LOFTUS

Loftus Capital Partners Limited ("LCP")

21 February 2006

Australian Stock Exchange
Company Announcement Officer

SUBJECT: Announcement of Half-Year Results - December 2005

Dear Sir/Madam,

Half-year information given to the ASX under Listing Rule 4.2BA

Please find attached the following documents with respect to the Company's results for the half-year ended 31 December 2005:

- Media release;
- Appendix 4D;
- Attachment to the Appendix 4D, including a narrative on the half-year result; and
- Interim financial report for the half-year ended 31 December 2005, including the auditor's unqualified review report.

This information should be read in conjunction with the most recent Annual Report of the Company for the financial year ended 30 June 2005.

Yours sincerely,

Cameron Fellows
Company Secretary

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LOFTUS

MEDIA RELEASE – HALF-YEAR RESULT

21 February 2006

LOFTUS PAYS 2 CENT INTERIM DIVIDEND AND INTENDS TO RETURN CAPITAL

For the six month period ended 31 December 2005, Loftus has reported a net profit after tax of approximately $353,000 (compared to $1.37 million in the previous corresponding period).

The Directors are pleased to declare an interim fully franked dividend of 2 cents per share (last year 1.4 cents) payable on 31 March 2006.

The decline in profit was directly attributable to a reduction in share trading activities undertaken by the Company. The Board and Management have directed the Company to focus its capital on acquiring and consolidating Funds Management and related businesses. To this end the Board believes that the Company currently has excess capital to undertake this business plan.

Therefore, the Board is presently considering a number of options to return capital to the Company's shareholders. The substantial lift in interim dividend is a part of this process. Other returns may include further fully franked dividends, cash returns of capital and in-specie distributions of core equity investments.

Currently, the Company owns 75% of Clime Asset Management Pty Limited and 50% of Camelotfund Pty Limited. The Company is in negotiations with a number of other Management companies and expects to announce further acquisitions in the next few months.

The Company benefited from a lift in management and consulting fees in the 6 months. Dividend income also rose as major investments Aevum Limited, Waterco Limited and Jasco Holdings Limited lifted dividend payments. However, valuation movements were subdued in the period.

Our investment in HomeLiesure Limited disappointed in sharemarket returns but has recently reported improved earnings leading to a strong lift in share price after the reporting period.

The Directors intend to make further announcements as the capital reduction plan becomes more developed.

For further information please contact:

Mr John Abernethy
Sydney
03-9251-6444

Mr Antony Lynch
Melbourne
03-9639-6360

LOFTUS

LOFTUS CAPITAL PARTNERS LIMITED

(ABN 37 067 185 899)

Half-Year Ended 31 December 2005

(Previous corresponding period – Half-Year Ended 31 December 2004)

Appendix 4D

Lodged with the ASX under Listing Rule 4.2BA.1

Results for Announcement to the Market

				$
Revenue from ordinary activities	down	92%	to	1,367,700
Profit/(loss) from ordinary activities after tax attributable to members	down	74%	to	352,981
Net profit/(loss) for the period attributable to members	down	74%	to	352,981

Dividends per share	Amount per security	Franked amount per security
Final Dividend (paid)	1.75 cents	1.75 cents
Interim Dividend (proposed)	2.00 cents	2.00 cents

Record date for determining entitlements to the dividend is	15 March 2006

Explanation of Revenue

Revenues for the period decreased as a direct result of reduced share trading by the consolidated entity and a change in accounting policy under AIFRS whereby, from 1 July 2005, only the net gain on the trading portfolio is recorded in the income statement (as opposed to gross income and cost of sales on investments disposed). The consolidated entity, however, recorded increased revenue from dividend income of $0.66 million (December 2004: $0.48 million) and $0.49 million from consulting and other fee based activities (December 2004: $0.34 million).

Explanation of Net Profit

Net profit after tax decreased by 74% to $0.35 million (December 2004: $1.37 million). The decrease in owner earnings in comparison with the prior six month period reflects a reduction in net unrealised and realised gains on trading and core stocks.

Explanation of Dividends

An interim fully franked dividend for the half-year ended 31 December 2005 of 2.00 cents per share, totalling $1.04 million, is recommended by the directors. This provision was not declared prior to period end and is therefore not reflected in the accounts.

Note - Please refer to the commentary attached to this Appendix for further analysis of the result for the period.

Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	$0.715	$0.785

Note – The Net Tangible Asset backing figures quoted above are calculated in accordance with ASX Listing Rules. There will continue to be differences between the monthly NTA position (as reported to the ASX) and the statutory NTA calculation as reported in the company's periodic statutory financial reports. This is a direct result of the Directors' obligation to report the 'net market value' of the company's investments to shareholders on a monthly basis (in accordance with ASX Listing Rules), versus the statutory obligation to prepare half-yearly NTA calculations in accordance with Accounting Standards.

