



**Queste Communications Limited**  
A.B.N 58 081 688 164

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**HALF YEAR REPORT**

**31 December 2005**

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
30 JUNE 2005 ANNUAL REPORT OF THE COMPANY

[www.queste.com.au](http://www.queste.com.au)



QUESTE COMMUNICATIONS LIMITED

A.B.N. 58 081 688 164

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[info@queste.com.au](mailto:info@queste.com.au)

## CORPORATE DIRECTORY

### BOARD

Farooq Khan	(Executive Chairman)
Michael J van Rens	(Non-Executive Director)
Azhar Chaudhri	(Non-Executive Director)
Yaqoob Khan	(Non-Executive Director)

### COMPANY SECRETARY

Victor Ho

### PRINCIPAL & REGISTERED OFFICE

Level 14, The Forrest Centre  
221 St Georges Terrace  
Perth Western Australia 6000

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### SHARE REGISTRY

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Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)  
Website: [www.asrshareholders.com](http://www.asrshareholders.com)

### STOCK EXCHANGE

Australian Stock Exchange  
Perth, Western Australia

### ASX CODE

QUE

### AUDITORS

BDO, Chartered Accountants & Advisers  
Level 8  
256 St Georges Terrace  
Perth Western Australia 6000

### BANKER

National Australia Bank  
Level 1, 50 St Georges Terrace  
Perth Western Australia 6000

## APPENDIX 4D HALF YEAR REPORT

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period:	1 July 2005 to 31 December 2005
Previous Corresponding Period:	1 July 2004 to 31 December 2004
Balance Date:	31 December 2005
Company:	Queste Communications Limited (" <b>QUE</b> ")
Consolidated Entity:	OEQ and controlled entity: (1) Orion Equities Limited (formerly Central Exchange Limited; name changed on 2 December 2005) (" <b>OEQ</b> ")  (an ASX listed investment company in which QUE is a 49% controlling shareholder)

### Adoption of Australian International Financial Report Standards (AIFRS)

The Company's financial statements for the current reporting period have been prepared under AIFRS. Where necessary, comparative information (i.e. in relation to the previous corresponding period) has been adjusted for reporting under the applicable AIFRS.

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Consolidated			Company		
	Dec 2005	Dec 2004	% Change	Dec 2005	Dec 2004	% Change
	\$	\$		\$	\$	
Total revenues	13,576,544	6,956,513	+95%	3,554,921	182,674	+1846%
Total expenses	(11,591,551)	(5,292,917)	+119%	(3,164,677)	(282,173)	+1022%
Profit/(loss) before tax	1,984,993	1,663,596	+19%	390,244	(99,499)	+492%
Income tax expense	(597,119)	(573,700)	+4%	-	-	- unchanged
Profit/(loss) after tax	1,387,874	1,089,896	+27%	390,244	(99,499)	+492%
Net profit attributable to minority interests	(505,965)	(659,153)	-23%	-	-	- unchanged
Profit/(loss) after tax attributable to members	881,909	430,743	+105%	390,244	(99,499)	+492%
Basic earnings/(loss) per share (cents)	3.00	1.46	+105%	1.33	(0.34)	+492%
Diluted earnings/(loss) per share (cents)	1.82	0.89	+105%	0.81	(0.21)	+492%

## APPENDIX 4D HALF YEAR REPORT

	Consolidated			Company		
	Dec 2005	Jun 2005	% Change	Dec 2005	Jun 2005	% Change
	\$	\$		\$	\$	
Undiluted post tax NTA backing per share (cents)	\$0.45	\$0.42	+7%	\$0.27	\$0.42	+36%
Diluted post tax NTA Backing per share (cents)	\$0.35	\$0.33	+6%	\$0.24	\$0.33	+27%

NTA backings at the Consolidated Entity level are reported net of Minority interests. Please also refer to the attached Directors' Report for further information on the NTA backing of the Company and Consolidated Entity (in particular, footnote 1 at page 7 of this Half Year Report).

### Brief Explanation of Results

The Consolidated Entity's results incorporates the results of controlled entity, ASX listed investment company, Orion Equities Limited (**OEQ**) (formerly Central Exchange Limited).

At the Company level:

The Company increased its pre and post tax net profit by 492% during the current reporting period to \$390,244 compared with a pre and post tax net loss incurred of \$99,499 in the previous corresponding period.

Total Revenues include:

- (1) \$3,392,544 gross proceeds from the sale of equity investments (Dec 2004: \$177,750);
- (2) \$128,372 dividend income (2004: \$2,135).

Total Expenses include:

- (1) \$2,912,982 costs of disposal of equity investments (Dec 2004: \$167,369);
- (2) \$171,618 personnel expenses (Dec 2004: \$125,862).

Please also refer to the balance of this Half Year Report.

### Dividends

On 16 March 2006, the Directors were pleased to announce a declaration of a maiden interim dividend as follows:

Dividend Rate	Record Date	Expected Payment Date	Franking	Total Dividends Payable
0.5 cent (\$0.005) per share	31 March 2006	7 April 2006	Fully Franked	\$147,024

## APPENDIX 4D HALF YEAR REPORT

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### Controlled Entities

The Company did not gain or lose control over entities during the Current Reporting Period.

### Associates and Joint Venture Entities

The Consolidated Entity does not have any interest in associates or a material interest in joint venture entities during the Current Reporting Period.

For and on behalf of the Directors,



Date: 16 March 2006

Victor Ho  
Company Secretary  
Telephone: +61 8 9214 9777  
Email: info@queste.com.au

## DIRECTORS' REPORT

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The Directors present their report on Queste Communications Limited ("**Company**" or "**Queste**" or "**QUE**") and its controlled entities (the "**Consolidated Entity**") for the financial half year ended 31 December 2005 ("**Balance Date**").

Queste is a company limited by shares that is incorporated and domiciled in Western Australia and has been listed on the Australian Stock Exchange ("**ASX**") since November 1998.

Queste has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. Controlled entities are ASX listed investment company, Orion Equities Limited (formerly Central Exchange Limited) ABN 77 000 742 843 ("**Orion Equities**" or "**OEQ**") (controlled throughout the financial year).

Orion Equities has been treated as a controlled entity by virtue of the Company being a 48.04% substantial shareholder of Orion Equities as at Balance Date (30 June 2005: 49.34%; 31 December 2004: 48.221%).

### ADOPTION OF AUSTRALIAN INTERNATIONAL FINANCIAL REPORT STANDARDS (AIFRS)

The Consolidated Entity's financial statements for the half year ended 31 December 2005 has been prepared under AIFRS. Where necessary, comparative information (i.e. in relation to the previous half year ended 31 December 2004 and previous balance date as at 30 June 2005) has been adjusted for reporting under the applicable AIFRS. A reconciliation of the significant impact on the Company's financial statements reported under the previous AGAAP and under AIFRS has been included in Note 8 to the financial statements.

### OPERATING RESULTS

	Consolidated		Company	
	Dec 2005	Dec 2004	Dec 2005	Dec 2004
	\$	\$	\$	\$
Total revenues	13,576,544	6,956,513	3,554,921	182,674
Total expenses	(11,591,551)	(5,292,917)	(3,164,677)	(282,173)
<b>Profit/(loss) before tax</b>	<b>1,984,993</b>	<b>1,663,596</b>	<b>390,244</b>	<b>(99,499)</b>
Income tax expense	(597,119)	(573,700)	-	-
Profit/(loss) after tax	1,387,874	1,089,896	390,244	(99,499)
Net profit attributable to minority interests	(505,965)	(659,153)	-	-
<b>Profit/(loss) after tax attributable to members</b>	<b>881,909</b>	<b>430,743</b>	<b>390,244</b>	<b>(99,499)</b>

The Company increased its pre and post tax net profit by 492% during the current reporting period to \$390,244 compared with a pre and post tax net loss incurred of \$99,499 in the previous corresponding period.

