

CP1 Limited ACN 099 945 516

Half-Year Financial Report

31 December 2005

CP1 Limited ACN 099 945 516

INDEX

DIRECTORS' REPORT	2
CONDENSED CONSOLIDATED INCOME STATEMENT	5
CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE.....	6
CONDENSED CONSOLIDATED BALANCE SHEET	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE FINANCIAL STATEMENTS	9
DIRECTORS' DECLARATION.....	24
INDEPENDENT REVIEW REPORT	25

CP1 Limited ACN 099 945 516

Directors' Report

The Directors present their report together with the consolidated financial report of CP1 Limited ("the company" or "CP1"), for the half-year ended 31 December 2005 and the review report thereon.

Directors

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

<i>Name</i>	<i>Period of directorship</i>
Mr Ian William Donaldson Chairman Non-executive Director	Appointed 18 March 2002
Philip Keith Sullivan Managing Director	Appointed 18 March 2002
Thomas William Swan Non-executive Director	Appointed 18 March 2002
Stuart Handley Kissick Executive Director	Appointed 18 March 2002, resigned 16 September 2005
Stephen Mackay Executive Director	Appointed 18 March 2002
Mr Peter Charles Trathen Executive Director	Appointed 16 September 2005

Principal activities

The principal activity of the consolidated entity during the half-year was property development.

There were no other significant changes in the nature of the activities of the consolidated entity during the half-year.

Review and results of operations

The net profit after income tax of the consolidated entity for the half-year was \$6,672,221 (2004: \$383,990).

Objectives

The consolidated entity's objectives are to continue the growth of the property development activities.

The consolidated entity operates in two primary segments, being investment and property development.

The investment segment comprises the company's investment in other entities. The result of the investment segment before income tax and net financing costs for the half-year ended 31 December 2005 was a net loss of \$246,319.

CP1 Limited ACN 099 945 516

Directors' Report

Review and results of operations (cont)

Property development comprises the property development activities of the following entities:

- Marina Cove Pty Ltd – CP1 Limited holds a 100% shareholding in Marina Cove Pty Ltd which owns, and is in the process of developing, premium land at Mount Martha on the Mornington Peninsula in Victoria;
- Danimel Pty Ltd – CP1 Limited holds a 100% shareholding in Danimel Pty Ltd which acquired an amalgamated site in Surfers Paradise in Queensland for future development. The development site presently contains the Paradise Resort which was operated by the company since acquisition and will continue to be operated until the commencement of development works during the 2006 financial year; and
- Lake Views Estates Pty Ltd – CP1 Limited holds a 50% shareholding in Lake Views Estates Pty Ltd which owns land at the Mornington Peninsula which is being held for future development.

The result of the property development segment before income tax and net financing costs for the half-year ended 31 December 2005 was a net profit of \$7,516,130

Events subsequent to balance date

On 27 February 2006 the directors announced a half-year fully franked dividend of 15 cents per share totalling approximately \$3,016,688, to be paid on 31 May 2006.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in the future financial years.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2005.

Dated at Brisbane this, 9th day of March 2006.

Signed in accordance with a resolution of the directors:

P K Sullivan
Managing Director

**LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CP1 LIMITED**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

S J Board
Partner

9 March 2006

CP1 Limited ACN 099 945 516

Condensed Consolidated Income Statement For the half- year ended 31 December 2005

	31 Dec 2005	31 Dec 2004
	\$	\$
	Note	
Revenue from rendering of services – hotel operations	9,368,400	1,755,422
Revenue from sale of property	24,769,091	-
Total revenue	<u>34,137,491</u>	<u>1,755,422</u>
Other operating income	108,477	45,210
Changes in inventories – hotel operations	47,737	26,240
Changes in inventories – property	24,115,180	-
Raw materials and consumables – hotel operations	(1,397,660)	(309,513)
Development expenditure – property	(39,331,523)	-
Depreciation and amortisation	(237,176)	(31,747)
Employee expenses	(3,837,472)	(607,639)
Professional fees	(481,736)	(91,145)
Impairment loss	4,408	-
Other expenses from ordinary activities	(3,855,293)	(528,833)
Operating profit before financing income	<u>9,272,433</u>	<u>257,995</u>
Financial income	461,367	296,703
Financial expenses	(382,261)	-
Net financing income	<u>79,106</u>	<u>296,703</u>
Share of profit of associates	3	-
Profit before tax	<u>9,351,539</u>	<u>554,698</u>
Income tax expense	(2,679,318)	(170,708)
Profit for the period	<u>6,672,221</u>	<u>383,990</u>
Basic earnings per share attributable to ordinary equity holders	<u>34.46 cents</u>	<u>2.06 cents</u>
Diluted earnings per share attributable to ordinary equity holders	<u>26.91 cents</u>	<u>1.52 cents</u>

