

# Community Life Limited



## Financial report for the half-year ended 31 December 2008

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

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

Community Life Limited ABN 38 104 475 345

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**APPENDIX 4D**  
**Half Yearly Report**  
**Period ending 31 December 2008**

This information is provided under listing rule 4.2A.3 for the half-year period ending 31 December 2008 and includes comparative information for the half-year period ending 31 December 2007.

**Results for announcement to the market**

	Half-year ended 31 December 2008 \$	Half-year ended 31 December 2007 \$	Amount change \$	% change
Revenue from ordinary activities	9,182,212	859,055	8,323,157	968.9
Profit / (loss) from ordinary activities after tax attributed to members	(2,500,847)	(242,812)	(2,258,035)	(930.0)
Profit / (loss) for the period attributed to members	(2,500,847)	(242,812)	(2,258,035)	(930.0)
No dividends have been paid, declared or recommended by the Company during the half-year ended 31 December 2008.				

<b>Net tangible assets per security</b>		
	Half-year ended 31 December 2008 \$	Half-year ended 31 December 2007 \$
Net tangible assets per ordinary share	0.450	0.508

**Controlled entities**

Asset Trading Group Pty Limited and Kinsmen Securities Limited were acquired during the period.

**Associates and joint venture entities**

No associates or joint venture entities were acquired or disposed of during the period.

**Foreign entities**

Not applicable.

**Review report**

This report is based on accounts which have been reviewed.

Refer to the half yearly financial report attached.

**Financial report for the half-year ended 31 December 2008**

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## Directors' report

Your Directors present their report on the consolidated entity consisting of Community Life Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

### Directors

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

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

### Review of operations

The net loss for the six months was \$2.5 million, predominately attributable to a \$3.3 million impairment provision of the Company's investment in its associate RewardsCorp Limited. Revenue was up due to the sale of one of the Company's properties and revenues generated through the sale of ICT hardware during the period from our newly established subsidiary, Asset Trading Group Pty Ltd. The consolidated entity's balance sheet remains strong, with net assets of \$21.3 million including \$3.8 million in cash as at 31 December 2008.

### Asset Trading Group Pty Ltd

The Company established a subsidiary called Asset Trading Group Pty Ltd ("ATG") in August 2008. ATG is engaged in the sale of distressed Information and Communication Technology ("ICT") hardware which includes mobile phones, personal digital assistant devices (PDAs), ICT accessories, etc. ATG generally sells its stock to overseas' buyers typically in the Asian region.

### Kinsmen Securities Limited

In early December 2008 the Company completed its acquisition of Kinsmen Securities Limited ("Kinsmen"). Kinsmen is a boutique fund manager and is the responsible entity for seven registered property schemes and the manager of four unregistered property schemes. The Community Life Board is of the view that Kinsmen will provide a platform from which the Company can benefit from a property turnaround in the years to come by leveraging Kinsmen's expertise and proven track record. It is also intended that Kinsmen will work with the Company's existing properties in order to further enhance their value and the realisation of the same.

### RewardsCorp Limited

Community Life acquired a 40% stake in RewardsCorp Limited ("RewardsCorp") in October 2006, increasing its stake to 43% in May 2007 and further increasing its stake in RewardsCorp to 44% in June 2008. RewardsCorp is in the business of the design and implementation of leisure-based sales promotions, rewards programs and incentives for national and international organisations.

RewardsCorp has continued to under-perform against budget and has made a significant loss in the half-year. Whilst improved performance continues to be budgeted by its management, against the backdrop of a consumer spending slowdown and fierce competitive tension in the travel and accommodation industry generally, the Board has taken a prudent view and taken a provision for impairment against the carrying value of the investment.

### Rental Accommodation

The Company owns and manages 65 studio styled units located at its Waratah (Newcastle) site which are rented as budget and student accommodation. Occupancy levels average approximately 90% and continue to provide a stable rental return.

## Directors' report (continued)

### Lending

The Company continues to provide short-term secured loans. During the six months period loans totalling \$432,385 that had previously been provided against were recovered. One new loan provision for \$85,954 has been made in the period. Our loans are typically predicated on the borrower repaying the loan through the sale or refinancing of property held as security – the Group's provisioning approach in part acknowledges the broader issues in debt markets and an expectation that borrowers seeking to refinance will find it more difficult to do so. With the exception of the aforementioned loans, the current loan book is performing satisfactorily.