Total Revenues include:

- (1) \$3,392,544 gross proceeds from the sale of equity investments (Dec 2004: \$177,750);
- (2) \$128,372 dividend income (2004: \$2,135).

## DIRECTORS' REPORT

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Total Expenses include:

- (1) \$2,912,982 costs of disposal of equity investments (Dec 2004: \$167,369);
- (2) \$171,618 personnel expenses (Dec 2004: \$125,862).

### EARNINGS PER SHARE

	Consolidated Entity		Company	
	Dec 2005	Dec 2004	Dec 2005	Dec 2004
Basic earnings/(loss) per share (cents)	3.00	1.46	1.33	(0.34)
Weighted average number of fully paid ordinary shares in the Company outstanding during the year used in the calculation of basic earnings per share	29,404,879	29,404,879	29,404,879	29,404,879
Diluted earnings/(loss) per share (cents)	1.82	0.89	0.81	(0.21)
Weighted average number of fully paid ordinary shares in the Company outstanding during the year used in the calculation of diluted earnings per share	48,404,879	48,404,879	48,404,879	48,404,879

The Company's 20,000,000 partly paid ordinary shares, to the extent that they have been paid (one cent per share), have been included in the determination of the basic earnings per share.

The Company's partly paid shares are included in the determination of diluted earnings per share on the basis that each partly paid share has become fully paid.

## DIRECTORS' REPORT

### FINANCIAL POSITION

	Consolidated Entity		Company	
	Dec 2005	Jun 2005	Dec 2005	Jun 2005
	\$	\$	\$	\$
Cash	5,100,239	125,106	3,366,466	56,014
Current investments - equities	7,289,404	11,171,686	-	3,036,946
Non-current investments - equities	-	-	5,391,621 <sup>(1)</sup>	9,291,929
Investments - listed Associate entities	8,411,936	7,085,260	-	-
Inventory	3,820,251	3,796,552	-	-
Receivables	93,599	435,092	17,354	78,273
Other assets	118,938	298,010	25,111	27,957
	24,834,367	22,911,706	8,800,552	12,491,119
Tax liabilities	(806,455)	(564,127)	-	-
Deferred tax liabilities	(134,947)	(7,209)	(762,557)	-
Other payables and provisions	(191,133)	(448,680)	(83,190)	(118,502)
<b>Net assets</b>	<b>23,701,832</b>	<b>21,891,690</b>	<b>7,954,805</b>	<b>12,372,617</b>
Contributed Equity	6,087,927	6,087,927	6,087,927	6,087,927
Reserves	2,138,012	2,138,012	3,917,310	8,725,366
Minority interest	10,588,049	9,520,970	-	-
Accumulated profit/(losses)	4,887,844	4,144,781	(2,050,432)	(2,440,676)
<b>Total Equity</b>	<b>23,701,832</b>	<b>21,891,690</b>	<b>7,954,805</b>	<b>12,372,617</b>

<sup>1</sup> The Company's financial statements for the current financial half year has been prepared under the new Australian International Financial Report Standards (AIFRS). Under AIFRS, the Company's non-current financial assets is classified as "at fair value through profit and loss" upon initial recognition and recognised in the Balance Sheet at fair value. Accounting Standard AASB 139 and AG72 state that the bid price is usually the appropriate price to be used in measuring the fair value of actively traded (i.e. listed) financial assets.

Under the previous accounting policy (in place as at the previous balance date of 30 June 2005), the Company's investment in controlled entity, Orion Equities Limited (disclosed as non-current financial assets) was valued at OEQ's net tangible asset backing (rather than at OEQ's market price as traded on ASX).

OEQ's last bid price as at 31 December 2005 was \$0.63 per share valuing the investment in OEQ at \$5,391,621 as at Balance Date. This compares with OEQ's post tax NTA backing of \$1.14 per share as at 31 December 2005, valuing the OEQ investment at \$9,756,265 on such basis.



## DIRECTORS' REPORT

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### NET TANGIBLE ASSET BACKING

The effects of the Company's 20,000,000 partly paid ordinary shares (which were issued at a price of 20 cents each and have been partly paid to one cent each and have an outstanding amount payable of 19 cents per partly paid share) on the net tangible asset ("**NTA**") backing of the Company and Consolidated Entity have been considered below.

The Directors also note that:

- The Company's NTA at Balance Date includes a valuation of the Company's 8,558,127 shares in Orion Equities (representing a 48.04% interest) at OEQ's last bid price as at Balance Date of \$0.63 per share. The Consolidated Entity's NTA at Balance Date also includes the effects of the NTA position of Orion Equities as a controlled entity.
- NTA backings at the Consolidated Entity level are reported net of Minority interests.

The undiluted (which includes a representation of the extent (1/20<sup>th</sup>) to which the partly paid shares have been paid) and diluted (which includes the full effects of all partly paid shares) NTA backing per share as at the Balance Date are as follows.

#### (1) NTA BACKING - UNDILUTED FOR PARTLY PAID SHARES

	Consolidated Entity		Company	
	Dec 2005	Jun 2005	Dec 2005	Jun 2005
NTA (pre tax)	\$14,055,185	\$12,942,056	\$8,717,362 <sup>(2)</sup>	\$12,372,617
NTA (post tax)	\$13,113,783	\$12,370,720	\$7,954,805	\$12,372,617
Share capital base of the Company:				
Fully paid ordinary shares	28,404,879	28,404,879	28,404,879	28,404,879
Portion of 20,000,000 partly paid ordinary shares (representing the extent to which such shares have been paid, being one cent per share with a balance of the call of 19 cents per share)	1,000,000	1,000,000	1,000,000	1,000,000
Adjusted undiluted total fully paid ordinary share capital	29,404,879	29,404,879	29,404,879	29,404,879
Undiluted pre-tax NTA backing per share	\$0.48	\$0.44	\$0.30	\$0.42
Undiluted post-tax NTA backing per share	\$0.45	\$0.42	\$0.27	\$0.42

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<sup>2</sup> Refer footnote 1

## DIRECTORS' REPORT

### (2) NTA BACKING - DILUTED FOR PARTLY PAID SHARES

	Consolidated Entity		Company	
	Dec 2005	Jun 2005	Dec 2005	Jun 2005
Proceeds on conversion of 20,000,000 partly paid ordinary shares into fully paid ordinary shares	\$3,800,000	\$3,800,000	\$3,800,000	\$3,800,000
Diluted NTA (pre tax)	\$17,855,185	\$16,742,056	\$12,517,362 <sup>(3)</sup>	\$16,172,617
Diluted NTA (post tax)	\$16,913,783	\$16,170,720	\$11,754,805	\$16,172,617
Share capital base of the Company:				
Fully paid ordinary shares	28,404,879	28,404,879	28,404,879	28,404,879
Conversion of 20,000,000 partly paid ordinary shares into fully paid ordinary shares	20,000,000	20,000,000	20,000,000	20,000,000
Fully diluted total fully paid ordinary share capital of the Company	48,404,879	48,404,879	48,404,879	48,404,879
Diluted pre-tax NTA backing per share	\$0.37	\$0.35	\$0.26	\$0.33
Diluted post-tax NTA backing per share	\$0.35	\$0.33	\$0.24	\$0.33

## DIVIDENDS

On 16 March 2006, the Directors were pleased to announce a declaration of a maiden interim dividend as follows:

Dividend Rate	Record Date	Expected Payment Date	Franking	Total Dividends Payable
0.5 cent (\$0.005) per share	31 March 2006	7 April 2006	Fully Franked	\$147,024

Please refer to the 31 December 2005 Half Year Report of Orion Equities Limited for dividends recently declared/paid by Orion Equities Limited.