The income statement is to be read in conjunction with the accompanying notes to the condensed consolidated interim financial statements.

CP1 Limited ACN 099 945 516

Condensed Consolidated Statement of Recognised Income and Expense For the half- year ended 31 December 2005

	Note	31 Dec 2005 \$	31 Dec 2004 \$
Net income recognised directly in equity		-	-
Profit for the period	5	<u>6,672,221</u>	<u>383,990</u>
Total recognised income and expense for the period		<u><u>6,672,221</u></u>	<u><u>383,990</u></u>

Other movements in equity arising from transactions with owners as owners are set out in note 4.

The statement of recognised income and expense is to be read in conjunction with the accompanying notes to the condensed consolidated interim financial statements.

CP1 Limited ACN 099 945 516

Condensed Consolidated Balance Sheet as at 31 December 2005

	Note	31 December 2005 \$	30 June 2005 \$
Current assets			
Cash and cash equivalents		1,270,508	3,180,178
Trade and other receivables		18,401,417	15,699,854
Inventories		47,420,502	43,310,301
Income tax receivable		69,876	69,068
Other investments		11,903	11,255
Total current assets		67,174,206	62,270,656
Non-current assets			
Trade and other receivables		2,552,295	8,882,740
Inventories		223,883,072	203,830,356
Property, plant and equipment		419,197	480,880
Investments accounted for using the equity method		-	-
Other investments		127,437	127,437
Total non-current assets		226,982,001	213,321,413
Total assets		294,156,207	275,592,069
Current liabilities			
Trade and other payables		18,276,674	36,300,014
Interest-bearing loans		58,965,225	48,900,590
Employee benefits		254,084	260,680
Total current liabilities		77,495,983	85,461,284
Non-current liabilities			
Other payables		5,387,810	2,891,090
Interest-bearing loans		186,750,159	170,910,657
Employee benefits		158,538	141,089
Deferred tax liabilities		4,002,454	2,032,876
Total non-current liabilities		196,298,961	175,975,712
Total liabilities		273,794,944	261,436,996
Net assets		20,361,263	14,155,073
Equity			
Issued capital	4	11,244,404	9,706,590
Retained earnings	5	9,116,859	4,448,483
Total equity		20,361,263	14,155,073

The balance sheet is to be read in conjunction with the accompanying notes to the condensed consolidated interim financial statements.

CP1 Limited ACN 099 945 516

Condensed Consolidated Statement of Cash Flows For the half- year ended 31 December 2005

	31 Dec 2005	31 Dec 2004
	\$	\$
Cash flows from operating activities		
Receipts from customers	33,023,942	-
Cash payments to suppliers	(6,388,647)	(2,992,530)
Cash generated from operations	<u>26,635,295</u>	<u>(2,992,530)</u>
Interest received	193,346	380,341
Dividends received	31,568	45,211
Distributions received	-	2,110,039
Interest paid	(382,261)	-
Income tax paid	<u>(710,546)</u>	<u>(39,306)</u>
Net cash provided by/(used in) operating activities	<u>25,767,402</u>	<u>(496,245)</u>
Cash flows from investing activities		
Loans to associated entities	(102,468)	(1,657,299)
Repayment of loans by other entities	930,000	-
Payment for development site and hotel operations	-	(59,506,516)
Deposit on property investment	-	(240,000)
Payments for inventories	(35,199,784)	-
Payments for investments in managed investment schemes	(648)	-
Redemption of investments in managed investment schemes	-	1,233,156
Payments for property, plant and equipment	<u>(119,593)</u>	<u>-</u>
Net cash provided by/(used in) investing activities	<u>(34,492,493)</u>	<u>(60,170,659)</u>
Cash flows from financing activities		
Loans from related parties	36,066,736	32,500,000
Repayment of loans from related parties	(28,090,389)	-
Loans from other parties	-	29,419,379
Interest paid	(694,895)	-
Proceeds from issue of shares	1,537,814	761,325
Dividends paid	<u>(2,003,845)</u>	<u>(746,069)</u>
Net cash provided by/(used in) financing activities	<u>6,815,421</u>	<u>61,934,635</u>
Net increase/(decrease) in cash held	(1,909,670)	1,267,731
Cash at beginning of the half-year	<u>3,180,178</u>	<u>389,427</u>
Cash at the end of the half-year	<u>1,270,508</u>	<u>1,657,158</u>

