TechStar Limited

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ABN 49 089 206 986
ASX Code: TSR

Appendix 4D

For the half year ended 31 December 2005

Appendix 4D

Name of entity

TechStar Limited

ABN or equivalent company reference	Half Year ended ('current period')
ABN 49 089 206 986	**31 December 2005**

Results for announcement to the market

			A$
Total Revenues	Down	56% to	**5,552**
Net loss for the period attributable to members	Up	59% to	**(465,391)**

Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Previous corresponding period		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

Brief explanation of any of the figures reported above:
Refer to review of operations in the attached documents

Net tangible asset backing	Current year	Previous year
Net tangible asset backing per ordinary security	**(0.17) cents**	(13.2) cents

Earnings per share	Current year	Previous year
Basic loss per share (cents)	**0.8**	2.7
Diluted loss per share (cents)	**0.8**	2.7
Weighted average number of shares used in calculating basic loss per share	**56,419,652**	42,373,548
Weighted average number of shares used in calculating diluted loss per share	**58,455,533**	44,696,015
The amount used in the numerator in calculating basic earnings per share is the same as the net loss attributable to members reported in Income Statement.		
The calculation of diluted earnings per share involves adjusting basic earnings per share to reflect the existence of dilutive securities. This implies adjustments to increase the denominator to reflect that more shares would be on issue if conversion occurred.		

Change in composition of entity

On 16th December 2005 TechStar Limited completed its acquisition of Ipoh Pacific Limited and Exnox Technologies Limited.

Details of associates and joint venture entities

The reporting entity does not hold any equity in an associate or joint venture entity.

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2005

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

John Boyd Reid *(Chairman)*
Brian Peter Jones *(Non-Executive Director, Company Secretary)*
John William Laurie *(Non-Executive Director)*
Paul James Byrne *(Non-Executive Director)* Appointed 29 November 2005
Peter Alexander Ziegler *(Non-Executive Director)* Appointed 29 November 2005
Christopher Paul Dredge *(Non-Executive Director)* Appointed 29 November 2005

REVIEW AND RESULTS OF OPERATIONS

The major activity for the Company during the half year was the acquisition of Ipoh Pacific Limited and Exnox Technologies Limited, and the accompanying financial restructure of TechStar.

IPOH and Exnox have been collaborating with leading Australian and overseas research organizations for over five years to develop innovative low-cost clay-based environmental remediation, public health and improved crop yield technologies.

IPOH currently owns, jointly owns, or has exclusive worldwide rights to exploit several environmental technologies, which are at varying stages of development. The technologies are based on the properties of the mineral, bentonite, which is used world-wide as a filtering and moisture absorption agent because of its fine molecular structure.

As part of the acquisition, the directors of TechStar converted loans which they had making to the Company, totaling $2.785 million, and accrued fees and expenses totaling over $900,000, into shares to eliminate a substantial liability. The conversion was made at a share price of 15 cents.

In addition, third parties who had lent funds to the Company totaling $1million converted their loans into shares at a share price of 12 cents.

The transaction therefore provided TechStar with a strong, lowly-geared, financial structure.

The next six months will see the Company focussed on taking up to three of the bentonite technologies to the commercial market, working towards acquisition of, and development of, the Mantuan Downs bentonite mine under the farm-in agreement, and disposing of the two remaining original technologies, Reomate and SportzWhistle.

AUDITOR'S INDEPENDENCE DECLARATION

The directors have obtained an independence declaration from our auditors Ernst & Young as attached at page 23.

Signed in accordance with a resolution of the directors.

John B. Reid AO
Chairman, Brisbane 16 March 2006

CONDENSED INCOME STATEMENT

HALF YEAR ENDED 31 DECEMBER 2005	Notes	Consolidated 2005 $	Consolidated 2004 $
Revenue	2	5,552	12,572
Cost of sales		-	(9,774)
Gross profit (loss)		5,552	2,798
Other income	2	44,864	11,774
Gains (losses) on disposal of assets	3	5,909	-
Employee benefits expense	3	(166,150)	(334,864)
Depreciation and amortisation expenses		(5,365)	(10,696)
Impairment of assets	3	-	(238,786)
Research and development costs		(14,974)	(25,300)
Finance Costs	3	(32,506)	(198,854)
Administration expenses	3	(302,721)	(346,109)
PROFIT(LOSS) BEFORE INCOME TAX		(465,391)	(1,140,037)
Income tax expense		-	-
PROFIT(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(465,391)	(1,140,037)

	cents	cents
Basic loss per share	(0.8)	(2.7)
Diluted loss per share	(0.8)	(2.7)