Details of entities over which control has been gained during the period

Effective 1 July 2005, the Company acquired a 75% ownership interest in boutique fund manager Clime Asset Management Pty Ltd ("Clime"). Clime was established in October 2001 by Mr Roger Montgomery. Clime had approximately $40m of funds under management at the date of acquisition (now approximately $49m) and generates revenue from two business activities, namely:

- Managing the investment portfolio of Clime Capital Limited (ASX Code CAM); and
- Managing the investment portfolios for various Individually Managed Accounts on behalf of 'sophisticated' and/or wholesale investors

Roger Montgomery will continue to serve as Clime's Managing Director and will retain a 25% ownership interest. The consideration for the transaction was $1,650,000 in cash and the Directors expect the investment to be Earnings per Share accretive during FY06 and beyond. In accordance with Accounting Standards, the Company now consolidates Clime as a subsidiary and accounts for Mr Montgomery's interest as an Outside Equity Interest.

Clime's contribution to the consolidated entity's net profit after tax for the half year ended 31 December 2005 was not material.

Dividends

Details of dividends/distributions declared or paid during or subsequent to the six months ended 31 December 2005 are as follows:

Record Date	Payment Date	Type	Amount per security	Total Dividend $000's	Franked amount per security	Foreign sourced dividend amount per security
9 September 2005	22 September 2005	Final	1.75 cents	930	1.75 cents	-
15 March 2006	31 March 2006	Interim	2.00 cents	1,039	2.00 cents	-

The directors have declared an interim fully franked dividend for the half year ended 31 December 2005 of 2.00 cents per share, totalling $1,038,991. This provision has not been reflected in the accounts.

Dividend/Distribution Reinvestment Plans

The economic entity does not currently operate a dividend/distribution reinvestment plan.

Associates and Joint Venture entities

Name	Ownership Interest		Contribution to net profit	
	Current period %	Previous corresponding period %	Current period $	Previous corresponding period $
Jasco Holdings Limited	24.8%	24.3%	345,506	382,495

Foreign Accounting standards

Not applicable.

Audit

This report is based on accounts that have been reviewed. The unqualified review report is attached on pages 26 to 27 of the Half Year Financial Report.

ATTACHMENT TO APPENDIX 4D : HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

Commentary on Results

Significant Features of Operating Performance

Loftus Capital Partners Limited recorded an after tax profit of $0.35 million for the half year to 31 December 2005. The decrease in earnings in comparison with the prior six month period ended 31 December 2004 is primarily due to a reduction in net unrealised and realised gains on trading stocks.

The profit result included Equity Accounted Profits for the half-year of $345,506 (HY04: $382,495), representing the economic entity's 24.8% share of the total After Tax Profits of its associate, Jasco Holdings Limited.

Net Tangible Assets (NTA)

Note - The analysis of the group's NTA below is based on calculations performed in accordance with ASX Listing Rules. There will continue to be differences between the monthly NTA position (as reported to the ASX) and the statutory NTA calculation as reported in the company's periodic statutory financial reports. This is a direct result of the Directors' obligation to report the 'net market value' of the company's investments to shareholders on a monthly basis (in accordance with ASX Listing Rules), versus the statutory obligation to prepare half-yearly NTA calculations in accordance with Accounting Standards.

As at 31 December 2005 the economic entity has Net Tangible Assets (NTA) of 71.5 cents per share or $37.4 million.

The NTA per share result is before any provision for dividend. The Company has announced that it intends to pay a 2.00 cents per share interim dividend in March 2006. The dividend will be 100% franked. This interim dividend compares to the FY04 interim of 1.40 cents per share fully franked.

The NTA as at 31 December 2005 was comprised as follows:

Net Tangible Assets	**31st December 2005**	**Per Share**
Cash	$ 7,192,547	$ 0.138
Listed Investments – Core	$ 20,418,717	$ 0.391
Listed Investments – Trading	$ 1,966,195	$ 0.038
Unlisted Investments	$ 1,773,999	$ 0.034
Investments in Associates	$ 7,702,880	$ 0.147
Other Net Assets (incl. tax balances)	$ (1,691,501)	$ (0.033)
Total	$ 37,362,837	
No. of Ordinary shares issued	52,282,967	
NTA – per share		$ 0.715

Investment Portfolio Performance

During the six months the Company's trading activities wound down as it concentrated on acquiring and bedding down Funds Management opportunities. Investments in the core portfolio were held except for the sale of our holding in Websters Limited which was exited at a small loss.

The Core portfolio had a market value at 31 December 2005 of $20.4 million across four stocks, which together with our $7.7 million market value of Jasco Holdings, totalled $28.1 million or 75% of Net Tangible Assets.

Detailed below is a brief overview of our major investment holdings:

Aevum Limited (ASX Code AVE) is a major investment for us. Aevum (previously the Hibernian Friendly Society) was floated in November 2004 and is an owner and operator of aged care and retirement villages located in Sydney, namely The Cardinal Freeman and Lourdes villages. Over the six months from 1 July 2005 the share price has risen from $1.40 to $1.56 and a 6 cent unfranked dividend was paid.