The statement of cash flows is to be read in conjunction with the accompanying notes to the condensed consolidated interim financial statements.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

CP1 Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the half-year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the “consolidated entity”) and the consolidated entity’s interest in associates and jointly controlled entities.

The financial report was authorised for issue by the directors on 10 March 2006.

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. International Financial Reporting Standards (“IFRSs”) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (“AIFRS”).

This is the consolidated entity’s first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The condensed consolidated interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by CP1 Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 7. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRSs.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as available-for-sale.

The preparation of an interim financial report in conformity with AASB 134 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the consolidated entity’s first AIFRS annual reporting date, 30 June 2006.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRSs, as required by AASB 1. The impact of the transition from previous GAAP to AIFRSs is explained in note 7.

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated interim financial report from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated interim financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated interim financial statements.

Unrealised gains arising from transactions with associates and are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in associates" and "Share of associates net profit" accounts.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(c) Basis of consolidation (continued)

Transactions eliminated on consolidation (continued)

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, 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.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2.5 - 10 years

The residual value, if not insignificant, is reassessed annually.

(e) Investments

Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other 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. 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 profit or loss.

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 held for trading or available-for-sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the consolidated entity.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(f) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Construction work in progress

Construction work in progress is stated at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

CP1 Limited

ACN 099 945 516

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(i) Impairment (continued)

Calculation of recoverable amount (continued)

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Receivables that are not assessed as impaired are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(k) Employee benefits

Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the consolidated entity's obligations.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(k) Employee benefits (continued)

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(l) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Trade and other payables

Trade and other payables are stated cost.

(n) Revenue

Rendering of services

Revenue from the rendering of services is recognised in the period in which the services are provided and where it is probable that the compensation will flow to the consolidated entity, the amount to be received can be reliably measured and the state of completion of the contract can be reliably measured.

Property sales

Revenue from the sale of property is recognised when legal title is transferred, unless the risks and rewards of ownership is passed to the buyer before this date.

(o) Expenses

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.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and dividend income.

(p) Income tax

Income tax on the profit or loss for the half-year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(p) Income tax (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company is the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly owned subsidiaries. The implementation date of the tax consolidations system for the tax-consolidated group was 1 July 2004.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using an approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity. The members of the tax-consolidated group have also entered into a valid Tax Sharing Agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated group.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies (continued)

(q) Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

(r) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

2. Segment reporting

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system.

- Investment passive investment activities
- Development property development
- Other operation of hotel

Geographical segments

The consolidated entity operates predominantly in Australia where its operations and customers are located.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

2. Segment reporting (continued)

Business segments

	Investment		Development		Other		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	-	-	24,769,091	-	9,368,400	1,755,422	34,137,491	1,755,422
Unallocated revenue							108,477	45,210
							<u>34,245,968</u>	<u>1,800,632</u>
Segment result	(246,319)	(74,781)	7,516,130	-	2,002,622	332,776	9,272,433	257,995
Unallocated expenses							-	-
Operating profit							<u>9,272,433</u>	<u>257,995</u>
Net financing income							79,106	296,703
Share of profit of associates							-	-
Profit for the period before income tax							<u>9,351,539</u>	<u>554,698</u>

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

3. Investments accounted for using the equity method

Details of investments in associates are as follows:

Name	Principal activities	Ownership Interest		Share of net profit/(loss)	
		2005	2004	2005	2004
		%	%	\$	\$
Marina Cove Pty Ltd	Property development	(i)	50%	-	-
Eastcoast Capital Pty Ltd	Short-term lending	(ii)	33.3%	-	-
Lake Views Estates Pty Ltd	Property development		50%	-	-
				-	-

- (i) On 4 January 2005 the consolidated entity increased its shareholding in Marina Cove Pty Ltd, from 50% to 100% and accordingly has consolidated the result of Marina Cove Pty Ltd from the date of acquisition of the additional 50% shareholding.
- (ii) Since 31 December 2004 the consolidated entity ceased accounting for its investment in East Coast Capital Pty Ltd using the equity method as the directors of the consolidated entity considers that it no longer has significant influence over the company.