### Other Opportunities

The Company continues to consider other opportunities (related and unrelated to the Company's existing business), which may generate future sustainable growth and earnings for its shareholders and form the basis of the Company's longer term strategy.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' report for the half-year ended 31 December 2008.

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



Theodore Baker  
Managing Director  
Sydney  
27 February 2009

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of Community Life Limited:**

As lead auditor for the review of Community Life Limited for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Community Life Limited and the entities it controlled during the period.



**M D MULLER**  
Partner



**HLB Mann Judd**  
(NSW Partnership)  
Chartered Accountants

**Sydney**  
26 February 2009

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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**HALF YEARLY REPORT****INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Community Life Limited

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half year financial report of the Community Life Limited group ("the consolidated entity") which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration as set out on pages 9 to 16. The consolidated entity comprises Community Life Limited ("the company") and the entities it controlled during that half year.

**Directors' Responsibility for the Half-Year Financial Report**

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

**Auditors' Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Community Life Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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**HALF YEARLY REPORT**

**INDEPENDENT AUDITOR'S REVIEW REPORT (CONT'D)**

**Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Community Life Limited on 26 February 2009, would be in the same terms if provided to the directors as at the date of this auditors' review report.

**Conclusion**

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

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

**HLB Mann Judd  
(NSW Partnership)  
Chartered Accountants**

A handwritten signature in black ink that reads 'M. Muller'.

**M D MULLER  
Partner**

**Sydney  
27 February 2009**

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## Directors' declaration

In the Directors' opinion:

1. the financial statements and notes set out on pages 10 to 16 are in accordance with the Corporations Act 2001, including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Community Life Limited will be able to pay its debts as and when they become due and payable.

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



Theodore Baker  
Managing Director  
Sydney  
27 February 2009

**Consolidated Income Statement**  
for the half-year ended 31 December 2008

	Half-year ended	
	31 December 2008	31 December 2007
	\$	\$
<b>Continuing Operations</b>		
Revenue	9,182,212	859,055
Share of profit/(loss) of associate accounted for using the equity method	(172,515)	132,812
Cost of sales of ICT hardware	(6,403,717)	-
Cost of sales of non-current assets classified as held for sale	(701,752)	-
Impairment of investment in associate	(3,281,015)	-
Impairment of loans	(85,954)	(700,728)
Employee and Director benefits expenses	(297,809)	(253,132)
Depreciation and amortisation	(64,351)	(61,783)
Property expenses and outgoings	(119,896)	(114,512)
Consulting and professional fees	(95,066)	(69,074)
Administration expenses	(12,521)	(32,696)
Occupancy expenses	(45,435)	(43,235)
Insurance expenses	(12,410)	(22,376)
Finance costs	(11,075)	(9,826)
Telephone expenses	(6,731)	(7,715)
Other expenses	(64,762)	(26,266)
<b>Loss before income tax</b>	<b>(2,192,797)</b>	<b>(349,476)</b>
Income tax (expense)/benefit	(329,008)	106,664
<b>Loss for the period</b>	<b>(2,521,805)</b>	<b>(242,812)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(2,500,847)	(242,812)
Minority interest	(20,958)	-
	<b>(2,521,805)</b>	<b>(242,812)</b>
<b>Earnings per share attributable to equity holders of the Company:</b>		
Basic earnings per share (cents)	(5.33)	(0.52)
Diluted earnings per share (cents)	(5.33)	(0.52)