CONDENSED BALANCE SHEET

HALF YEAR ENDED 31 DECEMBER 2005	Notes	Consolidated 31 December 2005 $	Consolidated 30 June 2005 $
CURRENT ASSETS			
Cash and cash equivalents		170,723	47,811
Trade and other receivables	4	98,740	91,337
TOTAL CURRENT ASSETS		269,463	139,148
NON-CURRENT ASSETS			
Other financial assets		-	-
Deferred income tax asset		-	-
Property, plant and equipment		46,753	10,417
Intangible assets		8,306,579	147,073
TOTAL NON-CURRENT ASSETS		8,353,332	157,490
TOTAL ASSETS		8,622,795	296,638
CURRENT LIABILITIES			
Trade and other payables	5	1,485,230	1,815,522
Other financial liabilities	6	57,438	3,933,256
Income tax payable		-	-
Provisions	7	24,555	31,813
TOTAL CURRENT LIABILITIES		1,567,223	5,780,591
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		-	-
Financial liabilities	6	655,143	565,000
TOTAL NON-CURRENT LIABILITIES		655,143	565,000
TOTAL LIABILITIES		2,222,366	6,345,591
NET ASSETS (DEFICIENCY)		6,400,429	(6,048,953)
EQUITY			
Parent entity interest			
Contributed equity	8	19,676,275	6,761,502
Reserves		-	-
Accumulated losses	1(f)(vii)	(13,275,846)	(12,810,455)
Total parent entity interest		6,400,429	(6,048,953)
Minority interest	1(f)(vii)	-	-
TOTAL EQUITY		6,400,429	(6,048,953)

CONDENSED STATEMENT OF CHANGES IN EQUITY

HALF YEAR ENDED 31 DECEMBER 2005	Notes	Consolidated 2005 $	Consolidated 2004 $
TOTAL EQUITY AT THE BEGINNING OF THE PERIOD		(6,048,953)	(4,556,280)
NET INCOME(EXPENSE) RECOGNISED DIRECTLY IN EQUITY		-	-
PROFIT (LOSS) FOR THE PERIOD		(465,391)	(1,140,037)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD		(465,391)	(1,140,037)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		12,914,773	2,017,274
Dividends provided for or paid		-	-
		12,914,773	2,017,274
TOTAL EQUITY AT THE END OF THE PERIOD		6,400,429	(3,679,043)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ATTRIBUTABLE TO			
Equity holders of the parent	1(f)(viii)	(465,391)	(1,140,037)
Minority interest		-	-
		(465,391)	(1,140,037)

CONDENSED CASH FLOW STATEMENT

HALF YEAR ENDED 31 DECEMBER 2005	Notes	Consolidated 2005 $	Consolidated 2004 $
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		60,856	161,933
Payments to suppliers and employees		(793,261)	(660,167)
Interest received		5,552	96
Borrowing costs		(2,526)	(16,370)
Research and development expenditure		(14,974)	(300)
Government grants		41,466	11,563
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		(702,887)	(503,245)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant, equipment and financial assets		9,307	-
Acquisition of plant and equipment		(41,701)	-
Acquisition of subsidiaries		(157,720)	
Loans to associates		(9,788)	-
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(199,902)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		970,000	110,888
Proceeds from borrowings		55,701	360,000
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		1,025,701	470,888
NET INCREASE/(DECREASE) IN CASH HELD		122,912	(32,357)
Add opening cash brought forward		47,811	(123,276)
CLOSING CASH CARRIED FORWARD	10	170,723	(155,633)

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report ofTechStar Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by TechStar Limited and its controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly.

A summary of the significant accounting policies of the group under AIFRS are disclosed in Note 1(d) below.