### Dividend Policy

The Company's dividend policy is to pay dividends from the dividend, interest and other income it receives from its investments and the gains on its investments, to the extent permitted by law and prudent business practices. Dividends will be franked to the extent that available franking credits permit.

<sup>3</sup> Refer footnote 1

# DIRECTORS' REPORT

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## SECURITIES IN THE COMPANY

As at Balance Date and the date of this report, the Company has the following securities on issue:

- (i) 28,404,879 listed fully paid ordinary shares;
- (ii) 20,000,000 unlisted partly paid ordinary shares, each paid to one cent with 19 cents per partly paid ordinary share outstanding.

There were no securities issued or granted by the Company during or since the financial half year.

The terms of issue of the Company's 20,000,000 partly paid shares were disclosed in the Prospectus for the initial public offering of shares in the Company dated 6 August 1998 and are disclosed in the 2005 Annual Report.

## REVIEW OF OPERATIONS

### 1. Voicenet System VoIP Technology

The Company continues to seek opportunities for the commercial exploitation of its VoiceNet System VoIP telephony technology. The Company has not had any results from the commercial exploitation of its VoiceNet System VoIP technology during the financial half year.

### 2. Orion Equities Limited (OEO)

The Company holds 8,558,127 shares in Orion Equities, being 48.047% of its issued ordinary share capital (30 June 2005: 8,303,779 shares or 49.34%; 31 December 2004: 8,303,779 shares or 48.221%).

In light of such significant shareholding, Orion Equities has been recognised as a controlled entity and included as part of the Consolidated Entity since 1 July 2002.

On 8 July 2004, Orion Equities was re-admitted to ASX as an investment entity (as defined under the ASX Listing Rules).

Queste shareholders are advised to refer to the 31 December 2005 Half Year Report, 2005 Annual Report and monthly NTA disclosures lodged by Orion Equities for further information about the current status and affairs of such company.

Information concerning OEO may be also viewed from its website: [www.orionequities.com.au](http://www.orionequities.com.au) and OEO's market announcements may be viewed from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under ASX code "OEO".

## DIRECTORS' REPORT

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### 3. CORPORATE

#### 3.1. Altera Capital Limited (AEA) and Sofcom Limited (SOF)

The Company is currently the second largest shareholder in ASX listed Altera Capital Limited ("**AEA**") with a holding of 10,699,428 shares (17.25%).

On 22 July 2005, the Company received its entitlements under an AEA equal return of capital, being:

- (a) 254,348 shares in OEQ; and
- (b) 6,255,349 shares in ASX listed Sofcom Limited ("**SOF**").

AEA currently has minimal net assets and has been suspended from the ASX since 13 June 2003 and has advised that its suspension will continue until the company is recapitalised and re-complies with admission requirements under the ASX Listing Rules.

After the AEA return of capital, the Company has become the second largest shareholder in SOF with 14% of its total issued share capital.

SOF currently has minimal net assets and has been suspended from the ASX since 29 June 2005 and has advised that its suspension will continue until the company is recapitalised and re-complies with admission requirements under the ASX Listing Rules.

The Company is seeking to sell a whole or part of its shareholding in both such companies. The Company has agreed to provide financial accommodation in the amount of up to \$17,000 to AEA to assist that company in its working capital requirements pending a possible recapitalisation and re-listing of its shares on ASX.

## DIRECTORS

Information concerning Directors in office during or since the financial half year are as follows:

<b>Farooq Khan</b>	—	<b>Executive Chairman and Managing Director</b>
<i>Appointed</i>	—	10 March 1998
<i>Qualifications</i>	—	BJuris , LLB. ( <i>Western Australia</i> )
<i>Experience</i>	—	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and particularly capital raisings, mergers and acquisitions and investments. Mr Khan has also led the executive management of a number of ASX listed companies through their establishment and growth

## DIRECTORS' REPORT

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### **Azhar Chaudhri** — **Non-Executive Director**

- Appointed* — 4 August 1998
- Qualifications* — Bachelor of Science degree in Maths and Physics and a Masters degree in Economics and postgraduate computer studies
- Experience* — Mr Chaudhri has considerable expertise in computer systems, analysis and design and advanced programming experience, particularly with respect to business and information technology systems and data base computing. In particular Mr Chaudhri has formed and led software development teams creating integrated data base and management information systems for utilities, local government land tax departments, hospitals, libraries and oil terminals

### **Yaqoob Khan** — **Non-Executive Director**

- Appointed* — 10 March 1998
- Qualifications* — BCom (*Western Australia*), Master of Science in Industrial Administration (*Carnegie Mellon*)
- Experience* — After working for several years in the Australian Taxation Office, Mr Khan completed his postgraduate Masters degree and commenced work as a senior executive responsible for product marketing, costing systems and production management. Mr Khan has been founding Executive Director of 2 ASX floats – Queste Communications Limited in 1998 and Fast Scout Limited in 2000. He was an integral member of the team responsible for the pre-IPO structuring and IPO promotion and has been actively involved in the executive management of such companies since their floats. Mr Khan brings considerable international experience in key aspects of corporate finance and the strategic analysis of listed investments

### **Michael van Rens** — **Non-Executive Director**

- Appointed* — 4 August 1998
- Qualifications and Experience* — Mr van Rens is a founding Director of the Company. He is also a director of Canadian listed company Exall Resources Limited, which holds gold and natural gas interests in Ontario and Alberta, Adelaide based unlisted IT company Rocksoft Limited, which markets technology in the data redundancy sector of the computer industry, and Project Biotech Limited, a Perth based unlisted company which has developed a range of chemical free cleaning products currently being marketed in Europe and South-East Asia. Mr van Rens brings an extensive marketing, sales and investment background to the Company, developed over the last 20 years in the financial services industry

At the Balance Date, Messrs Azhar Chaudhri and Yaqoob Khan were resident overseas.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 13. This relates to the Independent Review Report, where the Auditors state that they have issued an independence declaration.



Chartered Accountants  
& Advisers

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PO Box 7426 Cloisters Square Perth WA 6850  
Tel: (61-8) 9360 4200  
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Email: [bdo@bdowa.com.au](mailto:bdo@bdowa.com.au)  
[www.bdo.com.au](http://www.bdo.com.au)

16 March 2006

The Directors  
Queste Communications Ltd  
Level 14, The Forrest Centre  
221 St Georges Terrace  
PERTH WA 6000

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF QUESTE COMMUNICATIONS LIMITED**

To the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

**BDO**  
**Chartered Accountants**

**BG McVeigh**  
Partner



## DIRECTORS' REPORT

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Signed for and on behalf of the Directors in accordance with a resolution of the Board.