4. Capital and reserves

Issued capital

Issued and paid-up share capital
20,052,450 (30 June 2005: 19,027,241) ordinary
shares, fully paid

31 December 2005	30 June 2005
\$	\$

11,244,404	9,706,590
------------	-----------

(a) Ordinary shares

Balance at the beginning of period

9,706,590	8,635,320
-----------	-----------

Shares issued

- 1,025,209 (30 June 2005: 714,180) ordinary shares issued
as the result of the exercise of 1,025,209 (30 June 2005:
714,180) options at \$1.50 each

1,537,814	1,071,270
-----------	-----------

Balance at end of year

11,244,404	9,706,590
------------	-----------

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

(b) Options

Balance at the beginning of period

9,697,717	10,411,897
-----------	------------

- options exercised during the period

1,025,209	(714,180)
-----------	-----------

Balance at end of period

8,672,508	9,697,717
-----------	-----------

Options are exercisable at \$1.50 and expire 3 April 2006

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

5. Retained earnings	31 December 2005	31 December 2004
	\$	\$
Retained earnings at the beginning of the half-year	4,448,483	796,350
Net profit attributable to members of the parent entity	6,672,221	383,990
Dividends	(2,003,845)	(746,069)
	<hr/>	<hr/>
Retained earnings at the end of the half-year	9,116,859	434,271

6. Dividends

Dividends recognised in the current and prior periods by the company:

2005	Cents per Share	Total amount \$	Date of payment	Franked/ unfranked
Interim 2006 ordinary	10.0	2,003,845	14 December 2005	Franked
2004				
Final 2004 ordinary	4.0	746,069	30 September 2004	Franked

Subsequent events

Since the end of the half-year, the directors declared the following dividends:

Interim 2006 ordinary	15.0	3,016,688	31 May 2006	Franked
(i) Estimated interim dividend amount calculated using the number of shares on issue at 28 February 2006 being 20,111,250.				

The financial effect of these dividends have not been brought to account in the financial statements for the half-year ended 31 December 2005 and will be recognised in subsequent financial reports.

7. Explanation of transition to AIFRSs

As stated in note 1(a), these are the consolidated entity's first consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards – AIFRSs.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2005 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition for previous GAAP to AIFRSs has affected the consolidated entity's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

There were no material adjustments to the consolidated entity's cash flow statements.

The consolidated entity has elected not to apply the exemption from restating financial instrument comparative information available under AASB1 *First time adoption of Australian equivalents to International Financial Reporting Standards*.

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

7. Explanation of transition to AIFRSs (continued)

Reconciliation of equity

	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
Note		1 July 2004		31 December 2004			30 June 2005		
Current assets									
Cash and cash equivalents	389,427	-	389,427	1,657,158	-	1,657,158	3,180,178	-	3,180,178
Trade and other receivables	493,577	-	493,577	3,891,592	-	3,891,592	15,699,854	-	15,699,854
Inventories	-	-	-	314,760	-	314,760	43,310,301	-	43,310,301
Income tax receivable	-	-	-	-	-	-	69,068	-	69,068
Other investments	3,995,809	-	3,995,809	2,762,653	-	2,762,653	11,255	-	11,255
Total current assets	4,878,813	-	4,878,813	8,626,163	-	8,626,163	62,270,656	-	62,270,656
Non-current assets									
Trade and other receivables	4,675,184	-	4,675,184	1,170,000	-	1,170,000	8,882,740	-	8,882,740
Inventories	a	-	-	64,053,823	-	64,053,823	225,486,691	(21,656,335)	203,830,356
Property, plant and equipment	845	-	845	332,540	-	332,540	480,880	-	480,880
Investments accounted for using the equity method	b	545,500	(545,500)	609,698	(609,698)	-	-	-	-
Other investments	b	127,437	-	127,437	-	127,438	281,901	(154,464)	127,437
Deferred tax assets	c	-	-	153,349	4,544	157,893	-	-	-
Total non-current assets		5,348,966	(545,500)	4,803,465	(605,154)	65,841,694	235,132,212	(21,810,799)	213,321,413
Total assets		10,227,779	(545,500)	9,682,279	(605,154)	74,467,857	297,402,868	(21,810,799)	275,592,069