(c) Going Concern

The consolidated entity has incurred a net loss attributable to members of $465,391 during the current half year and at 31 December 2005 has a deficiency in net current assets of $1,297,760. Notwithstanding this, the financial report has been prepared on a going concern basis as the directors believe that the company and the consolidated entity continue to be going concerns and that they will be able to pay their debts as and when they fall due for a period of 12 months from the date of signing this report due to the following:

- Further capital raising following the Ipoh Pacific Limited/Exnox Technology Limited transaction.
- Capital raising for the Augen Technologies project is expected to yield in excess of $5m, which would be adequate to cover the costs of the business.
- Continued exploration of options for the sale of the intellectual property and income generated from the commercialisation of the Ipoh Pacific Limited and Exnox Technologies Limited projects.
- Continued exploration of options for the sale of the intellectual property and income generated from the commercialisation of the Ironbar and SportzWhistle project.

However, should the anticipated sales of products and capital raisings not generate sufficient revenues and cash flows as expected, the company and consolidated entity may not be able to pay their debts as and when they become due and payable and they may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(d) Summary of significant accounting policies

(i) Basis of consolidation
The consolidated financial statements comprise the financial statements of TechStar Limited and its subsidiaries ('the Group'). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany

balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.
Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which TechStar Limited has control. Subsidiary acquisitions are included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date.

(ii) Investment in associate
Where the group has an investment in its associate it is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.
The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies. The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

(iii) Interest in joint venture operation
Where the group has an interest in a joint venture operation it is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

(iv) Foreign currency translation
Both the functional and presentation currency of TechStar Limited and its Australian subsidiaries is Australian dollars (A$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.
All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.
Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.
Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(v) Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.
Land and buildings are measured at fair value less accumulated depreciation.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:
Plant and equipment – over 3 to 5 years
Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.
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.
If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.
The recoverable amount of plant and equipment is the greater of 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.
Revaluations
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.
Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.
Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.
Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.
An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.
In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.
Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.
Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(vi) Borrowing costs
Borrowing costs are recognised as an expense when incurred.

(vii) Investment properties
Initially, investment properties are measured at cost including transaction costs.
Subsequent to initial recognition investment properties are stated at fair value.
Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.
Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.
Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

(viii) Goodwill
Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Goodwill is not amortised.
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.
Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.
Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.
Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.
Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(ix) Intangible assets
Acquired both separately and from a business combination
Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.
The useful lives of these intangible assets are assessed to be either finite or indefinite.
Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'amortisation expenses' line item. Amortisation is calculated on a straight line basis over a period of 20 years being the assessed useful life of the intangible assets.
Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.
Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.
Research and development costs
Research costs are expensed as incurred.
Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.
Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.
Any expenditure carried forward is amortised over the period of expected future sales from the related project.
The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.
A summary of the policies applied to the Group's intangible assets is as follows:
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(x) Recoverable amount of assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.
Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.
Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(xi) Investments
All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.
After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value.
Gains or losses on investments held for trading are recognised in the income statement.
Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.
Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.
Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.
For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.
For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.
For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.
Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(xii) Inventories
Inventories are valued at the lower of cost and net realisable value.
Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Raw materials – purchase cost on a first-in, first-out basis;
Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(xiii) Trade and other receivables
Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.
An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(xiv) Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.
For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(xv) Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.
Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(xvi) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.
If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xvii) Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.
Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.
Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(xviii) Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:
Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.
Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.
Dividends
Revenue is recognised when the shareholders' right to receive the payment is established.

(xix) Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.
When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.
Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(xx) Income tax
Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred income tax liabilities are recognised for all taxable temporary differences:
- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:
- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.
Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xxi) Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:
• where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
• receivables and payables are stated with the amount of GST included.
The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.
Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xxii) Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(xxiii) Derivative financial instruments
The Group may use derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.
The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.
For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.
In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.
Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.
In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.
When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.
For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.
For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.
At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.
If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(e) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations
AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the transition to AIFRS).

