

C@ LIMITED

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL REPORT
31 DECEMBER 2005**

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C @ LIMITED
AND ITS CONTROLLED ENTITIES

Directors' Report

The directors present their report together with the financial report of C@ Limited ("C@" or "Company") and of the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2005 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the half-year are:

Mr Andrew Pearson Gay

B.A.B. Sc (Hons) M.Sc Dip Opt MAICD

Chief Executive Officer - appointed 11 October 2004

Mr Kevin Benedict Holland

MAICD

Executive Director - appointed 11 October 2004

Mr Andrew Duncan Harrison

B.Com MAICD

Non-Executive Director - appointed 15 June 2005

Consolidated Result

The consolidated loss after income tax for the half year was \$317,100.

Review of Operations

General Meeting

The Company held a General Meeting of Shareholders on 27 July 2005. The main items of business included:

- The granting of 12,500,000 founder options exercisable at 20 cents on or before 1 July 2010 to Kevin Holland and Andrew Gay.
- The granting of 500,000 options exercisable at 20 cents each on or before 31 March 2008 to Andrew Harrison.
- The aggregate fee for non-executive directors was set at a maximum of \$200,000 per annum.
- The Company entered into service contracts with Kevin Holland and Andrew Gay.
- In September 2005 the Company had received additional loan funds from Rainbow Optical Pty Ltd as trustee for the North City Trust, of \$45,000, at an interest rate of 10% per annum. This was repaid on 4 January 2006.

**C @ LIMITED
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Initial Public Offering

- In December 2005 C @ raised \$2,435,600 (\$1,917,210 net of share issue costs) via an Initial Public Offering. As a result the Company issued 12,178,000 Ordinary fully paid shares and 6,089,000 Options exercisable at \$0.20 each on or before 31 March 2008.
- The funds raised will be used to progress the Company Strategy with regard to expanding the number of independent optical practices who choose to affiliate with the Company and consolidate under the C@ retail brand, establish an optical wholesale business to supply such optical practices with optical products and associated services and to provide additional working capital.
- The Company was admitted to the official list on the Australian Stock Exchange Limited on 20 December 2005.

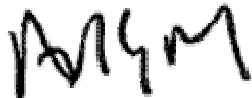
Events Subsequent to Reporting Date

Events subsequent to reporting date are included in note 8 of the Notes to the Financial Statements for the Half-Year ended 31 December 2005.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration made under Section 307C of the Corporations Act 2001 is set out on page 4 and forms part of the Directors Report.

Signed in accordance with a resolution of the Directors.



*Mr Andrew Gay
Chief Executive Officer*

Subiaco, WA

Dated this 16th day of March 2006



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

To: the directors of C@ Limited

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

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

KPMG

J G Robison
Partner

Perth
Dated: 16 March 2006



Independent review report to the members of C@ Limited

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim statement of income, balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the C@ Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2005. The Consolidated Entity comprises C@ Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

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

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

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

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

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

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



Statement

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

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

J G Robinson
Partner

Perth
Dated: 16 March 2006

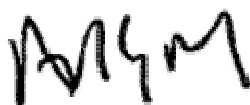
**C @ LIMITED
AND ITS CONTROLLED ENTITIES**

Directors' Declaration

In the opinion of the Directors of C@ Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 8 to 24, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the Directors:



Andrew Gay
Chief Executive Officer

Subiaco, WA

Dated this 16th day of March 2006

**C @ LIMITED
AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Note	Consolidated 31 Dec 2005 \$	Consolidated 31 Dec 2004 \$
Revenues	2	153,229	81,769
Cost of sales		36,383	26,422
Gross Profit		116,846	55,347
Accounting and audit fees		95,848	-
Advertising and Marketing		13,587	-
Financing costs		23,572	7
Legal fees		667	-
Employee and related expenses		178,690	31,664
Professional and consulting fees		23,598	11,600
Depreciation and amortisation		15,026	4,308
Rent		19,835	6,932
Repairs and maintenance		955	1,673
Stamp duty		14,363	-
Travel and accommodation		13,089	-
Other expenses from ordinary activities		34,716	7,343
(Loss) from ordinary activities before related income tax expenses		(317,100)	(8,180)
Income tax expense		-	-
(Loss) from ordinary activities after related income tax expense		(317,100)	(8,180)
Basic loss per share	5	(0.018)	(0.001)

The consolidated entity does not have any potential diluted securities on issue and therefore has not calculated or disclosed diluted loss per share.