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

7. Explanation of transition to AIFRSs (continued)

Reconciliation of equity (continued)	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
Note	1 July 2004			31 December 2004			30 June 2005		
Current liabilities									
Trade and other payables	12,240	-	12,240	1,345,548	-	1,345,548	36,300,014	-	36,300,014
Interest-bearing loans	-	-	-	-	-	-	48,900,590	-	48,900,590
Current tax liabilities	-	-	-	527,664	-	527,664	-	-	-
Employee benefits	145,717	-	145,717	411,017	-	411,017	260,680	-	260,680
Total current liabilities	157,957	-	157,957	2,284,229	-	2,284,229	85,461,284	-	85,461,284
Non-current liabilities									
Other payables	-	-	-	433,333	-	433,333	2,891,090	-	2,891,090
Interest-bearing loans	-	-	-	61,919,379	-	61,919,379	170,910,657	-	170,910,657
Employee benefits	-	-	-	-	-	-	141,089	-	141,089
Deferred tax liabilities	98,711	(6,059)	92,652	-	-	-	8,456,790	(6,423,914)	2,032,876
Total non-current liabilities	98,711	(6,059)	92,652	62,352,712	-	62,352,712	182,399,626	(6,423,914)	175,975,712
Total liabilities	256,668	(6,059)	250,609	64,636,941	-	64,636,941	267,860,910	(6,423,914)	261,436,996
Net assets	9,971,111	(539,441)	9,431,670	10,436,070	(605,154)	9,830,916	29,541,958	(15,386,885)	14,155,073
Equity									
Issued capital	8,620,173	15,147	8,635,320	9,381,498	15,147	9,396,645	9,691,443	15,147	9,706,590
Retained earnings	1,350,938	(554,588)	796,350	1,054,572	(620,301)	434,271	19,850,515	(15,402,032)	4,448,483
Total equity	9,971,111	(539,441)	9,431,670	10,436,070	(605,154)	9,830,916	29,541,958	(15,386,885)	14,155,073

CP1 Limited ACN 099 945 516

Notes to the condensed consolidated interim financial statements

7. Explanation of transition to AIFRSs (continued)

Reconciliation of profit		Effect of Transition to AIFRSs for the six months to 31 Dec 2004	AIFRS	Previous GAAP	Effect of Transition to AIFRSs for the year ended 30 June 2005	AIFRS
Note	Previous GAAP					
Revenue from rendering of services – hotel operations	1,755,422	-	1,755,422	9,903,551	-	9,903,551
Revenue from sale of property	a -	-	-	61,040,203	(47,893,839)	13,146,364
Total revenue	1,755,422	-	1,755,422	70,943,754	(47,893,839)	23,049,915
Other operating income	3,214	-	3,214	279,900	-	279,900
Changes in inventories – hotel operations	26,240	-	26,240	279,787	-	279,787
Changes in inventories – property	-	-	-	45,072,968	-	45,072,968
Raw materials and consumables – hotel operations	(309,513)	-	(309,513)	(1,716,529)	-	(1,716,529)
Development expenditure – property	a -	-	-	(79,564,994)	26,692,737	(52,872,257)
Depreciation and amortisation	(31,747)	-	(31,747)	(38,988)	-	(38,988)
Employee expenses	(607,639)	-	(607,639)	(4,282,008)	-	(4,282,008)
Professional fees	(91,145)	-	(91,145)	(302,525)	-	(302,525)
Doubtful debts	-	-	-	(145,129)	-	(145,129)
Other expenses from ordinary activities	(528,833)	-	(528,833)	(2,943,618)	-	(2,943,618)
Operating profit before financing income	215,999	-	215,999	27,582,618	(21,201,102)	6,381,516
Financial income	296,703	-	296,703	127,841	-	127,841
Financial expenses	-	-	-	(503,516)	-	(503,516)
Net financing income	296,703	-	296,703	(375,675)	-	(375,675)
Share of profit of associates	b 106,194	(64,198)	41,996	106,193	(64,197)	41,996
Profit before tax	618,896	(64,198)	554,698	27,313,136	(21,265,299)	6,047,837
Income tax expense	a,c (169,193)	(1,515)	(170,708)	(8,067,490)	6,417,855	(1,649,635)
Profit for the period	449,703	(65,713)	383,990	19,245,646	(14,847,444)	4,398,202
Basic earnings per share attributable to ordinary equity holders	2.42 cents	(0.36) cents	2.06 cents	102.49 cents	(79.07) cents	23.42 cents
Diluted earnings per share attributable to ordinary equity holders	1.78 cents	(0.26) cents	1.52 cents	75.45 cents	(58.21) cents	17.24 cents