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

**Consolidated Balance Sheet**

as at 31 December 2008

	Notes	31 December 2008 \$	30 June 2008 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,844,429	4,690,561
Trade and other receivables		560,783	113,215
Inventories		-	59,090
Financial assets	3	6,957,254	4,338,386
Non-current assets classified as held for sale		-	701,752
Other assets		98,392	115,159
<b>Total current assets</b>		<b>11,460,858</b>	<b>10,018,163</b>
<b>Non-current assets</b>			
Inventories	4	6,095,876	6,066,966
Investments accounted for using the equity method	5	-	3,625,312
Property, plant and equipment		3,921,470	3,813,595
Intangible assets	6	237,739	-
Deferred tax assets		233,442	609,809
<b>Total non-current assets</b>		<b>10,488,527</b>	<b>14,115,682</b>
<b>TOTAL ASSETS</b>		<b>21,949,385</b>	<b>24,133,845</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		513,164	347,548
Employee entitlements		55,209	41,120
<b>Total current liabilities</b>		<b>568,373</b>	<b>388,668</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		87,330	134,690
<b>Total non-current liabilities</b>		<b>87,330</b>	<b>134,690</b>
<b>TOTAL LIABILITIES</b>		<b>655,703</b>	<b>523,358</b>
<b>NET ASSETS</b>		<b>21,293,682</b>	<b>23,610,487</b>
<b>EQUITY</b>			
Issued capital		23,696,428	23,696,428
Reserves		204,650	204,650
Accumulated losses		(2,791,438)	(290,591)
<b>Capital and reserves attributable to equity holders of Community Life Limited</b>		<b>21,109,640</b>	<b>23,610,487</b>
Minority interest		184,042	-
<b>TOTAL EQUITY</b>		<b>21,293,682</b>	<b>23,610,487</b>

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

**Consolidated Statement of Changes in Equity**  
for the half-year ended 31 December 2008

	<b>Attributable to members of Community Life Limited</b>					<b>Total equity</b> \$
	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Accumulated profit/(losses)</b> \$	<b>Total</b> \$	<b>Minority interest</b> \$	
<b>Balance at 1 July 2008</b>	23,696,428	204,650	(290,591)	23,610,487	-	23,610,487
Loss for the period	-	-	(2,500,847)	(2,500,847)	(20,958)	(2,521,805)
Minority interest on acquisition of subsidiary	-	-	-	-	205,000	205,000
<b>Balance at 31 December 2008</b>	<b>23,696,428</b>	<b>204,650</b>	<b>(2,791,438)</b>	<b>21,109,640</b>	<b>184,042</b>	<b>21,293,682</b>
<b>Balance at 1 July 2007</b>	23,696,428	203,450	157,750	24,057,628	-	24,057,628
Loss for the period	-	-	(242,812)	(242,812)	-	(242,812)
<b>Balance at 31 December 2007</b>	<b>23,696,428</b>	<b>203,450</b>	<b>(85,062)</b>	<b>23,814,816</b>	<b>-</b>	<b>23,814,816</b>

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

**Consolidated Cash Flow Statement**  
for the half-year ended 31 December 2008

	Half-year ended	
	31 December 2008	31 December 2007
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	7,590,655	1,106,309
Payments to suppliers and employees	(6,868,643)	(878,266)
Interest and other costs of finance paid	(11,075)	(9,826)
Interest received	172,251	19,870
<b>Net cash flows from operating activities</b>	<b>883,188</b>	<b>238,087</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(172,226)	(9,649)
Payment for acquisition of equity investment	(66,666)	(397,000)
Loans advanced	(4,179,297)	(2,127,102)
Loans repaid	1,991,818	1,952,748
Proceeds from sale of non-current assets classified as held for sale	1,000,000	-
Dividends received	171,782	-
Payment for acquisition of subsidiary, net of cash acquired	(474,731)	-
<b>Net cash flows used in investing activities</b>	<b>(1,729,320)</b>	<b>(581,003)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity securities	-	-
Payment for share issue costs	-	-
Loan proceeds from related parties	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>
Net decrease in cash and cash equivalents	(846,132)	(342,916)
Cash and cash equivalents at the beginning of period	4,690,561	1,377,574
<b>Cash and cash equivalents at the end of period</b>	<b>3,844,429</b>	<b>1,034,658</b>

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

## Notes to the consolidated financial statements

### 1. Basis of preparation of half year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Community Life Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### 2. Segment information

The Group's primary segment reporting format is business segment.

#### Products and services within each business segment

For management purposes, the Group is organised into five major operating divisions – property development, rental, lending, trading and funds management. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Property development    The development and sale of residential and commercial accommodation.
- Rental                      The rental of residential and commercial accommodation to appropriate tenants.
- Lending                     The provision of secured short term bridging, business, investment and commercial loans.
- Trading                     The sale of ICT hardware.
- Funds management      Fund manager, issuing property investment products and managing funds on behalf of investors.