Waterco Limited (ASX code WAT) is also a significant investment for Loftus. Waterco has continued to progress the expansion of its manufacturing facilities in Malaysia and China and develop export markets for its water pumps and filters. The company also undertook major acquisitions of product developers and distributors in North America and predicts that revenue will approach $100 million this financial year. Despite the expectation of higher profits, Waterco has suffered a decline in share price over the last six months from $3.85 to $3.50 at 31 December 2005.

Jasco Holdings Limited, our unlisted equity accounted investment, has continued its sound performance in the six months to December 2005. Whilst results are tracking about 10% below the previous financial year, the Company retains a strong balance sheet and continues to pay excellent dividends.

HomeLeisure Limited (ASX code HLD) fell further from 25 cents to 20 cents during the six months. The company recently announced that it has achieved earnings comparable to previous financial year. This was achieved despite difficult trading conditions. This fall in share price affected our declared profit for the six months.

Farm Pride Foods Limited (ASX code FRM) is one of Australia's largest egg processing and distribution companies. We expect there to be national industry rationalisation and believe that the company will be well positioned to benefit.

Current Outlook

Loftus is undertaking a refocus of its activities by redirecting capital from passive investment positions to significant stakes in Funds Management operations. The previously announced acquisition of 75% of Clime Asset Management Pty Limited and the recently announced acquisition of 50% of Camelotfund Limited are indicative of our approach.

Currently, we are reviewing our core portfolio to determine whether each individual investee is likely to produce the required rate of return for holding them. Generally, at this point each is well positioned for growth and so we expect that in all cases a premium to current market prices would be required to encourage us to exit them.

As for Clime Asset Management we believe this company will be a platform for our growth in the Funds Mangement Industry. Whilst profits were not material in the half year, this was affected by numerous "one off" acquisition costs which were expensed. Second half results should show a significant improvement in profitability. A pleasing facet was the strong returns exhibited by Clime's managed portfolios in the half year.

The substantial lift in interim dividend is evidence of the Directors' and management's desire to reduce the capital employed by Loftus. We expect to continue to reduce our capital base by various returns to shareholders in the next 18 months. Concurrently, we expect to acquire further Funds Managers and drive the operating costs of our business down where ever possible.

LOFTUS

LOFTUS CAPITAL PARTNERS LIMITED

(ABN 37 067 185 899)

and Controlled Entities

Interim Financial Report - 31 December 2005

Loftus Capital Partners Limited

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LOFTUS CAPITAL PARTNERS LIMITED AND CONTROLLED ENTITIES
A.B.N. 37 067 185 899

GENERAL PURPOSE
INTERIM FINANCIAL REPORT 31 DECEMBER 2005

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Your Directors present their report on the consolidated entity consisting of Loftus Capital Partners Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2005.

Directors

The following persons were Directors of Loftus Capital Partners Limited during the whole of the half-year and up to the date of this report:

David Schwartz	-	Chairman
John Abernethy	-	Joint Managing Director
Antony Lynch	-	Joint Managing Director

Review of Operations

Revenue for the half-year totalled $1,367,700 (HY04: $17,123,529) representing a 92% decrease over the previous corresponding period. The decrease in revenue reflects the reduction in share trading undertaken by the company and a change in accounting policy under AIFRS whereby, from 1 July 2005, only the net gain on the trading portfolio is recorded in the income statement (as opposed to gross income and cost of sales of investments disposed).

Loftus Capital Partners Limited recorded an after tax profit attributable to members of $352,981 for the half-year to 31 December 2005. The profit result, combined with net unrealised losses on the core portfolio of $168,419 transferred directly to equity, and increases in the foreign currency translation reserve of $6,150, brings the total owner earnings for the six month period to $190,712 (HY04: $1,676,414). The decrease in owner earnings in comparison with the prior six month period is primarily due to a reduction in net realised and unrealised gains on trading and core stocks.

Earnings per share for the six month period to 31 December 2005 were 0.7 cents per share (HY04: 2.6 cents per share).

The profit result included Equity Accounted Profits for the half-year of $345,506 (HY04: $382,495), representing primarily the economic entity's 25% share of the total After Tax Profits of its associate, Jasco Holdings Limited.

As at 31 December 2005 the economic entity has Net Tangible Assets (NTA) of 71.5 cents per share or $37.4 million (as calculated in accordance with ASX Listing Rules). This compares with a stated NTA at the start of the period of 72.5 cents per share. During the period dividends of 1.75 cents per share were paid to shareholders.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

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

David Schwartz
Chairman
Sydney
20th February 2006

Horwath

Horwath Melbourne
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Chartered Accountants
The Rialto, 525 Collins Street Melbourne 3000
GPO Box 4736 Melbourne 3001
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Tel 03 8320 2222
Fax 03 8320 2200
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20 February 2006

The Board of Directors
Loftus Capital Partners Limited
Level 29, Telstra Tower,
35 Collins Street,
Melbourne, VIC. 3000

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my half year review of the financial report of Loftus Capital Partners Limited for the period ended 31 December 2005 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this review;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this review.