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 24.

**C @ LIMITED
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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Note	Consolidated 31 Dec 2005 \$	Consolidated 30 June 2005 \$
Current assets			
Cash and cash equivalents		1,897,046	111,329
Trade and other receivables		71,544	24,440
Inventories		169,397	151,465
Other		27,874	175,980
Total current assets		2,165,861	463,214
Non-current assets			
Plant and equipment		210,551	225,577
Intangible assets		375,844	375,844
Investments - available for sale		12,500	-
Total non-current assets		598,895	601,421
Total assets		2,764,756	1,064,635
Current liabilities			
Payables		257,256	233,433
Interest bearing liabilities		201,300	146,910
Provisions		3,528	2,797
Total current liabilities		462,084	383,140
Non current Liabilities			
Interest bearing liabilities		207,137	186,100
Total non-current liabilities		207,137	186,100
Total liabilities		669,221	569,240
Net assets		2,095,535	495,395
Equity			
Contributed equity	4	2,621,560	704,350
Reserves		4,530	4,500
Accumulated losses		(530,555)	(213,455)
Total equity		2,095,535	495,395

The Balance Sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 24.

**C @ LIMITED
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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**Reconciliation of movement in
equity**

Consolidated	Note	Share Capital	Reserves	Accumulated Losses	Total
Balance at 11 October 2004		-	-	-	-
Total recognised income and expenses		-	-	(8,180)	(8,180)
Shares issued		600	-	-	600
Balance at 31 December 2004		<u>600</u>	<u>-</u>	<u>(8,180)</u>	<u>(7,580)</u>
Balance at 1 July 2005		704,350	4,500	(213,455)	495,395
Total recognised income and expenses		-	-	(317,100)	(317,100)
Shares issued		2,435,600	-	-	2,435,600
Issue of options		-	30	-	30
Prospectus Costs		(518,420)	-	-	(518,420)
Balance at 31 December 2005		<u>2,621,530</u>	<u>4,530</u>	<u>(530,525)</u>	<u>2,095,535</u>

The Balance Sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 24.

C @ LIMITED
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Consolidated	Consolidated
	31 Dec 2005	31 Dec 2004
	\$	\$
Cash flows from operating activities		
Cash payments in the course of operations	(508,202)	(203,971)
Cash receipts in the course of operations	139,808	84,549
Interest received	6,047	-
Net cash (used in) operating activities	<u>(362,347)</u>	<u>(119,422)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	-	(216,725)
Payments for other investments	(12,500)	-
Net cash (used in) investing activities	<u>(12,500)</u>	<u>(216,725)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	2,435,600	600
Payments for issue of share capital	(365,360)	-
Proceeds from borrowings	201,000	353,878
Repayment of borrowings	(110,676)	(25,050)
Net cash provided by financing activities	<u>2,160,564</u>	<u>329,428</u>
Net increase / (decrease) in cash held	1,785,717	(6,719)
Cash and cash equivalents at the beginning of the financial period	111,329	-
Cash / (overdraft) at the end of the financial period	<u><u>1,897,046</u></u>	<u><u>(6,719)</u></u>

The statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 24.

**C @ LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

C@ Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the “consolidated entity”).

The condensed consolidated interim financial report was authorised and issued by the directors on 16 March 2006.

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

International Financial Reporting standards (“IFRS”) form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS (“AIFRS”) to distinguish between Australian GAAP.

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

The interim financial report is to be read in conjunction with the 30 June 2005 Annual Financial Report, however, the basis of their preparation is different due to the first time adoption of AIFRS. This report must also be report in conjunction with any public announcement by C@ Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation on how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 9. This note includes reconciliations of equity and profit and loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRS.

(b) Basis of Preparation

The financial report is presented in Australian dollars.

It has been prepared on the basis of historical costs except that the following assets and liabilities are stated at their fair value: financial instruments classified as assets for sale.