CP1 Limited

ACN 099 945 516

Notes to the condensed consolidated interim financial statements

7. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity and profit.

- (a) Under previous GAAP in accordance with UIG 53 *Pre-Completion Sales Contracts for the Sale of Residential Development Properties*, sales of land held for resale was recognised when unconditional contracts were exchanged and a non-refundable deposit was received using the percentage of completion method when the stage of contract completion could be reliably determined, costs to date could be clearly identified and total contract revenue and costs to complete could be reliably estimated.

Under AIFRS revenue from the sale of real estate is not recognised until legal title is transferred, unless the risks and rewards of ownership is passed to the buyer before this date.

The effect on the consolidated entity for the year ended 30 June 2005 is to decrease revenue from sales of property by \$47,893,839, decrease development expenditure by \$26,692,737 and decrease income tax expense by \$6,417,855. In addition, the effect on the consolidated entity is to decrease inventories by \$21,656,335 and decrease deferred tax liabilities by \$6,420,885 as at 30 June 2005.

- (b) The consolidated entity has investments in associates accounted for using the equity method. As a result of the transition to AIFRS, associates have made adjustments to their financial records for matters including accounting for financial instruments and property sales.

As a result of the above adjustments, the consolidated entity was impacted as follows:

- Reduce investments accounted for using the equity method by \$545,500 as at 30 June 2004 and \$609,698 as at 31 December 2004;
 - Reduce other financial assets by \$154,464 as at 30 June 2005; and
 - Reduce share of profits of associates by \$64,198 for the six months ended 31 December 2004 and \$64,197 for the year ended 30 June 2005.
- (c) In accordance with AIFRS's the tax effect of capital raising costs deducted for taxation purposes are allocated to contributed equity, as the capital raising costs were deducted from the equity raised.

Under previous GAAP, capital raising costs deducted for taxation purposes were brought to account as a reduction in income tax expense.

The effect on the consolidated entity is to increase contributed equity by \$15,147 at 30 June 2004, decrease deferred tax liabilities by \$6,059 as at 30 June 2004, increase deferred tax assets by \$4,544 as at 31 December 2004 and decrease deferred tax liabilities by \$3,029 as at 30 June 2005. In addition, the effect on the consolidated entity is to increase income tax expense by \$1,515 for the six months ended 31 December 2004 and \$3,029 for the year ended 30 June 2005.

8. Subsequent events

On 27 February 2006 the directors announced a half-year fully franked dividend of 15 cents per share totalling approximately \$3,016,688, to be paid on 31 May 2006.

CP1 Limited ACN 099 945 516

Directors' declaration

- 1 In the opinion of the directors of CP1 Limited ("the Company"):
 - (a) the financial statements and notes, set out on pages 5 to 23, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 9th day of March 2006.

Signed in accordance with a resolution of the directors:

P K Sullivan
Managing Director

Independent review report to the members of CPI Limited

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim statement of income, statement of changes in recognised income and expense, balance sheet, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 5 to 24 for the CPI Limited consolidated entity ("the consolidated entity"), for the half-year ended 31 December 2005. The consolidated entity comprises CPI Limited ("the company") and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting 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. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

Review approach

We conducted an independent review 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.

We performed procedures in order to state whether on the basis of the procedures described any thing has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of CP1 Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) 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
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

SJ Board
Partner

9 March 2006