**Farooq Khan**  
Chairman

Perth, Western Australia

16 March 2006

## CONDENSED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated Entity		Company	
		31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
		\$	\$	\$	\$
Revenue	2	12,968,101	6,956,513	3,554,921	182,674
Share of Associate entities' profits		608,443	-	-	-
Cost of investments sold		(10,927,431)	(4,558,259)	(2,912,982)	(181,430)
(Write down) / write back of investments		(55,992)	61,151	(55,992)	61,151
Occupancy expenses		(8,144)	(25,580)	8,277	(12,120)
Finance expenses		(2,589)	(3,689)	(727)	(875)
Borrowing costs		(471)	(1,457)	(15)	-
Corporate expenses		(81,527)	(109,207)	(11,007)	(7,943)
Administration expenses					
- personnel		(308,407)	(223,367)	(171,618)	(125,862)
- others		(206,990)	(432,509)	(20,613)	(15,094)
<b>Profit/ (loss) before income tax</b>		<b>1,984,993</b>	<b>1,663,596</b>	<b>390,244</b>	<b>(99,499)</b>
Income tax expense		(597,119)	(573,700)	-	-
<b>Profit/ (loss) after income tax</b>		<b>1,387,874</b>	<b>1,089,896</b>	<b>390,244</b>	<b>(99,499)</b>
Net profit attributable to minority interests		(505,965)	(659,153)	-	-
<b>Net profit/(loss) attributable to members of the company</b>		<b>881,909</b>	<b>430,743</b>	<b>390,244</b>	<b>(99,499)</b>
<b>Earnings per share</b>					
Basic earnings (cents per share)		3.00	1.46	1.33	(0.34)
Diluted earnings (cents per share)		1.82	0.89	0.81	(0.21)

*The accompanying notes form part of these financial statements*



## CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	Consolidated Entity		Company	
		31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		5,100,239	125,106	3,366,466	56,014
Receivables		60,776	402,269	17,354	78,273
Other financial assets		7,289,404	11,171,686	-	3,036,946
Other		2,004	1,736	978	893
<b>TOTAL CURRENT ASSETS</b>		<b>12,452,423</b>	<b>11,700,797</b>	<b>3,384,798</b>	<b>3,172,126</b>
<b>NON CURRENT ASSETS</b>					
Receivables		32,823	32,823	-	-
Other financial assets	3	-	-	5,391,621	9,291,929
Investments in Associate entities (equity accounted)	4	8,411,936	7,085,260	-	-
Inventory		3,820,251	3,796,552	-	-
Property, plant and equipment		54,101	53,599	24,133	27,064
Intangibles		31,362	-	-	-
Tax assets		-	227,053	-	-
Other		31,471	15,622	-	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>12,381,944</b>	<b>11,210,909</b>	<b>5,415,754</b>	<b>9,318,993</b>
<b>TOTAL ASSETS</b>		<b>24,834,367</b>	<b>22,911,706</b>	<b>8,800,552</b>	<b>12,491,119</b>
<b>CURRENT LIABILITIES</b>					
Payables		116,125	380,501	34,436	69,748
Current tax liabilities		806,455	564,127	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>922,580</b>	<b>944,628</b>	<b>34,436</b>	<b>69,748</b>
<b>NON CURRENT LIABILITIES</b>					
Provisions		75,008	68,179	48,754	48,754
Deferred tax liabilities		134,947	7,209	762,557	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>209,955</b>	<b>75,388</b>	<b>811,311</b>	<b>48,754</b>
<b>TOTAL LIABILITIES</b>		<b>1,132,535</b>	<b>1,020,016</b>	<b>845,747</b>	<b>118,502</b>
<b>NET ASSETS</b>		<b>23,701,832</b>	<b>21,891,690</b>	<b>7,954,805</b>	<b>12,372,617</b>
<b>EQUITY</b>					
Contributed equity		6,087,927	6,087,927	6,087,927	6,087,927
Reserves		2,138,012	2,138,012	3,917,310	8,725,366
Accumulated profits/(losses)		4,887,844	4,144,781	(2,050,432)	(2,440,676)
Parent interest		13,113,783	12,370,720	7,954,805	12,372,617
Minority interest		10,588,049	9,520,970	-	-
<b>TOTAL EQUITY</b>		<b>23,701,832</b>	<b>21,891,690</b>	<b>7,954,805</b>	<b>12,372,617</b>

*The accompanying notes form part of these financial statements*

## CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Number of Shares	Issued Capital \$	Reserves \$	Accumulated Losses \$	Minority Interest \$	Total \$
<b><u>Consolidation Level</u></b>						
<b>At 1 July 2004</b>	28,404,879	6,087,927	2,138,012	3,969,229	9,362,960	21,558,128
Profit attributable to members of parent entity		-	-	430,743	-	430,743
Profit attributable to minority interest		-	-	-	659,153	659,153
<b>At 31 December 2004</b>	<b>28,404,879</b>	<b>6,087,927</b>	<b>2,138,012</b>	<b>4,399,972</b>	<b>10,022,113</b>	<b>22,648,024</b>
<b>At 1 July 2005</b>	28,404,879	6,087,927	2,138,012	4,144,781	9,520,970	21,891,690
Profit attributable to members of parent entity		-	-	881,909	-	881,909
Profit attributable to minority interest		-	-	-	505,965	505,965
Dividend paid		-	-	(138,846)	-	(138,846)
Movement in minority interest		-	-	-	561,114	561,114
<b>At 31 December 2005</b>	<b>28,404,879</b>	<b>6,087,927</b>	<b>2,138,012</b>	<b>4,887,844</b>	<b>10,588,049</b>	<b>23,701,832</b>
<b><u>Company Level</u></b>						
<b>At 1 July 2004</b>	28,404,879	6,087,927	8,152,405	(2,045,429)	-	12,194,903
Loss for the period		-	-	(99,499)	-	(99,499)
Available for sale investment reserve		-	581,265	-	-	581,265
<b>At 31 December 2004</b>	<b>28,404,879</b>	<b>6,087,927</b>	<b>8,733,670</b>	<b>(2,144,928)</b>	<b>-</b>	<b>12,676,669</b>
<b>At 1 July 2005</b>	28,404,879	6,087,927	8,725,366	(2,440,676)	-	12,372,617
Adjustment on adoption of AASB 132 and 139		-	(5,341,727)	-	-	(5,341,727)
Profit for the period		-	-	390,244	-	390,244
Available for sale investment reserve		-	533,671	-	-	533,671
<b>At 31 December 2005</b>	<b>28,404,879</b>	<b>6,087,927</b>	<b>3,917,310</b>	<b>(2,050,432)</b>	<b>-</b>	<b>7,954,805</b>

*The accompanying notes form part of these financial statements*

## CONDENSED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Consolidated Entity		Company	
	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	28,794	-	8,000	-
Payments to suppliers and employees	(536,669)	(949,082)	(244,454)	(164,622)
Payments to exploration and evaluation	(15,849)	(20,143)	-	-
Sale proceeds from trading portfolio	9,028,638	-	-	-
Purchase payments for trading portfolio	(6,878,826)	-	-	-
Proceeds from writing options	75,831	-	-	-
Payments to settle written options	(11,000)	-	-	-
Dividend received	175,245	153,114	128,372	417,324
Interest received	45,351	318,340	26,005	2,788
Interest paid	(471)	(1,458)	(15)	-
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>1,911,044</b>	<b>(499,229)</b>	<b>(82,092)</b>	<b>255,490</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for property, plant and equipment	(7,010)	(50,000)	-	-
Payments for inventory	(23,699)	-	-	-
Payments for intangibles	(31,362)	-	-	-
Payments for investment securities	(126,915)	(11,800,479)	-	(477,080)
Proceeds from sale of investment securities	3,392,544	6,222,982	3,392,544	177,750
<b>NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>3,203,558</b>	<b>(5,627,497)</b>	<b>3,392,544</b>	<b>(299,330)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments to former unmarketable parcels' shareholders	-	(1,639)	-	(490)
Dividend paid	(139,469)	(413,129)	-	-
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(139,469)</b>	<b>(414,768)</b>	<b>-</b>	<b>(490)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>	<b>4,975,133</b>	<b>(6,541,494)</b>	<b>3,310,452</b>	<b>(44,330)</b>
Add opening cash and cash equivalents brought forward	125,106	18,201,976	56,014	94,737
<b>CLOSING CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>5,100,239</b>	<b>11,660,482</b>	<b>3,366,466</b>	<b>50,407</b>

*The accompanying notes form part of these financial statements*

# DIRECTORS' REPORT

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## 1. SUMMARY OF ACCOUNTING POLICIES

### Financial Reporting Framework

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared on an accrual basis and on the basis of historical cost, except for investment properties, which have been measured at fair value.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by the Consolidated Entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report. AASB 134: Interim Financial Reporting generally only requires disclosure of accounting policies that have changed from those used in the prior annual reporting period. However, as this is the first published financial report prepared in compliance with AIFRSs, all applicable policies have been noted below, with reference to where these have changed from the prior annual period.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Consolidated Entity's equity and its net income are given in note 10.