Yours faithfully
HORWATH MELBOURNE

Nicholas E. Burne
Partner

Loftus Capital Partners Limited
Interim Financial Report - 31 December 2005

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Loftus Capital Partners Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

	Half-year	
	2005	2004
	$	$
Revenue from continuing operations	**1,367,700**	17,123,529
Net realised and unrealised gains on other financial assets at fair value through profit or loss	**28,678**	-
Net realised (losses) on disposal of available-for-sale financial assets	**(115,489)**	-
Cost of sales of listed and unlisted shares	**-**	(14,784,010)
Occupancy expenses	**(88,069)**	(79,072)
Administration expenses	**(1,152,792)**	(1,008,606)
Shares of net profits of associates accounted for using the equity method	**345,506**	382,495
Profit before income tax	**385,534**	1,634,336
Income tax expense	**42,863**	266,106
Profit for the half-year	**342,671**	1,368,230
Profit / (loss) attributable to minority interest	**(10,310)**	-
Profit attributable to members of Loftus Capital Partners Limited	**352,981**	1,368,230
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	**0.7 cents**	2.6 cents
Diluted earnings per share	**0.7 cents**	2.6 cents

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	31 December 2005 $	30 June 2005 $
ASSETS		
Current Assets		
Cash assets	**7,192,547**	8,264,030
Receivables	**423,452**	476,508
Other financial assets at fair value through profit or loss	**1,966,195**	1,450,397
Total Current Assets	**9,582,194**	10,190,935
Non-Current Assets		
Investments accounted for using the equity method	**5,646,215**	5,419,492
Available-for-sale financial assets	**20,504,618**	22,826,055
Plant and equipment	**55,187**	35,839
Deferred tax assets	**1,239,111**	1,186,562
Intangible assets	**2,097,871**	202,814
Total Non-Current Assets	**29,543,002**	29,670,762
Total Assets	**39,125,196**	39,861,697
LIABILITIES		
Current Liabilities		
Payables	**243,946**	235,000
Provisions	**11,307**	4,629
Interest bearing liabilities	**704**	-
Current tax liabilities	**370,484**	390,240
Total Current Liabilities	**626,441**	629,869
Non-Current Liabilities		
Interest bearing liabilities	**7,305**	-
Deferred tax liabilities	**1,855,797**	1,806,860
Total Non-Current Liabilities	**1,863,102**	1,806,860
Total Liabilities	**2,489,543**	2,436,729
Net Assets	**36,635,653**	37,424,968
EQUITY		
Contributed equity	**33,168,422**	33,689,987
Reserves	**1,147,315**	1,309,584
Retained profits	**1,848,758**	2,425,397
Parent entity interest	**36,164,495**	37,424,968
Minority interest	**471,158**	-
Total Equity	**36,635,653**	37,424,968

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

		Half-year	
		2005	2004
	Notes	**$**	$
Total equity at the beginning of the half-year		**37,424,968**	39,103,687
Net (decrease)/increase in asset revaluation reserve		**(168,419)**	409,648
Net (decrease)/increase in foreign currency translation reserve		**6,150**	-
Transfer of realised loss on core investments from the asset revaluation reserve to retained earnings		**-**	(101,464)
Net (expense) / income recognised directly in equity		**(162,269)**	308,184
Profit for the half-year		**342,671**	1,368,230
Total recognised income and expense for the year		**180,402**	1,676,414
Transactions with equity holders in their capacity as equity holders:			
On-market share buy-back, net of transaction costs	3	**(521,565)**	-
Dividends provided for or paid	2	**(929,620)**	(657,764)
Minority interest on acquisition of subsidiary	4(c)	**481,468**	-
		(969,717)	(657,764)
Total equity at the end of the half-year		**36,635,653**	40,122,337
Total recognised income and expense for the half-year is attributable to:			
Members of Loftus Capital Partners Limited		**190,712**	1,676,414
Minority interest		**(10,310)**	-
		180,402	1,676,414

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Half-Year	
	2005	2004
	$	$
Cash flows from operating activities		
Proceeds from disposal of investments - Trading	**527,735**	14,483,823
Purchase of investments - Trading	**(947,198)**	(15,428,192)
	(419,463)	(944,369)
Fees received in the course of operations (inclusive of goods and services tax)	**534,468**	280,497
Expense payments in the course of operations (inclusive of goods and services tax)	**(1,153,096)**	(842,765)
Dividends received	**661,406**	476,190
Dividends received from associate	**187,400**	249,867
Interest received	**243,123**	377,067
Interest paid	**(350)**	-
Income taxes paid	**(82,080)**	-
Net cash inflow/(outflow) from operating activities	**(28,592)**	(403,513)
Cash flows from investing activities		
Proceeds from disposal of investments – Core	**2,128,085**	1,216,921
Purchase of investments - Core	**(231,234)**	(10,258,701)
	1,896,851	(9,041,780)
Payment for purchase of subsidiary, net of cash acquired – refer note 4	**(1,417,053)**	-
Payments for property, plant & equipment	**(2,587)**	(7,417)
Net cash inflow/(outflow) from investing activities	**477,211**	(9,049,197)
Cash flows from financing activities		
Principal repaid on finance leases	**(2,218)**	-
Payments for shares bought back (net of transaction costs) – refer note 3	**(521,565)**	-
Dividends paid	**(996,319)**	(654,870)
Net cash inflow/(outflow) from financing activities	**(1,520,102)**	(654,870)
Net increase/(decrease) in cash and cash equivalents	**(1,071,483)**	(10,107,580)
Cash and cash equivalents at the beginning of the half-year	**8,264,030**	18,710,668
Cash and cash equivalents at end of the half-year	**7,192,547**	8,603,088