The current reporting period is the half-year ended 31 December 2005. For the income statement and statement of cash flows, the previous corresponding period is the half-year ended 31 December 2004. For the balance sheet, the previous corresponding period is 30 June 2005.

**C @ LIMITED
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The condensed consolidated interim financial report has been prepared on the basis of AIFRSs in the issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ended 30 June 2006.

The entity has elected to early adopt the following revised accounting standards:

- AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB 3 *Business Combinations*.
- AASB 2005-8 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004).
- AASB 2005-11 Amendments to Australian Accounting Standards (September 2005) amending AASB 101 *Presentation of Financial Statements*, AASB 112 *Income Taxes*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 133 *Earnings per Share*.
- UIG 4 *Determining whether an Arrangement contains a Lease*.

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

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

(c) Basis of Consolidation

Controlled Entities

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

The financial statements of controlled entities are included in the consolidated financial statements from the date control commenced until the date control ceases.

C @ LIMITED
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions eliminated on consolidation

Unrealised gains or losses and inter entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(d) Property, Plant and Equipment

Property, plant and equipment is initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued at consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years, otherwise, the costs are expensed as incurred.

(e) Depreciation of Property, Plant and Equipment

Assets are depreciated on a diminishing value basis over their estimated useful lives, commencing from the time the asset is held ready for use.

The depreciation rates or useful lives used for each class of assets for the current and comparative periods are:

Class of Fixed Assets	Depreciation Rate
Leasehold improvements	5-15%
Plant and equipment	5-15%
Leased plant and equipment	15%
Computer equipment	30-40%

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

(f) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the lease.

(g) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised but is tested annually for impairment.

(h) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy k) and deferred tax assets (see accounting policy p), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated annually.

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

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

Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Significant receivables are individually assessed for impairment.

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

(i) Employee Benefits

Annual leave

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

Share-based payment transactions

Options are issued to employees and associated entities under the Incentive Option Scheme. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using a Black Scholes model, taking into account the terms and conditions upon which they were quoted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

(j) Receivables

Trade debtors and other receivables

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

(k) Inventories

Inventories are measured at the lower of cost (determined using weighted average) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Interest Bearing Liabilities

Other liabilities

Liabilities are recognised initially at fair value less attributable transaction costs. Interest expense is calculated using the effective interest method.

(m) Revenue recognition

Goods sold and services rendered

Revenue for the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Interest income

Interest income is recorded in the income statement as it is earned, using the effective interest method.

(n) Payables

Trade and other payables

Trade and other payables are stated at cost.

(o) Segment Reporting

The consolidated entity operates in one business segment being the provision of optometry related products and services and in one geographical segment, Australia.

(p) Income Tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income Tax (continued)

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

A deferred tax asset is recognised only to the extent that is probable that the related tax benefit will be realised.

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

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

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

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

(r) Investments

Investments are classified as being available for sale and are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses. The fair value is their quoted bid price at the balance sheet date.

	Consolidated 31 Dec 2005 \$	Consolidated 31 Dec 2004 \$
2. OPERATING PROFIT		
Revenue		
Sale of goods and services	147,182	81,769
Interest Received	6,047	-
Total revenue	153,229	81,769

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. TAXATION

The prima facie tax payable on operating loss is reconciled to the income tax expense as follows:

	Consolidated 31 Dec 2005 \$	Consolidated 31 Dec 2004 \$
Operating loss before income tax	(317,100)	(8,180)
Prima Facie income tax loss on operating loss at 30%	(95,130)	(2,454)
Increase in income tax expense due to items not being deductible to future periods	(6,237)	-
Future income tax benefits not brought to account	101,367	2,454
Income tax expense attributable to operating loss	-	-

4. SHARE CAPITAL AND RESERVES

ISSUED AND PAID –UP CAPITAL

	Consolidated 31 Dec 2005 \$	Consolidated 30 June 2005 \$
28,728,000 (30 June 2005: 16,550,000) Fully paid ordinary shares	3,139,950	704,350
Share issue costs	(518,390)	-
	2,621,560	704,350

MOVEMENTS IN ORDINARY SHARES

	Number of Shares	Issued Capital \$
Balance at the beginning of the half year	16,550,000	704,350
12,178,000 ordinary shares issued to raise Capital via an Initial Public Offering.	12,178,000	2,435,600
Balance at the end of the half-year	28,728,000	3,139,950

RESERVES

	Consolidated 31 Dec 2005 \$	Consolidated 30 June 2005 \$
Share option reserve		
4,500,000, 20c options issued to Sponsoring Broker	4,500	4,500
500,000, 20c options to Director	30	-
	4,530	4,500

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. SHARE CAPITAL (Continued)

Options

The following options were issued during the period and remained unexercised at 31 December 2005:

- *IPO*
Issue of 6,089,000 free attaching options on 8 December 2005 exercisable at 20 cents each on or before 31 March 2008.