### 1.1. Income Tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## 1.2. Holdings of Securities

### i. Balance Sheet Classification

Under *AASB 139: Financial Instruments: Recognition and Measurement*, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- Held to maturity, measured at amortised cost;
- Held for trading (or designated "as at fair value through profit and loss" upon initial recognition), measured at fair value with unrealised gains or losses charged to the profit and loss;
- Loans and receivables, measured at amortised cost; and
- Available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The Consolidated Entity's "Current" financial assets (trading portfolio) will be classified as "trading securities" and are recognised in the Balance Sheet at fair value. "Non-current" financial assets will be classified as "at fair value through profit and loss" upon initial recognition and recognised in the Balance Sheet at fair value. During the period, changes in the fair value of all such financial assets will be recognised in the Income Statement. The fair value of financial assets will be measured at bid price (where available) and last sale price (where bid price is not available) and will exclude disposal costs.

AASB 139 and AG72 state that the current bid price is usually the appropriate price to be used in measuring the fair value of actively traded financial assets. Financial assets should be valued at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal. This differs from previous treatment, in which the Consolidated Entity measures investments at "net market value" using the last sale price net of disposal costs. Where a security is unlisted or suspended, its fair value is determined by its net tangible asset value.

### ii. Income from Holdings of Securities

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Distributions relating to unlisted securities are recognised as income when received. The premium received on options written against underlying listed securities (the options portfolio) is offset against these underlying listed securities until the option expires, is exercised or is repurchased from the holder. When one of these events occurs, the net gain or loss arising on the option contract is recognised in the Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

### 2. PROFIT/ (LOSS)

The operating profit/(loss) before income tax includes the following items of revenue and expense:

	Consolidated Entity		Company	
	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
	\$	\$	\$	\$
<b>(a) Operating revenue</b>				
<b>Other revenue</b>				
Dividend received	175,245	153,114	128,372	2,135
Interest received - other	45,351	318,340	26,005	2,789
Proceeds from sale of securities				
- investments portfolio	3,392,544	6,228,509	3,392,544	177,750
- trading portfolio	8,787,246	-	-	-
- options portfolio	75,831	-	-	-
Net unrealised gains on revaluation of investments	461,824	256,550	-	-
Share of Associate entities' profits	608,443	-	-	-
Other	30,060	-	8,000	-
<b>Total revenue</b>	<b>13,576,544</b>	<b>6,956,513</b>	<b>3,554,921</b>	<b>182,674</b>
<b>(c) Expenses</b>				
<b>Cost of sales and services</b>				
Cost of securities sold				
- non-current investments portfolio	2,912,982	4,516,968	2,912,982	167,369
- trading portfolio	7,980,092	-	-	-
- options portfolio	11,000	41,291	-	-
- brokerage cost	23,357	-	-	-
Cost of lapsed options	-	-	-	14,061
Net unrealised loss on revaluation of investments	55,992	(61,151)	55,992	(61,151)
<b>Operating expenses</b>				
Occupancy expenses	8,144	25,580	(8,277)	12,120
Finance expenses	2,589	3,689	727	875
Borrowing costs - interest paid	471	1,457	15	-
Corporate expenses				
Consultancy	16,170	-	(5,967)	-
Professional fees	20,347	-	-	-
Other corporate expenses	45,010	109,207	16,974	7,943
Administration expenses				
Depreciation	5,521	5,713	2,437	2,902
Fixed assets write off	986	-	494	-
Personnel expenses				
Employee entitlements	6,829	8,840	-	5,591
Salaries, fees and others	301,578	214,527	171,618	120,271
Investment costs	9,009	324,957	4,504	(2,212)
Other administrative expenses	66,908	73,077	13,178	14,404
Gain on dilution	(133,665)	-	-	-
Loss from decrease in control of subsidiary after share issue by subsidiary	248,653	-	-	-
Exploration expenses	9,578	28,762	-	-
	<b>11,591,551</b>	<b>5,292,917</b>	<b>3,164,677</b>	<b>282,173</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

2. PROFIT/ (LOSS) (continued)	Consolidated Entity		Company	
	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
(c) Sale of Assets	\$	\$	\$	\$
Sale of assets in the ordinary course of business have given rise to the following gains and losses:				
<b>Net Gain/ (Losses):</b>				
- non-current investments portfolio	479,562	1,711,541	479,562	10,381
- trading portfolio	807,154	-	-	-
- options portfolio	64,831	-	-	-
	<u>1,351,547</u>	<u>1,711,541</u>	<u>479,562</u>	<u>10,381</u>

3. NON-CURRENT OTHER FINANCIAL ASSETS	Consolidated Entity		Company	
	31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
	\$	\$	\$	\$
Shares in controlled entities - at cost	-	-	2,849,766	2,704,575
Add: Revaluation of shares in OEQ	-	-	2,541,855	1,779,467
Valuation at bid price	-	-	5,391,621	4,484,042
			<u>5,391,621</u>	<u>4,484,042</u>
Market value of listed securities	-	-	5,391,621	4,484,042

(a) Investment in Controlled Entities	Ownership Interest	
	2005	2004
Orion Equities Limited (A.C.N. 000 742 843) (OEQ) (formerly Central Exchange Limited (CXL))	48.04%	49.39%

#### 4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following interests in listed Associate entities are held by Orion Equities Limited (OEQ), a controlled entity of the Company.

Name of Associate	Principal Activity	Ownership Interest		Carrying Amount	
		31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
Bentley International Limited (BEL)	Investments	24.93%	19.03%	3,718,956	2,799,771
Scarborough Equities Limited (SCB)	Investments	26.62%	25.49%	4,692,980	4,285,489
				<u>8,411,936</u>	<u>7,085,260</u>

On 1 July 2005, OEQ settled on the acquisition of a further 2,300,000 shares in BEL, increasing its shareholding in BEL to 24.9%. OEQ has accounted for its investment in BEL on an equity accounting basis as an Associate entity from 30 June 2005.

Movement in carrying amounts	Consolidated Entity	
	31 Dec 05	30 Jun 05
Shares in listed Associate entities - at cost	-	6,918,035
Carrying amount at the beginning of the financial year	7,085,260	-
Share of profit before income tax	973,435	80,411
Share of income tax expense	(244,702)	86,814
Dividends received	(120,290)	-
Acquisition of shares	718,233	-
Carrying amount at the end of the financial year	<u>8,411,936</u>	<u>7,085,260</u>

#### Fair value of listed investments in associates

Bentley International Limited	3,446,667	2,444,944
Scarborough Equities Limited	3,232,259	2,399,865
	<u>6,678,926</u>	<u>4,844,808</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

### 4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (contd.)

	Consolidated Entity	
	31 Dec 05	31 Dec 04
<b>Share of associates' profits or losses</b>		
Profit before income tax	973,435	-
Income tax expense	(244,702)	-
Profit after income tax	<u>728,733</u>	-

#### Summarised financial information of associates:

31 Dec 05	Consolidated Entity's of share of:			
	Assets \$	Liabilities \$	Revenues \$	Profit \$
Bentley International Limited	4,864,751	(163,247)	548,661	327,867
Scarborough Equities Limited	4,715,596	(177,987)	746,886	280,576
	<u>9,580,347</u>	<u>(341,234)</u>	<u>1,295,547</u>	<u>608,443</u>
<b>30 Jun 05</b>				
Bentley International Limited	3,364,432	(25,717)	-	-
Scarborough Equities Limited	4,188,764	(92,093)	707,519	167,225
	<u>7,553,196</u>	<u>(117,810)</u>	<u>707,519</u>	<u>167,225</u>

#### Contingent Liabilities

##### Scarborough Equities Limited

SCB has provided indemnity to IWL Ltd ("IWL") and IWL Broking Solutions Ltd ("IWLBS") with respect to the acquisition by IWLBS of SCB's shareholding in Avcol Stockbroking Pty Ltd ("Avcol") on 29 April 2005. This indemnity covers contingent claims in relation to the operations of Avcol. The directors of SCB have stated that they believe that these contingent claims are not material (not exceeding \$100,000 in aggregate) in terms of its potential negative effect on its net asset position.