	<b>Consolidated</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>\$</b>	<b>\$</b>
<b>For the half-year ended 31 December</b>		
<b>Segment revenue</b>		
Property development	1,000,000	-
Rental	237,106	237,694
Lending	1,087,851	601,491
Trading	6,633,130	-
Funds management	40,248	-
<b>Total of all segments</b>	<b>8,998,335</b>	<b>839,185</b>
Unallocated corporate revenue (bank interest received)	183,877	19,870
<b>Consolidated revenue</b>	<b>9,182,212</b>	<b>859,055</b>

**Notes to the consolidated financial statements (cont'd)****2. Segment information (cont'd)**

	<b>Consolidated</b>	
	<b>For the half-year ended 31 December</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Segment results</b>		
Property development	269,582	-
Rental	73,318	21,448
Lending	1,002,896	(99,237)
Trading	226,169	-
Funds management	(51,116)	-
<b>Total of all segments</b>	<b>1,520,849</b>	<b>(77,789)</b>
Unallocated corporate expenses net of unallocated revenue	(260,116)	(404,499)
Share of profit/(loss) from associate	(172,515)	132,812
Impairment loss from investment in associate	(3,281,015)	-
Loss before income tax	(2,192,797)	(349,476)
Income tax benefit/(expense)	(329,008)	106,664
<b>Loss for the period</b>	<b>(2,521,805)</b>	<b>(242,812)</b>

	<b>Consolidated</b>	
	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
<b>3. Financial assets</b>		
Loans carried at amortised cost – secured	6,957,254	4,338,386
<b>4. Inventory property</b>		
Development projects at cost	6,095,876	6,066,966
<b>5. Investments accounted for using the equity method</b>		
Shares in associate – RewardsCorp Ltd	-	3,625,312

Movement in the carrying value of the consolidated entity's investment accounted for using the equity method is as follows:

Balance at the start of the period	3,625,312
Dividend received	(171,782)
Share of loss after income tax	(172,515)
Impairment	(3,281,015)
Balance at the end of the period	-

Operating results for RewardsCorp Ltd have been significantly worse than those budgeted with the associate producing a loss for the half-year ended 31 December 2008. In view of the continued economic downturn, the Board is unable to estimate when the associate will return to profit and therefore has recognised a full impairment loss.

No deferred tax asset for this impairment loss was recognised as the Directors are unable to state that it is probable the tax benefit will be realised.

**Notes to the consolidated financial statements (cont'd)****6. Business combination**

On 2 December 2008, Community Life Limited acquired 59% of the issued shares in Kinsmen Securities Limited, an unlisted public company based in South Australia specialising in funds management, and issuing property investment products.

The acquired business contributed revenues of \$40,248 and a net loss of \$51,116 to the Group for the period from 2 December 2008 to 31 December 2008. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated loss for the half-year ended 31 December 2008 would have been \$9,517,333 and \$2,431,331 respectively.

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

<u>Purchase consideration</u>	\$
Cash paid	500,000
Direct costs relating to the acquisition	32,739
Total purchase consideration	<u>532,739</u>
Fair value of net identifiable assets acquired (refer below)	295,000
Goodwill	<u>237,739</u>

The goodwill is attributable to Kinsmen Securities Limited's established position in property funds management and the opportunities that this will generate for the subsidiary in future periods.

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

	Acquiree's carrying amount \$	Fair value \$
Cash	58,008	58,008
Receivables	452,501	452,501
Loans	81,456	81,456
Trade creditors	(68,871)	(68,871)
Other creditors	(19,710)	(19,710)
GST payable	(3,384)	(3,384)
Net assets	<u>500,000</u>	<u>500,000</u>
Minority interest		<u>(205,000)</u>
Net identifiable assets acquired		<u>295,000</u>

**7. Contingent liabilities and contingent assets**

The consolidated entity has no material contingent liabilities or contingent assets as at 31 December 2008.

**8. Subsequent events**

There has not been any matter or circumstance that has arisen since the end of the half-year period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

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