	A-IFRS \$
Current assets				
Cash and cash equivalents		17,121,755	-	17,121,755
Trade and other receivables		1,374,221	-	1,374,221
Total current assets		18,495,976	-	18,495,976
Non-current assets				
Property, plant and equipment		7,141,944	-	7,141,944
Deferred tax assets	a	-	510,755	510,755
Total non-current assets		7,141,944	510,755	7,652,699
Total assets		25,637,920	510,755	26,148,675
Current liabilities				
Trade and other payables		325,610	-	325,610
Provisions	a	643,128	-	643,128
Total current liabilities		968,738	-	968,738
Total liabilities		968,738	-	968,738
Net assets		24,669,182	510,755	25,179,937
Equity				
Issued capital	a	23,169,085	527,343	23,696,428
Reserves	b	-	202,250	202,250
Retained earnings		1,500,097	(218,838)	1,281,259
Total equity		24,669,182	510,755	25,179,937

Notes to the Financial Statements

for the half-year ended 31 December 2005

Effect of A-IFRS on the balance sheet as at 30 June 2005

	Note	As per Previous AGAAP \$	Effect of transition to A-IFRS \$	A-IFRS \$
Current assets				
Cash and cash equivalents		13,039,916	-	13,039,916
Trade and other receivables		227,528	-	227,528
Other		686,441	-	686,441
Total current assets		13,953,885	-	13,953,885
Non-current assets				
Property, plant and equipment		9,631,111	-	9,631,111
Deferred tax assets	a	-	488,143	488,143
Total non-current assets		9,631,111	488,143	10,119,254
Total assets		23,584,996	488,143	24,073,139
Current liabilities				
Trade and other payables		323,657	-	323,657
Provisions		2,427	-	2,427
Total current liabilities		326,084	-	326,084
Total liabilities		326,084	-	326,084
Net assets		23,258,912	488,143	23,747,055
Equity				
Issued capital	a	23,169,085	527,343	23,696,428
Reserves	b	-	202,250	202,250
Retained earnings		89,827	(241,450)	(151,623)
Total equity		23,258,912	488,143	23,747,055

Notes to the Financial Statements
for the half-year ended 31 December 2005

Effect of A-IFRS on the income statement for the half-year ended 31 December 2004

	Note	As per Previous AGAAP \$	Effect of transition to A-IFRS \$	A-IFRS \$
Revenue		2,665,173	-	2,665,173
Employee benefits expenses	b	(184,909)	(202,250)	(387,159)
Depreciation and amortisation		(32,470)	-	(32,470)
Finance costs		(3,642)	-	(3,642)
Property expenses		(35,723)	-	(35,723)
Professional fees		(113,979)	-	(113,979)
Rates and taxes		(7,296)	-	(7,296)
Director fees		(35,000)	-	(35,000)
Corporate expenses		(5,429)	-	(5,429)
Licence fees and permits		(5,258)	-	(5,258)
Rent expenses		(21,280)	-	(21,280)
Insurance expenses		(34,681)	-	(34,681)
Telephone expenses		(7,843)	-	(7,843)
Other expenses		(11,900)	-	(11,900)
Total expenses from ordinary activities		(499,410)	(202,250)	(701,660)
Profit before income tax expense		2,165,763	(202,250)	1,963,513
Income tax expense	a	(643,129)	(24,178)	(667,307)
Profit for the period		1,522,634	(226,428)	1,296,206

Notes to the Financial Statements

for the half-year ended 31 December 2005

Effect of A-IFRS on the income statement for the year ended 30 June 2005

	Note	As per Previous AGAAP \$	Effect of transition to A-IFRS \$	A-IFRS \$
Revenue		2,157,735	-	2,157,735
Employee benefits expenses	b	(526,241)	(202,250)	(728,491)
Depreciation and amortisation		(71,042)	-	(71,042)
Finance costs		(4,880)	-	(4,880)
Property expenses		(80,091)	-	(80,091)
Professional fees		(298,335)	-	(298,335)
Rates and taxes		(17,732)	-	(17,732)
Local travel expenses		(5,944)	-	(5,944)
Corporate expenses		(24,038)	-	(24,038)
Licence fees and permits		(5,380)	-	(5,380)
Property development expenditure write-off		(756,805)	-	(756,805)
Rent expenses		(53,200)	-	(53,200)
Insurance expenses		(72,450)	-	(72,450)
Telephone expenses		(13,847)	-	(13,847)
Other expenses		(115,386)	-	(115,386)
Total expenses from ordinary activities		(2,045,371)	(202,250)	(2,247,621)
Profit before income tax expense		112,364	(202,250)	(89,886)
Income tax expense	a	-	(46,790)	(46,790)
Profit for the period		112,364	(249,040)	(136,676)

Notes to the Financial Statements

for the half-year ended 31 December 2005

Notes to the reconciliations of income and equity

(a) Income tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases of those items.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

The effect of the above adjustments on the deferred tax balances are as follows:

	1 July 2004	31 December 2004	30 June 2005
Deferred tax not recognised under previous GAAP	7,590	510,755	488,143
Net (decrease)/increase in deferred tax balances	7,590	510,755	488,143

The effect on issued capital as at 31 December 2004 and 30 June 2005 was to recognise an increase of \$527,343 for deferred tax recognised in relation to share issue costs.

The effect on consolidated profit for the half-year ended 31 December 2004 and the financial year ended 30 June 2005 was to increase previously reported income tax expense by \$24,178 and \$46,790 respectively.

(b) Share-based payments

For the half year ended 31 December 2004 share based payments of \$202,250 (included in employee benefits expenses) which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve.

This adjustment had no material tax or deferred tax consequences.