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Loftus Capital Partners Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
This interim financial report is the first Loftus Capital Partners Limited interim financial report to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Loftus Capital Partners Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Loftus Capital Partners Limited interim financial report for the half-year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 6.

Early adoption of standard
The Group has elected to apply AASB 119 Employee Benefits (issued in December 2004) to the reporting period periods beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Loftus Capital Partners Limited ("company" or "parent entity") as at 31 December 2005 and the results of all subsidiaries for the half-year then ended. Loftus Capital Partners Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. Revenue is recognised for the major business activities as follows:

(i) Investment income (excluding dividend income)
Refer to notes 1(b) and 1(j).

(ii) Dividend income (excluding dividends received from associates)
Dividend income is recorded in the income statement on an accruals basis when the Group obtains control of the right to receive the dividend.

(iii) Services income
Fees and commissions that relate to specific transactions or events are recognised as revenue in the period that the services are provided. When they are charged for services provided over a period, they are recognised as revenue on an accruals basis.

(iv) *Interest income*
Interest income is recorded in the income statement when earned on an accruals basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and for unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Loftus Capital Partners Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation effective from 1 July 2003. The Australian Taxation Office was notified of this decision upon submission of the consolidated tax return for the year ended 30 June 2004.

As a consequence, Loftus Capital Partners Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

(e) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(f) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(m)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their net present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Investments and other financial assets

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Adjustments on transition date: 1 July 2005
The application of AASB 132 and AASB 139 is consistent with the Group's previous accounting policies, and as such, has had no material impact on the financial report.

From 1 July 2005
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

The Group's listed trading investments and its unlisted investments (excluding equity accounted investments) are classified as financial assets at fair value through profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group's listed core investments are classified as available-for-sale financial assets.

Purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The fair values of quoted investments are determined by reference to the last available bid price of the security, as quoted on its primary stock exchange on the day of valuation, or an alternative basis if deemed more appropriate. Given the size and nature of the Group's listed investments, however, the closing bid price may not always be the most appropriate basis for determining fair value. The Directors will consider the valuations of each of the Group's listed investments in accordance with this accounting policy at each balance date.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(k) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. Refer to note 1(j) for further information.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Plant and equipment 3-20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(m) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Management contracts
Management contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of management contracts over their estimated useful lives (which vary from 10 to 23 years).

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee benefits

(i) Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Bonus plans
A liability for employment benefits in the form of bonus plans is recognised when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Superannuation
Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

(iv) Employee benefit on-costs
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(v) Share-based payments
Share-based compensation benefits are provided to employees via the Loftus Capital Partners Limited Employee Share Option Plan.

Share options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Share options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted under the Loftus Capital Partners Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised as an expense evenly during the period from grant date to vesting date.

The fair value of options at grant date is independently determined using a binomial distribution to statistically estimate the future probability of the options vesting and the amounts that these options would be worth. Allowance is made due to the options cascading if they do not vest. The valuation model takes into account the exercise price, the term of the option, the vesting and performance criteria, the current price and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(q) Dividends

Provision is made for the amount of any dividend declared on or before the end of the period but not distributed at balance date.

(r) Earnings per share

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

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

NOTE 2: DIVIDENDS

	Half-year	
	2005	2004
	$	$
Ordinary shares		
Dividends provided for or paid during the half-year	**929,620**	657,764
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the Directors have recommended the payment of an interim dividend of 2.00 cents per fully paid ordinary share (2004: 1.4c fully franked), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 March 2006 out of retained profits at 31 December 2005, but not recognised as a liability at the end of the half-year, is	**1,038,991**	743,696

NOTE 3: REPURCHASES OF EQUITY SECURITIES

	Half-year		Half-year	
	2005 No. of Shares	2004 No. of Shares	**2005 $**	2004 $
Repurchases of ordinary shares during the half-year				
On-market buy-back of ordinary shares during the half-year	**888,151**	-	**521,565**	-

NOTE 4: BUSINESS COMBINATION

(a) Summary of acquisition

On 1 July 2005 the parent entity acquired 75% of the ordinary issued share capital of boutique fund manager, Clime Asset Management Pty Ltd ("Clime").