Share-based payment transactions
AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002

that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139
The Group has not elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

(f) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

The key implications of the conversion to AIFRS on the group are as follows:

i. AASB 3 Business Combinations requires that goodwill be subject to annual impairment testing. Any goodwill previously recognised by the group had been fully amortised prior to the introduction of this standard. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 31 December 2005.

ii. AASB 112 Income Taxes. Income tax is calculated based on the "balance sheet" approach, which can result in more deferred tax assets and liabilities and as the tax effect follows the underlying transaction, some tax effects will be recognised in equity. The aggregate amounts of current or prior year income tax expense/(income) and deferred tax assets have not been recognised in the statement of financial position or the statement of financial performance. It is not considered probable that future taxable amounts will be available against which the unused tax losses can be utilised. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 31 December 2005.

iii. AASB 136 Impairment of Assets. Impairments of assets will be determined on a fair value less costs to sell or on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired. The carrying values of all applicable assets had been written down to a recoverable amount of nil prior to the introduction of this standard. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 31 December 2005.

iv. AASB 138 Intangible Assets requires that costs incurred in the research phase of the development of an internally generated intangible asset would be expensed. Intangible assets previously recognised by the group had been fully amortised prior to the introduction of this standard. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 31 December 2005.

v. AASB 139 Financial Instruments: Recognition and Measurement. Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets, except loans and receivables, must be carried at fair value. The net fair value approximates the carrying value of all financial assets and financial liabilities. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 31 December 2005.

vi. AASB 127 Consolidated and Separate Financial Statements requires the excess of accumulated losses over equity attributable to minority interest to be adjusted against the parent ownership group’s interest unless the minority has a binding obligation to, and is able to, make good the losses. In contrast, AASB 1024 Consolidated Accounts prohibits the excess from being adjusted against the parent ownership group’s interest unless the parent agrees to bear the responsibility for the losses.

(vii) Reconciliation of total equity after tax as presented under AGAAP to that under AIFRS

		Consolidated		
		30 Jun-05	**31 Dec-04**	**1 Jul-04**
		$'000s	**$'000s**	**$'000s**
Total equity under AGAAP		(6,048,952)	(5,583,434)	(4,556,280)
Adjustments to accumulated losses:				
Minority Interest loss attributable to the parent	(a)	(3,656,476)	(3,732,164)	(3,286,310)
		-	-	-
		(9,705,428)	(9,315,598)	(7,842,590)
Adjustments to outside equity interest				
Minority Interest loss attributable to the parent	(a)	3,656,476	3,732,164	3,286,310
Total equity under AIFRS		(6,048,952)	5,583,434	(4,556,280)

(a) Under AASB 127 Consolidated and Separate Financial Statements losses applicable to the minority interest shareholders which reduce the minority interest to a debit/negative balance are allocated against the majority interest shareholders, except to the extent the minority has a binding obligation and is able to make an additional investment to cover the losses. Under previous AGAAP, losses were attributed to the minority interest shareholders even when it resulted in a debit/negative minority interest balance.

(viii) Reconciliation of profit after tax as presented under AGAAP to that under AIFRS

		Consolidated	
		Year ended 30 Jun-05	**Half-Year ended 31 Dec-04**
		$	**$**
Loss after tax attributable to members of the parent as previously reported		(1,345,395)	(694,188)
Minority Interest adjustment	(a)	(370,166)	(445,849)
Loss after tax under AIFRS		(1,715,561)	(1,140,037)

(a) Under AASB 127 Consolidated and Separate Financial Statements losses applicable to the minority interest shareholders which reduce the minority interest to a debit/negative balance are allocated against the majority interest shareholders, except to the extent the minority has a binding obligation and is able to make an additional investment to cover the losses. Under previous AGAAP losses were attributed to the minority even when it resulted in a debit/negative minority interest balance.

(ix) Explanations of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

		Notes	Consolidated 2005 $	Consolidated 2004 $
2	**REVENUE**			
	Revenue			
	Sale of goods		-	12,572
	Rendering of Services		-	-
	Interest		5,552	-
			5,552	12,572
	Other income			
	Compensation for impairment(loss) of property, plant and equipment		3,398	-
	Government grants		41,466	11,563
	Other			211
			44,864	11,774
3	**ITEMS INCLUDED IN PROFIT (LOSS)**			
	Gains(losses) on disposal of asssets			
	Property, plant and equipment		5,909	-
	Employee benefits expense			
	Wages and salaries		151,006	314,659
	Defined contribution plans		15,144	20,205
			166,150	334,864
	Impairment of assets			
	Impairment losses recognised in profit or loss:			
	- diminution in value of loans receivable		-	238,786
			-	238,786
	Finance Costs			
	Interest expense		32,465	198,854
	Other borrowing costs		41	-
			32,506	198,854
	Other expenses			
	Bad debts written off		200	-
	Foreign currency exchange differences		54	-
	Administration expenses		302,467	346,109
			302,721	346,109
	Specified directors and specified executives			
	Interest expense from transactions with directors		29,979	184,958