### 5. CONSOLIDATED SEGMENT REPORTING

The Consolidated Entity operates predominantly within Australia and in one industry segment, being investments.

Segment Revenues & Results	External Revenue		Operating results	
	31 Dec 05 \$	31 Dec 04 \$	31 Dec 05 \$	31 Dec 04 \$
Investments	13,523,193	6,638,173	2,406,195	1,816,108
Unallocated	53,351	318,340	(421,202)	(152,512)
	<u>13,576,544</u>	<u>6,956,513</u>		
Profit before income tax			1,984,993	1,663,596
Income tax expense			(597,119)	(573,700)
Profit after income tax			<u>1,387,874</u>	<u>1,089,896</u>

### 6. CONTINGENT LIABILITIES AND ASSETS

The Consolidated Entity does not have any material contingent assets or liabilities at Balance Date.

### 7. EVENTS OCCURRING AFTER BALANCE DATE

- (a) On 16 March 2006, Directors announced a declaration of a maiden interim dividend of 0.5 cent per share (fully franked), at a total cost of \$147,024. The record date for determining entitlement to the dividend is 31 March 2006 and payment is expected to be made on 7 April 2006.
- (b) On 15 March 2006, Orion Equities Limited (a controlled entity of the Company) declared a fully franked dividend of 1.5 cents per share, at a total cost of \$267,216. The record date for determining entitlement to the dividend is 31 March 2006 and payment is expected to be made on 7 April 2006. The Company's share of such dividend is expected to be approximately \$128,3711.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

### 8. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

#### A. CONSOLIDATED LEVEL

(i) Reconciliation of Consolidated Profit for the half year 31 December 2004	Previous GAAP \$	Effect of transition to Australian equivalents to IFRS \$	AIFRS \$
Revenue	6,956,513		6,956,513
Cost of investments sold	(4,516,968)		(4,516,968)
(Write down) / write back of investments	61,151		61,151
Occupancy expenses	(25,580)		(25,580)
Finance expenses	(3,689)		(3,689)
Borrowing costs	(1,457)		(1,457)
Corporate expenses	(109,207)		(109,207)
Administration expenses			-
- personnel	(223,367)		(223,367)
- others	(473,800)		(473,800)
<b>Profit before income tax</b>	<b>1,663,596</b>	<b>-</b>	<b>1,663,596</b>
Income tax expense	(490,108)	(83,592)	(573,700)
<b>Profit after income tax expense</b>	<b>1,173,488</b>	<b>(83,592)</b>	<b>1,089,896</b>
Net profit attributable to minority interests	(659,153)	-	(659,153)
<b>Net profit attributable to members of the company</b>	<b>514,335</b>	<b>(83,592)</b>	<b>430,743</b>
<b>(ii) Reconciliation of Consolidated Profit for the full year 30 June 2005</b>			
Revenue	13,598,582		13,598,582
Share of Associate entities' profits	167,225		167,225
Cost of investments sold	(10,458,891)		(10,458,891)
(Write down) / write back of investments	(771,859)		(771,859)
Occupancy expenses	(45,661)		(45,661)
Finance expenses	(6,891)		(6,891)
Borrowing costs	(1,795)		(1,795)
Corporate expenses	(420,963)		(420,963)
Administration expenses			-
- personnel	(520,453)		(520,453)
- others	(515,182)		(515,182)
<b>Profit before income tax</b>	<b>1,024,112</b>		<b>1,024,112</b>
Income tax expense	(330,922)	(1,425)	(332,347)
<b>Profit after income tax expense</b>	<b>693,190</b>	<b>(1,425)</b>	<b>691,765</b>
Net profit attributable to minority interests	(516,213)		(516,213)
<b>Net profit attributable to members of the company</b>	<b>176,977</b>	<b>(1,425)</b>	<b>175,552</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

(iii) Reconciliation of Consolidated Equity at 1 July 2004	Previous GAAP \$	Effect of transition to Australian equivalents to IFRS	
		\$	AIFRS \$
<b>CURRENT ASSETS</b>			
Cash	18,201,976		18,201,976
Receivables	6,610		6,610
Other financial assets	4,973,171		4,973,171
Other	1,663		1,663
<b>TOTAL CURRENT ASSETS</b>	<b>23,183,420</b>	<b>-</b>	<b>23,183,420</b>
<b>NON CURRENT ASSETS</b>			
Receivables	27,872		27,872
Property, plant and equipment	63,915		63,915
Other	24,031		24,031
<b>TOTAL NON CURRENT ASSETS</b>	<b>115,818</b>	<b>-</b>	<b>115,818</b>
<b>TOTAL ASSETS</b>	<b>23,299,238</b>	<b>-</b>	<b>23,299,238</b>
<b>CURRENT LIABILITIES</b>			
Payables	249,423		249,423
Provisions	445,811		445,811
Current tax liabilities	1,003,436		1,003,436
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,698,670</b>	<b>-</b>	<b>1,698,670</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	42,440		42,440
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>42,440</b>	<b>-</b>	<b>42,440</b>
<b>TOTAL LIABILITIES</b>	<b>1,741,110</b>	<b>-</b>	<b>1,741,110</b>
<b>NET ASSETS</b>	<b>21,558,128</b>	<b>-</b>	<b>21,558,128</b>
<b>EQUITY</b>			
Contributed equity	6,087,927		6,087,927
Reserves	2,138,012		2,138,012
Accumulated profit/(losses)	3,969,229	-	3,969,229
Parent interest	12,195,168	-	12,195,168
Outside equity interest	9,362,960		9,362,960
<b>TOTAL EQUITY</b>	<b>21,558,128</b>	<b>-</b>	<b>21,558,128</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

(iv) Reconciliation of Consolidated Equity at 31 December 2004	Previous GAAP \$	Effect of transition to Australian equivalents to IFRS \$	AIFRS \$
<b>CURRENT ASSETS</b>			
Cash	11,660,482		11,660,482
Receivables	128,459		128,459
Other	1,710		1,710
<b>TOTAL CURRENT ASSETS</b>	<b>11,790,651</b>	-	<b>11,790,651</b>
<b>NON CURRENT ASSETS</b>			
Receivables	32,833		32,833
Other financial assets	12,539,283		12,539,283
Property, plant and equipment	58,202		58,202
Other	15,412		15,412
<b>TOTAL NON CURRENT ASSETS</b>	<b>12,645,730</b>	-	<b>12,645,730</b>
<b>TOTAL ASSETS</b>	<b>24,436,381</b>	-	<b>24,436,381</b>
<b>CURRENT LIABILITIES</b>			
Payables	127,259		127,259
Provisions	32,682		32,682
Current tax liabilities	1,493,544	83,592	1,577,136
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,653,485</b>	<b>83,592</b>	<b>1,737,077</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	51,280		51,280
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>51,280</b>	-	<b>51,280</b>
<b>TOTAL LIABILITIES</b>	<b>1,704,765</b>	<b>83,592</b>	<b>1,788,357</b>
<b>NET ASSETS</b>	<b>22,731,616</b>	<b>(83,592)</b>	<b>22,648,024</b>
<b>EQUITY</b>			
Contributed equity	6,087,927		6,087,927
Reserves	2,138,012		2,138,012
Accumulated profit/(losses)	4,483,564	(83,592)	4,399,972
Parent interest	12,709,503	(83,592)	12,625,911
Outside equity interest	10,022,113		10,022,113
<b>TOTAL EQUITY</b>	<b>22,731,616</b>	<b>(83,592)</b>	<b>22,648,024</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