Clime contributed revenues of $181,249 and net profit of $8,435 to the Group for the period from 1 July 2005 to 31 December 2005.

At the date of acquisition, Clime had approximately $40 million of funds under management and the company generates revenue primarily from two business activities, namely:

- Managing the investment portfolio of Clime Capital Ltd (ASX Code CAM); and
- Managing the investment portfolios for various Individually Managed Accounts on behalf of 'sophisticated' and/or wholesale investors

The company's founder, Mr Roger Montgomery, continues in office as Managing Director and retains a 25% ownership interest.

Details of the fair value of the assets and liabilities acquired, and resultant goodwill, are as follows:

	$
Purchase consideration (refer to (b) below):	
Cash paid	**1,650,000**
Direct costs relating to the acquisition	**38,098**
Total purchase consideration	**1,688,098**
Fair value of net identifiable assets acquired (refer to (c) below)	**1,444,404**
Goodwill (refer to (c) below)	**243,694**

(b) Purchase consideration

	Consolidated	
	2005 $'000	2004 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**1,688,098**	-
Less: Balances acquired		
Cash	**271,045**	-
Outflow of cash	**1,417,053**	-

NOTE 4: BUSINESS COMBINATION (CONT.)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $	Fair value $
Cash assets	**271,045**	**271,045**
Receivables	**110,713**	**110,713**
Other current assets	**24,068**	**24,068**
Plant and equipment	**26,465**	**26,465**
Intangible assets: LIC and IMA management contracts	**-**	**1,700,000**
Intangible assets: Other	**1,037**	**1,037**
Deferred tax assets	**3,008**	**3,008**
Payables	**(48,990)**	**(48,990)**
Interest bearing liabilities – current	**(4,716)**	**(4,716)**
Interest bearing liabilities – non-current	**(834)**	**(834)**
Provisions	**(3,327)**	**(3,327)**
Provision for dividend payable on acquisition	**-**	**(67,500)**
Current tax liabilities	**(84,747)**	**(84,747)**
Deferred tax liabilities	**(350)**	**(350)**
Net assets	**293,372**	**1,925,872**
Minority interests		**(481,468)**
Net identifiable assets acquired		**1,444,404**

The goodwill (as disclosed in note 4(a) on the previous page) is attributed to Mr Montgomery's presence in the funds management industry, the company's capacity to grow its funds under management and synergies expected to arise following the integration of the company into the group.

The fair values of intangibles acquired reflect the directors' assessments of the value of the intangibles based on arms' length transactions between knowledgeable and willing parties on the basis of the best information available. In determining these amounts, the directors have considered the outcomes of recent transactions for similar assets and businesses.

The fair value of the provision for dividend payable on acquisition represents a dividend which was paid to Mr Montgomery following the acquisition of the business. This dividend payment had been formally negotiated between the parties and has therefore been recognised as a provision as at the date of acquisition.

The fair values of other assets and liabilities reflect their audited carrying amounts at the date of acquisition. No other acquisition provisions were created. There were no acquisitions in the previous corresponding period.

NOTE 5: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

An interim fully franked dividend for the half-year ended 31 December 2005 of 2.00 cents per share, totalling $1,038,991, is recommended by the Directors. This provision has not been reflected in the accounts given the declaration was made subsequent to 31 December 2005.

Effective 1 February 2006, the Company acquired a 50% ownership interest in funds management company Camelotfund Limited ("Camelotfund"). Camelotfund has developed a unique Foreign Exchange Buy Write Fund which has no correlation to traditional asset managers, share indices or property. It is unique globally and leverages the founders' core strengths and experience. The key terms of the investment by the company are:

- Acquisition by share subscription of 50% of the ordinary shares of Camelotfund;
- Agreement that the Principals can earn back equity based on milestones which would represent a substantial lift in the value of the company; and
- Subscription into the managed fund of $2.5 million.

NOTE 5: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE (CONT.)

The investment by the Company is consistent with its stated objectives of transforming itself into a significant owner and participant in financial services businesses which have the propensity to grow and deliver a high return on invested equity.

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

NOTE 6: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs

(1) **Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS):**

(a) At the date of transition to AIFRS: 1 July 2004

	Notes (6.4)	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
CURRENT ASSETS				
Cash assets		18,710,668	-	18,710,668
Receivables		111,494	-	111,494
Other		442,681	-	442,681
Other financial assets		4,574,575	-	4,574,575
TOTAL CURRENT ASSETS		23,839,418	-	23,839,418
NON-CURRENT ASSETS				
Investments accounted for using the equity method		5,209,260	-	5,209,260
Other financial assets		12,151,081	-	12,151,081
Plant & equipment		55,327	-	55,327
Deferred tax assets		1,079,205	-	1,079,205
Intangible assets		202,814	-	202,814
TOTAL NON-CURRENT ASSETS		18,697,687	-	18,697,687
TOTAL ASSETS		42,537,105	-	42,537,105
CURRENT LIABILITIES				
Payables		264,188	-	264,188
Provisions		6,392	-	6,392
Current tax liabilities		258,818	-	258,818
TOTAL CURRENT LIABILITIES		529,398	-	529,398
NON-CURRENT LIABILITIES				
Deferred tax liabilities	**(a)**	1,573,883	1,330,137	2,904,020
TOTAL NON-CURRENT LIABILITIES		1,573,883	1,330,137	2,904,020
TOTAL LIABILITIES		2,103,281	1,330,137	3,433,418
NET ASSETS		40,433,824	(1,330,137)	39,103,687
EQUITY				
Contributed equity		33,404,987	-	33,404,987
Reserves	**(b)**	2,916,849	(66,320)	2,850,529
Retained profits	**(a), (b)**	4,111,988	(1,263,817)	2,848,171
TOTAL EQUITY		40,433,824	(1,330,137)	39,103,687