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated 31 December 2005 $	Consolidated 30 June 2005 $
4 TRADE AND OTHER RECEIVABLES			
Current			
Trade accounts receivable		4,491	21,621
		4,491	21,621
Amounts receivable from related parties:			
Loans to directors/related parties		57,240	857
Other receivables		985	47,580
Prepayments		36,024	21,279
		98,740	91,337
5 TRADE AND OTHER PAYABLES			
Current			
Trade accounts payable		725,895	830,323
Amounts payable to related parties - directors		759,335	985,199
		1,485,230	1,815,522
6 OTHER FINANCIAL LIABILITIES			
Current			
Unsecured borrowings			
- bank overdraft		-	17
- director related entities		23,051	-
- other entities		30,440	-
Secured borrowings			
- finance lease liabilities		3,947	2,610
- director related entities		-	2,880,977
- other entities		-	1,049,652
		57,438	3,933,256
Non-current			
Secured borrowings			
- secured lease liability - finance lease		25,164	-
- director related entities		629,979	565,000
- other		-	-
		655,143	565,000
7 PROVISIONS			
Current			
Employee benefits		24,418	31,676
Warranty provision		137	137
		24,555	31,813

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated 31 December 2005 $	Consolidated 30 June 2005 $
8 CONTRIBUTED EQUITY			
(a) Issued and paid up capital			
Ordinary shares fully paid		20,276,385	7,361,612
Less: Equity raising costs		(600,110)	(600,110)
		19,676,275	6,761,502

(b) Movements in shares on issue (parent)

	31 December 2005		30 June 2005	
	Number of shares	**$**	**Number of shares**	**$**
Beginning of financial year	43,996,697	6,761,502	41,747,943	6,538,
Issued during year				
- shares issued to other parties including employees	142,754,909	12,914,773	2,017,274	202,
- employee share options exercised	-	-	231,480	20,
End of the financial year	186,751,606	19,676,275	43,996,697	6,761,

9 CHANGE IN COMPOSITION OF ENTITY

(a) Acquisition of Ipoh Pacific Limited

On 16 December 2005, TechStar Limited acquired 100% of the voting shares of Ipoh Pacific Limited.

In connection with the business combination, TechStar Limited paid $225,000 cash consideration and issued 80,000,000 ordinary shares with a fair value of $0.072 each based on the published price of TechStar Limited shares at the date of acquisition.

From the date of acquisition, Ipoh Pacific Limited contributed $Nil to the net profit or loss of the Group.

Amounts of classes of acquiree’s assets, liabilities and contingent liabilities recognised at acquistion date:

	Carrying value immediately before acquisition	Amounts recognised at acquisition date
	$	$
Cash and cash equivalents	67,280	67,280
Trade and other receivables	55,894	55,894
TOTAL CURRENT ASSETS	123,174	123,174
Receivables		
Other financial assets		
Property, plant and equipment	728	728
Intangible assets - intellectual property	6,697	6,676,807
TOTAL NON-CURRENT ASSETS	7,425	6,677,535
TOTAL ASSETS	130,599	6,800,709
Trade and other payables	767,027	767,027
TOTAL CURRENT LIABILITIES	767,027	767,027
Secured Loans		
Unsecured Loans		
Lease Liabilites		
Provision for employee benefits		
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABLITIES	767,027	767,027
NET ASSETS	(636,428)	6,033,682
Cost of Combination/Consideration:		
Cash and cash equivalents		225,000
TechStar Limited ordinary shares issued at fair value		5,760,000
Costs directly attributable to acquisition:		
Professional fees		12,772
Stamp Duty		35,910
Total consideration		6,033,682
Cashflow on acquisition is as follows:		
Net cash acquired with subsidiary		67,280
Cash paid		(225,000)
Net cashflow		(157,720)

9 CHANGE IN COMPOSITION OF ENTITY (continued)

(b) Acquisition of Exnox Technologies Limited

On 16 December 2005, TechStar Limited acquired 100% of the voting shares of Exnox Technologies Limited.