(v) Reconciliation of Consolidated Equity at 30 June 2005	Previous GAAP \$	Effect of transition to Australian equivalents to IFRS \$	AIFRS \$
<b>CURRENT ASSETS</b>			
Cash	125,106		125,106
Receivables	402,269		402,269
Other financial assets	11,171,686		11,171,686
Other	1,736		1,736
<b>TOTAL CURRENT ASSETS</b>	<b>11,700,797</b>	-	<b>11,700,797</b>
<b>NON CURRENT ASSETS</b>			
Receivables	32,823		32,823
Investments in Associate entities (equity accounted)	7,085,260		7,085,260
Inventory	3,796,552		3,796,552
Property, plant and equipment	53,599		53,599
Intangibles	-		-
Tax assets	227,053		227,053
Other	15,622		15,622
<b>TOTAL NON CURRENT ASSETS</b>	<b>11,210,909</b>	-	<b>11,210,909</b>
<b>TOTAL ASSETS</b>	<b>22,911,706</b>	-	<b>22,911,706</b>
<b>CURRENT LIABILITIES</b>			
Payables	380,501		380,501
Provisions	-		-
Current tax liabilities	562,702	1,425	564,127
<b>TOTAL CURRENT LIABILITIES</b>	<b>943,203</b>	<b>1,425</b>	<b>944,628</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	68,179		68,179
Deferred tax liabilities	7,209	-	7,209
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>75,388</b>	-	<b>75,388</b>
<b>TOTAL LIABILITIES</b>	<b>1,018,591</b>	<b>1,425</b>	<b>1,020,016</b>
<b>NET ASSETS</b>	<b>21,893,115</b>	<b>(1,425)</b>	<b>21,891,690</b>
<b>EQUITY</b>			
Contributed equity	6,087,927		6,087,927
Reserves	2,138,012		2,138,012
Accumulated profit/(losses)	4,146,206	(1,425)	4,144,781
Parent interest	12,372,145	(1,425)	12,370,720
Outside equity interest	9,520,970		9,520,970
<b>TOTAL EQUITY</b>	<b>21,893,115</b>	<b>(1,425)</b>	<b>21,891,690</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

### B. COMPANY LEVEL

#### (i) Reconciliation of Loss for the half year 31 December 2004

	Previous GAAP \$	Effect of transition to Australian equivalents to IFRS \$	AIFRS \$
Revenue	182,674		182,674
Cost of investments sold	(181,430)		(181,430)
(Write down) / write back of investments	61,151		61,151
Occupancy expenses	(12,120)		(12,120)
Finance expenses	(875)		(875)
Borrowing costs	-		-
Corporate expenses	(7,943)		(7,943)
Administration expenses			-
- personnel	(125,862)		(125,862)
- others	(15,094)		(15,094)
<b>Loss before income tax</b>	<b>(99,499)</b>	<b>-</b>	<b>(99,499)</b>
Income tax expense	-		-
<b>Loss after income tax expense</b>	<b>(99,499)</b>	<b>-</b>	<b>(99,499)</b>

#### (ii) Reconciliation of Profit for the full year 30 June 2005

Revenue	301,291		301,291
Cost of investments sold	(297,541)		(297,541)
(Write down) / write back of investments	(45,349)		(45,349)
Occupancy expenses	(26,835)		(26,835)
Finance expenses	(2,239)		(2,239)
Borrowing costs	(4)		(4)
Corporate expenses	(27,071)		(27,071)
Administration expenses			-
- personnel	(259,273)		(259,273)
- others	(38,226)		(38,226)
<b>Profit before income tax</b>	<b>(395,247)</b>	<b>-</b>	<b>(395,247)</b>
Income tax expense	-		-
<b>Profit after income tax expense</b>	<b>(395,247)</b>	<b>-</b>	<b>(395,247)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

(iii) Reconciliation of Equity at 1 July 2004	Previous GAAP	Effect of transition to Australian equivalents to IFRS	AIFRS
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash	94,737		94,737
Receivables	416,124		416,124
Other financial assets	2,987,876		2,987,876
Other	1,663		1,663
<b>TOTAL CURRENT ASSETS</b>	<b>3,500,400</b>	-	<b>3,500,400</b>
<b>NON CURRENT ASSETS</b>			
Receivables	13,766		13,766
Other financial assets	8,718,968		8,718,968
Property, plant and equipment	32,317		32,317
<b>TOTAL NON CURRENT ASSETS</b>	<b>8,765,051</b>	-	<b>8,765,051</b>
<b>TOTAL ASSETS</b>	<b>12,265,451</b>	-	<b>12,265,451</b>
<b>CURRENT LIABILITIES</b>			
Payables	40,259		40,259
<b>TOTAL CURRENT LIABILITIES</b>	<b>40,259</b>	-	<b>40,259</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	30,289		30,289
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>30,289</b>	-	<b>30,289</b>
<b>TOTAL LIABILITIES</b>	<b>70,548</b>	-	<b>70,548</b>
<b>NET ASSETS</b>	<b>12,194,903</b>	-	<b>12,194,903</b>
<b>EQUITY</b>			
Contributed equity	6,087,927		6,087,927
Reserves	8,152,405		8,152,405
Accumulated profit/(losses)	(2,045,429)	-	(2,045,429)
<b>TOTAL EQUITY</b>	<b>12,194,903</b>	-	<b>12,194,903</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

(iv) Reconciliation of Equity at 31 December 2004	Previous GAAP \$	Effect of transition to Australian equivalents to IFRS \$	AIFRS \$
<b>CURRENT ASSETS</b>			
Cash	50,407		50,407
Receivables	33,690		33,690
Other	1,289		1,289
<b>TOTAL CURRENT ASSETS</b>	<b>85,386</b>	-	<b>85,386</b>
<b>NON CURRENT ASSETS</b>			
Receivables	-		-
Other financial assets	12,637,010		12,637,010
Property, plant and equipment	29,415		29,415
Other	-		-
<b>TOTAL NON CURRENT ASSETS</b>	<b>12,666,425</b>	-	<b>12,666,425</b>
<b>TOTAL ASSETS</b>	<b>12,751,811</b>	-	<b>12,751,811</b>
<b>CURRENT LIABILITIES</b>			
Payables	39,261		39,261
Provisions	-		-
Current tax liabilities	-		-
<b>TOTAL CURRENT LIABILITIES</b>	<b>39,261</b>	-	<b>39,261</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	35,881		35,881
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>35,881</b>	-	<b>35,881</b>
<b>TOTAL LIABILITIES</b>	<b>75,142</b>	-	<b>75,142</b>
<b>NET ASSETS</b>	<b>12,676,669</b>	-	<b>12,676,669</b>
<b>EQUITY</b>			
Contributed equity	6,087,927		6,087,927
Reserves	8,733,670		8,733,670
Accumulated profit/(losses)	(2,144,928)	-	(2,144,928)
<b>TOTAL EQUITY</b>	<b>12,676,669</b>	-	<b>12,676,669</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