NOTE 6: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONT.)

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Notes (6.4)	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
CURRENT ASSETS				
Cash assets		8,603,088	-	8,603,088
Receivables		169,366	-	169,366
Other		792,631	-	792,631
Other financial assets		6,143,227	-	6,143,227
TOTAL CURRENT ASSETS		15,708,312	-	15,708,312
NON-CURRENT ASSETS				
Investments accounted for using the equity method		5,341,888	-	5,341,888
Other financial assets		21,790,347	-	21,790,347
Plant & equipment		47,236	-	47,236
Deferred tax assets		1,113,097	-	1,113,097
Intangible assets	(c)	166,297	36,517	202,814
TOTAL NON-CURRENT ASSETS		28,458,865	36,517	28,495,382
TOTAL ASSETS		44,167,177	36,517	44,203,694
CURRENT LIABILITIES				
Payables		481,222	-	481,222
Provisions		5,219	-	5,219
Current tax liabilities		566,873	-	566,873
TOTAL CURRENT LIABILITIES		1,053,314	-	1,053,314
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(a)	1,658,118	1,369,925	3,028,043
TOTAL NON-CURRENT LIABILITIES		1,658,118	1,369,925	3,028,043
TOTAL LIABILITIES		2,711,432	1,369,925	4,081,357
NET ASSETS		41,455,745	(1,333,408)	40,122,337
EQUITY				
Contributed equity		33,404,987	-	33,404,987
Reserves	(b)	3,326,497	(66,320)	3,260,177
Retained profits	(a), (b), (c)	4,724,261	(1,267,088)	3,457,173
TOTAL EQUITY		41,455,745	(1,333,408)	40,122,337

NOTE 6: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONT.)

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes (6.4)	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
CURRENT ASSETS				
Cash assets		8,264,030	-	8,264,030
Receivables		229,929	-	229,929
Other		246,579	-	246,579
Other financial assets		1,450,397	-	1,450,397
TOTAL CURRENT ASSETS		10,190,935	-	10,190,935
NON-CURRENT ASSETS				
Investments accounted for using the equity method		5,419,492	-	5,419,492
Other financial assets		22,826,055	-	22,826,055
Plant & equipment		35,839	-	35,839
Deferred tax assets		1,186,562	-	1,186,562
Intangible assets	(c)	129,780	73,034	202,814
TOTAL NON-CURRENT ASSETS		29,597,728	73,034	29,670,762
TOTAL ASSETS		39,788,663	73,034	39,861,697
CURRENT LIABILITIES				
Payables		235,000	-	235,000
Provisions		4,629	-	4,629
Current tax liabilities		390,240	-	390,240
TOTAL CURRENT LIABILITIES		629,869	-	629,869
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(a)	413,653	1,393,207	1,806,860
TOTAL NON-CURRENT LIABILITIES		413,653	1,393,207	1,806,860
TOTAL LIABILITIES		1,043,522	1,393,207	2,436,729
NET ASSETS		38,745,141	(1,320,173)	37,424,968
EQUITY				
Contributed equity		33,689,987	-	33,689,987
Reserves	(b)	1,375,904	(66,320)	1,309,584
Retained profits	(a), (b), (c)	3,679,250	(1,253,853)	2,425,397
TOTAL EQUITY		38,745,141	(1,320,173)	37,424,968

NOTE 6: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONT.)

(2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS):

(a) Reconciliation of profit for the half-year ended 31 December 2004

	Notes (6.4)	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
REVENUE FROM ORDINARY ACTIVITIES		17,123,529	-	17,123,529
Cost of sales of listed and unlisted shares		(14,784,010)	-	(14,784,010)
Employee benefit expense		(548,505)	-	(548,505)
Other expenses from ordinary activities	(c)	(575,690)	36,517	(539,173)
Share of net profits of associates accounted for using the equity method		382,495	-	382,495
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		1,597,819	36,517	1,634,336
Income tax expense relating to ordinary activities	(a)	226,318	39,788	266,106
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		1,371,501	(3,271)	1,368,230
NET PROFIT ATTRIBUTABLE TO MEMBERS OF LOFTUS CAPITAL PARTNERS LIMITED		1,371,501	(3,271)	1,368,230
Net increase in asset revaluation reserve		308,184	-	308,184
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		308,184	-	308,184
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		1,679,685	(3,271)	1,676,414

NOTE 6: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONT.)