In connection with the business combination, TechStar Limited issued 20,000,000 ordinary shares with a fair value of $0.072 each based on the published price of TechStar Limited shares at the date of acquisition.

From the date of acquisition, Exnox Technologies Limited contributed $Nil to the net profit or loss of the Group.

Amounts of classes of acquiree's assets, liabilities and contingent liabilities recognised at acquistion date:

	Carrying value immediately before acquisition $	Amounts recognised at acquisition date $
Cash and cash equivalents	3,196	3,196
Trade and other receivables	526	526
TOTAL CURRENT ASSETS	3,722	3,722
Receivables		
Other financial assets		
Property, plant and equipment	1,371	1,371
Intangible assets - intellectual property	2,665	1,498,471
TOTAL NON-CURRENT ASSETS	4,036	1,499,842
TOTAL ASSETS	7,758	1,503,564
Trade and other payables	28,800	28,800
TOTAL CURRENT LIABILITIES	28,800	28,800
Secured Loans		
Unsecured Loans	23,051	23,051
Lease Liabilites		
Provision for employee benefits		
TOTAL NON-CURRENT LIABILITIES	23,051	23,051
TOTAL LIABLITIES	51,851	51,851
NET ASSETS	(44,093)	1,451,713
Cost of Combination/Consideration:		
Cash and cash equivalents		-
TechStar Limited ordinary shares issued at fair value		1,440,000
Costs directly attributable to acquisition:		
Professional fees		3,073
Stamp Duty		8,640
Total consideration		1,451,713
Cashflow on acquisition is as follows:		
Net cash acquired with subsidiary		3,196
Cash paid		-
Net cashflow		3,196

10 ADDITIONAL INFORMATION

Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	Notes	Consolidated 2005 $	Consolidated 2004 $
Cash balance comprises:			
- cash on hand and at bank		170,723	193
- short term deposits		-	-
		170,723	193
- bank overdraft		-	(155,826)
Closing cash balance		170,723	(155,633)

11 SEGMENT REPORTING

The following table represents the revenue and operating profit from continuing operations for each of the business segments for the half-year periods ended 31 December 2005 and 31 December 2004.

	Reo-Mate	SportzWhistle	CPR Ezy	Other /Corporate	Total
31 December 2005					
Segment revenue	30,312	11,586	-	14,427	56,325
Segment result	(87,280)	(13,210)	(122,488)	(242,413)	(465,391)
31 December 2004					
Segment revenue	-	-	24,135	211	24,346
Segment result	(123,388)	(552,881)	(246,841)	(216,927)	(1,140,037)

12 CONTINGENT ASSETS AND LIABILITES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

13 EVENTS AFTER THE BALANCE SHEET DATE

There are no events that have arisen subsequent to 31 December 2005 that would have a material effect on the financial statements for the period.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of TechStar Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

- (i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Board

Brian Jones
Director

Brisbane, 16 March 2006

ERNST & YOUNG

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Brisbane QLD 4001

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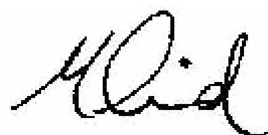
Auditor's Independence Declaration to the Directors of TechStar Limited

In relation to our review of the financial report of TechStar Limited for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young



Mike Reid
Partner
16 March 2006

Liability limited by a scheme approved under
Professional Standards Legislation.

ERNST & YOUNG

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Independent review report to members of TechStar Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both TechStar Limited (the company) and the entities it controlled during the half-year, and the directors' declaration for the company, for the half-year ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", 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.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, 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 the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present 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.

A review is limited primarily to inquiries of company 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 is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Liability limited by a scheme approved under
Professional Standards Legislation.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising TechStar Limited and the entities it controlled during the half-year is not in accordance with:

(a) the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the financial position of the consolidated entity 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 financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement above, attention is drawn to the following matter. As described in Note 1(c) “Going Concern”, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report of the consolidated entity does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Mike Reid
Partner
Brisbane
16 March 2006