(v) Reconciliation of Equity at 30 June 2005	Previous GAAP \$	Effect of transition to Australian equivalents to IFRS \$	AIFRS \$
<b>CURRENT ASSETS</b>			
Cash	56,014		56,014
Receivables	78,273		78,273
Other financial assets	3,036,946		3,036,946
Other	893		893
<b>TOTAL CURRENT ASSETS</b>	<b>3,172,126</b>	-	<b>3,172,126</b>
<b>NON CURRENT ASSETS</b>			
Other financial assets	9,291,929		9,291,929
Property, plant and equipment	27,064		27,064
<b>TOTAL NON CURRENT ASSETS</b>	<b>9,318,993</b>	-	<b>9,318,993</b>
<b>TOTAL ASSETS</b>	<b>12,491,119</b>	-	<b>12,491,119</b>
<b>CURRENT LIABILITIES</b>			
Payables	69,748		69,748
<b>TOTAL CURRENT LIABILITIES</b>	<b>69,748</b>	-	<b>69,748</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	48,754		48,754
Deferred tax liabilities	-		-
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>48,754</b>	-	<b>48,754</b>
<b>TOTAL LIABILITIES</b>	<b>118,502</b>	-	<b>118,502</b>
<b>NET ASSETS</b>	<b>12,372,617</b>	-	<b>12,372,617</b>
<b>EQUITY</b>			
Contributed equity	6,087,927		6,087,927
Reserves	8,725,366		8,725,366
Accumulated profit/(losses)	(2,440,676)		(2,440,676)
<b>TOTAL EQUITY</b>	<b>12,372,617</b>	-	<b>12,372,617</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

### c. Notes to the reconciliation of equity and profit and loss at 1 July 2004, 31 December 2004 and 30 June 2005

	30 Jun 05	31 Dec 04	1 Jul 04
<b><u>Consolidated Level</u></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Deferred tax liability and income tax expense comprise:	(1,425)	(83,592)	-
Under <i>AASB 112: Income Taxes</i> Adoption of a balance sheet approach under which temporary differences are identified for each asset and liability. Deferred tax liability provided on the upward revaluation of investments less any liability provided.			
	<b>1 Jul 05</b>	<b>31 Dec 04</b>	<b>1 Jul 04</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revaluation of investment (back to cost) - (i)	(6,587,354)	-	-
Revaluation of investment (up to last bid price) - (ii)	1,779,467	-	-
	(4,807,887)	-	-
Deferred tax liability	(533,840)	-	-
Available for sale investment reserve	(5,341,727)	-	-

Under AIFRS and the Company's current accounting policy, the Company's non-current financial assets are classified as "at fair value through profit and loss" upon initial recognition and recognised in the balance sheet at fair value. Accounting Standard AASB 139 and AG72 state that the bid price is usually the appropriate price to be used in measuring the fair value of actively traded (i.e. listed) financial assets. The Company's sole non-current financial asset is its shareholding in controlled entity, ASX listed investment company, Orion Equities Limited (OEQ) (formerly Central Exchange Limited (CXL)).

Under the previous accounting policy (in place as at the previous balance date of 30 June 2005), the Company's investment in OEQ was valued at OEQ's net tangible asset backing (rather than at OEQ's market price as traded on ASX). OEQ's last bid price as at 1 July 2005 was \$0.54 per share. This compares with OEQ's post tax NTA backing of \$1.09 per share. As a consequence of the adjustment in reporting of comparative information under the applicable new accounting standards, the 1 July 2005 valuation for OEQ is adjusted as follows:

(i) The reversal of previous periods' revaluation (based on OEQ NTA backing) back to cost - by \$6,587,354 from \$9,291,929 to \$2,704,575.

(ii) The revaluation of OEQ under AIFRS (using last bid price) from cost.

Accordingly, the adjusted AIFRS valuation for the Company's investment in OEQ as at 1 July 2005 is \$4,484,042 (being valued at OEQ's last bid price as at 1 July 2005).

The deferred tax liability was calculated based on the amount of the revaluation of OEQ up to OEQ's last bid price. The effect of the adoption does not impact the income statement.



## DIRECTORS' DECLARATION

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In accordance with a resolution of the directors of Queste Communications Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with 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 Accounting Standards AASB 134 "Interim Financial Reporting" and *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.

On behalf of the Board,



**Farooq Khan**  
Chairman

Perth, Western Australia

16 March 2006

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF QUESTE COMMUNICATIONS LIMITED**

**Scope**

We have reviewed the financial report of Queste Communications Limited for the half-year ended 31 December 2005 as set out on pages 15 to 32. The financial report includes the financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, 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 disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

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

**Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The independence declaration given to the directors is in accordance with section 307C.

**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 Queste Communications 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 Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**BDO  
Chartered Accountants**



**BG McVeigh**  
Partner

Perth, Western Australia  
Dated this 16<sup>th</sup> day of March 2006

## INFORMATION ON SECURITIES as at 28 February 2006

### DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	13	7,876	0.027%
1,001	-	5,000	89	296,495	1.043%
5,001	-	10,000	105	978,187	3.443%
10,001	-	100,000	166	4,714,253	16.596%
100,001	-	and over	28	22,408,068	78.888%
<b>Total</b>			<b>401</b>	<b>28,404,879</b>	<b>99.997%</b>

### DISTRIBUTION OF UNLISTED PARTLY PAID ORDINARY SHARES

Name	No. of Partly Paid Shares
Chi Tung Investments Ltd	20,000,000

These 20,000,000 ordinary shares were issued at a price of 20 cents per share and have been partly paid to one cent each and have an outstanding amount payable of 19 cents per share.

### TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Shares	% Issued Capital
1	* ISLAND AUSTRALIA PTY LTD	3,668,577	12.915
2	* BELL IXL INVESTMENTS LIMITED	3,174,549	11.176
3	* RENMUIR HOLDINGS LTD	2,633,500	9.271
4	* FAROOQ KHAN	2,399,484	8.447
5	* MANAR NOMINEES PTY LTD	1,865,663	6.568
6	* CELLANTE SECURITIES PTY LIMITED	1,838,782	6.473
7	* CHI TUNG INVESTMENTS LTD	1,050,000	3.696
8	* CLEOD PTY LTD <CELLANTE SUPER FUND A/C>	867,644	3.054
9	STRIKE RESOURCES LIMITED	826,950	2.911
10	MR DONALD GORDON MACKENZIE & MRS GWENNETH EDNA MACKENZIE	698,312	2.458
11	MR EDWARD JAMES STEPHEN DALLY & MRS SELINA DALLY <LEKDAL FAMILY A/C>	519,852	1.830
12	MRS AMBREEN CHAUDHRI	386,500	1.360
13	MS ROSANNA DE CAMPO	268,100	0.943
14	MR ANDREW GRAEME MOFFAT & MRS ELIZABETH ANN MOFFAT <COWOSO SUPER FUND A/C>	250,519	0.881
15	MRS AFIA KHAN	215,000	0.756
16	MR AYUB KHAN	215,000	0.756
17	TOMATO 2 PTY LTD	190,000	0.668
18	* DR ABE ZELWER <ZELWER SUPERFUND ACCOUNT> >	180,500	0.635
19	MR KEITH FRANCIS OATES & MRS LINDA ANN OATES	175,000	0.616
20	ALSTER PTY LTD <THE VAN RENS FAMILY>	164,799	0.580
<b>Total</b>		<b>21,588,731</b>	<b>75.993</b>

\* Substantial shareholders of the Company