(b) Reconciliation of profit for the year ended 30 June 2005

	Notes (6.4)	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
REVENUE FROM ORDINARY ACTIVITIES		23,894,894	-	23,894,894
Cost of sales of listed and unlisted shares		(20,229,159)	-	(20,229,159)
Unrealised loss on current investments		(1,387,524)	-	(1,387,524)
Employee benefit expense		(1,131,525)	-	(1,131,525)
Other expenses from ordinary activities	(c)	(647,238)	73,034	(574,204)
Share of net profits of associates accounted for using the equity method		578,113	-	578,113
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX (BENEFIT)/EXPENSE		1,077,561	73,034	1,150,595
Income tax (benefit)/expense relating to ordinary activities	(a)	(108,361)	63,070	(45,291)
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX (BENEFIT)/EXPENSE		1,185,922	9,964	1,195,886
NET PROFIT ATTRIBUTABLE TO MEMBERS OF LOFTUS CAPITAL PARTNERS LIMITED		1,185,922	9,964	1,195,886
Net (decrease)/increase in asset revaluation reserve		(1,827,531)	-	(1,827,531)
Net increase in foreign currency reserve		69,386	-	69,386
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(1,758,145)	-	(1,758,145)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(572,223)	9,964	(562,259)

NOTE 6: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONT.)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005:

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations:

(a) Income tax

Under AIFRS the consolidated entity is required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the balance sheet or a tax-based balance sheet. Under previous AGAAP the consolidated entity already provided for the capital gains tax effects of asset revaluations on its Trading and Core portfolios, however under AIFRS, the consolidated entity is also required to provide for the tax effect of the difference between the carrying value and tax cost base of its equity accounted investment in Jasco Holdings Limited.

(i) At 1 July 2004

Increase in deferred tax liability of $1,330,137 and a decrease in retained earnings of $1,330,137.

(ii) At 31 December 2004

Increase in deferred tax liability of $1,369,925, an increase in income tax expense of $39,788 and a decrease in closing retained earnings of $1,369,925.

(iii) At 30 June 2005

Increase in deferred tax liability of $1,393,207, an increase in income tax expense of $63,070 and a decrease in closing retained earnings of $1,393,207.

(b) Foreign currency translation reserve

On the initial application of AIFRS, the consolidated entity elected to apply the exemption in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRSs (1 July 2004).

(i) At 1 July 2004

The balance of the $66,320 credit in the foreign currency translation reserve of the consolidated entity is reduced to zero. Retained earnings is increased by this amount.

(ii) At 31 December 2004

The balance of the foreign currency translation reserve is reduced by $66,320. Retained earnings is increased by this amount.

(iii) At 30 June 2005

The balance of the foreign currency translation reserve is reduced by $66,320. Retained earnings is increased by this amount.

NOTE 6: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONT.)

(c) Intangible assets - goodwill

Under AIFRS, amortisation of goodwill is prohibited and is replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. Under previous AGAAP, goodwill was amortised on a straight line basis over the period during which the benefits were expected to arise and not exceeding five years.

The carrying value of goodwill on consolidation at the date of transition was, and continues to be, supported by the cash flows of the relevant cash generating unit. As such, goodwill amortisation from the date of transition to AIFRS has been reversed.

The consolidated entity has not elected to apply the new requirements retrospectively, and therefore amortisation prior to the date of transition has not been reversed.

(i) At 1 July 2004

No effect.

(ii) At 31 December 2004

Increase in intangibles of $36,517, a decrease in amortisation expense of $36,517 and an increase in closing retained earnings of $36,517.

(iii) At 30 June 2005

Increase in intangibles of $73,034, a decrease in amortisation expense of $73,034 and an increase in closing retained earnings of $73,034.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 3 to 24 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position 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

(b) there are reasonable grounds to believe that Loftus Capital Partners Limited will be able to pay its debts as and when they become due and payable.

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

David Schwartz
Chairman

Sydney
20 February 2006

HORWATH MELBOURNE
Chartered Accountants
A member of Horwath International

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Victoria 3001 Australia

Independent review report on the financial report to members of Loftus Capital Partners and controlled Entities Limited ("Loftus Group")

We have conducted an independent review of the accompanying financial report of the Loftus Group for the half-year ended 31 December 2005. The financial report comprises the consolidated balance sheet at 31 December 2005, and the consolidated income statement, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes, and the directors' declaration for the half year then ended. The consolidated entity comprises both the company and the entities it controlled during that half-year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to perform 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 Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and the Corporations Act 2001, 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 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 and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the company'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 that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company and group, and have complied with the independence requirements of the *Corporations Act 2001*.

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 the Loftus Group 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 Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

Dated the 20th day of February 2006.

HORWATH MELBOURNE
Chartered Accountants

NICHOLAS E BURNE
Partner