- *Incentive Option Scheme*
Issue of 500,000 options exercisable at 20 cents each on or before 31 March 2008 to Andrew Harrison.

- *Founder Options*
The granting of 12,500,000 founder options exercisable at 20 cents on or before 1 July 2010 to Kevin Holland and Andrew Gay.

5. EARNINGS PER SHARE

Classification of securities as ordinary shares

Only ordinary shares have been included in basic earnings per share.

	Consolidated 31 Dec 2005	Consolidated 31 Dec 2004
	\$	\$
Loss reconciliation		
Loss for the period	(317,100)	(8,180)
Basic loss	(317,100)	(8,180)
Basic loss per share- ordinary shares	(0.018)	(0.001)
The consolidated entity does not have any potential diluted securities on issue and therefore has not calculated or disclosed diluted loss per share.		

6. EMPLOYEE BENEFITS

Share-based payments

Subsequent to the General Meeting held on 27 July 2005, the consolidated entity established an Incentive Option Scheme. The Company granted options for no consideration over unissued ordinary shares in C@ Limited to the following directors as part of their remuneration under this Scheme:

<i>Director</i>	<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
Mr A Harrison *	500,000	\$0.20	31 March 2008

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. EMPLOYEE BENEFITS (Continued)

The terms and conditions of these options are disclosed in the most recent annual financial report.

The estimate of the fair value of the options is measured based on the Black Scholes formula. The following factors and assumptions were used in determining the fair value of options on grant date:

<i>Grant Date</i>	<i>Expiry Date</i>	<i>Fair value of Options</i>	<i>Exercise Price</i>	<i>Price of shares on grant date</i>	<i>Estimated volatility</i>	<i>Risk free interest rate</i>
2 August 2005	31 March 2008	\$0.00006	\$0.20	Nil	14.09%	5.04%

The expected volatility is based on the expected average volatility in the entity's industry.

7. RELATED PARTIES

Transactions with Directors

a) Acquisition of business operations

Effective 1 November 2004, the consolidated entity acquired certain assets, liabilities and the business operations from Seatown Nominees Pty Ltd as trustee for the Northbridge Optic Trust, an entity owned by Andrew Gay, for net purchase consideration of \$14,633.

The assets and liabilities of the operations acquired were as follows:

	\$
Plant & Equipment	200,000
Stock	150,000
Interest bearing liabilities	(335,367)
Net Purchase Consideration	<u>14,633</u>

8. SUBSEQUENT EVENTS

Granting of Options

On 7 February 2006 the consolidated entity granted 200,000 options exercisable at 20 cents on or before 31 March 2008 to the Company Secretary under the Incentive Option Scheme.

Production facility

The consolidated entity has leased a production facility in East Perth, WA under a three year lease term with rentals and outgoings of approximately \$50,000 per annum.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. EXPLANATION OF TRANSITION TO AIFRS

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

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004 and the financial statements for the year ended 30 June 2005.

In preparing its opening AIFRS balance sheet, comparative information for the period ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes below:

(i) Reconciliation of Equity

	Note	Previous GAAP	Transition Impact 31 Dec 2004	AIFRS	Previous GAAP	Transition Impact 30 June 2005	AIFRS
ASSETS							
<i>Current Assets</i>							
Cash and cash equivalents		25	-	25	111,329	-	111,329
Trade receivables		600	-	600	24,440	-	24,440
Inventories		146,432	-	146,432	151,465	-	151,465
Other		4,438	-	4,438	175,980	-	175,980
Total current assets		151,495	-	151,495	463,214	-	463,214
<i>Non-Current assets</i>							
Plant and equipment		212,417	-	212,417	225,577	-	225,577
Intangible assets	(a)	-	-	-	372,712	3,132	375,844
Total non-current assets		212,417	-	212,417	598,289	-	601,421
Total assets		363,912	-	363,912	1,061,503	-	1,064,635
LIABILITIES							
<i>Current liabilities</i>							
Bank overdraft		6,744	-	6,744	-	-	-
Payables		85,240	-	85,240	233,433	-	233,433
Provisions		-	-	-	2,797	-	2,797
Interest bearing liabilities		100,195	-	100,195	146,910	-	146,910
Total current liabilities		192,179	-	192,179	383,140	-	383,140

C @ LIMITED
AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. EXPLANATION OF TRANSITION TO AIFRS (Continued)

	Note	Previous GAAP	Transition Impact 31 Dec 2004	AIFRS	Previous GAAP	Transition Impact 30 June 2005	AIFRS
<i>Non-current liabilities</i>							
Interest - bearing liabilities		179,313	-	179,313	186,100	-	186,100
Total non-current liabilities		179,313	-	179,313	186,100	-	186,100
Total liabilities		371,492	-	371,492	569,240	-	569,240
Net Assets		(7,580)	-	(7,580)	492,263	-	495,395
<u>EQUITY</u>							
Contributed equity		600	-	600	704,350	-	704,350
Reserves		-	-	-	4,500	-	4,500
Accumulated losses	(a)	(8,180)	-	(8,180)	(216,587)	3,132	(213,455)
Total Equity		(7,580)	-	(7,580)	492,263	-	495,395

(ii) Reconciliation of net loss

	Note	Previous GAAP	Transition Impact 31 Dec 2004	AIFRS	Previous GAAP	Transition Impact 30 June 2005	AIFRS
Revenue		81,769	-	81,769	237,266	-	237,266
Cost of sales		(26,422)	-	(26,422)	(65,133)	-	(65,133)
Depreciation and amortisation expense	(a)	(4,308)	-	(4,308)	(23,058)	3,132	(19,926)
Other expenses		(59,219)	-	(59,219)	(365,662)	-	(365,662)
Loss before income tax expense	(a)	(8,180)	-	(8,180)	(216,587)	3,132	(213,455)
Income tax expense		-	-	-	-	-	-
Loss for the period		(8,180)	-	(8,180)	(216,587)	-	(213,455)

a) Amortisation of Goodwill

Under AIFRS goodwill and intangible assets with an indefinite useful life are not subject to amortisation but tested for impairment annually.

The impact on the results for the Consolidated Entity is a reduction of losses and an increase in goodwill by \$3,132 for the period ended 30 June 2005. There was no impact on the period ended 31 December 2004.

Under the previous GAAP, goodwill was amortised over 20 years.

**C @ LIMITED
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. EXPLANATION OF TRANSITION TO AIFRS (Continued)

b) Retained earnings

The effect of the above adjustments in retained earnings is as follows:

	Note	31 Dec 2004 Increase/ (decrease)	30 June 2005 Increase/ (decrease)
Accumulated loss under AGAAP previously reported		(8,180)	(216,587)
Goodwill Amortisation	(a)	-	3,132
Total AIFRS adjustments		-	3,132
Accumulated loss under AIFRS		(8,180)	(213,455)

**C @ LIMITED
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Appendix 4D

Half year report

C@ Limited	ABN 99 110 439 686
Half Year ended 31 December 2005	

Results for announcement to the market

\$A'000

Revenues from ordinary activities	Up	87% to	153
Loss from ordinary activities after tax attributable to members	Increased	3777% to	(317)
Net loss for the period attributable to members	Increased	3777% to	(317)
Dividends (distributions)	Amount per security	Franked amount per security	
Final dividend	Nil	Nil	
Interim dividend	Nil	Nil	
Previous corresponding period	N/A	N/A	

Other notes to the condensed financial statements

	Current period	Previous corresponding Period
<i>Ratios</i>		
Loss before tax / revenue		
Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	(207%)	(10%)
Loss after tax / equity interests		
Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(15%)	(1363%)
<i>NTA Backing</i>		
	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	5.9cps	(0.1)cps