

City Pacific Limited ACN 079 453 955

Half-Year Financial Report

31 December 2002



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City Pacific Limited ACN 079 453 955

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of City Pacific Limited (“the company” or “City Pacific”), for the half-year ended 31 December 2002 and the review report thereon.

Directors

The Directors of the company during or since the end of the half-year are:

<i>Name</i>	<i>Period of directorship</i>
Ian William Donaldson <i>Chairman</i> <i>Non-executive Director</i>	Chairman since 1997
Philip Keith Sullivan <i>Managing Director</i>	Director since 1997
Thomas William Swan <i>Non-executive Director</i>	Director since 1997
Stuart Handley Kissick <i>Executive Director</i>	Director since 1997

Principal activities

The principal activities of the company during the half-year were to act as Responsible Entity and manager of three registered schemes (City Pacific Mortgage Trust, City Pacific Managed Fund and City Pacific Private Fund), and to invest in managed investment schemes and other investments.

Review and results of operations

The net profit after income tax and outside equity interests of consolidated entity for the half-year was \$5,871,762 (2001: \$1,260,091).

Funds under management grew from \$179 million at 30 June 2002 to \$350 million at 31 December 2002, resulting in increased management fees earned from acting as responsible entity.

Subsequent event

On 20 January 2003, a controlled entity in which City Pacific Limited holds a 56.7% interest, CP1 Limited, listed on the Australian Stock Exchange. City Pacific owns 10,000,000 shares in CP1 Limited which are being carried in the statement of financial position at their cost of \$250,000 or 2.5 cents each. City Pacific also owns 6,000,000 options for CP1 Limited. Since listing CP1 Limited shares have traded at an average of \$2.39 per share.

The financial effects of the above event have not been brought to account in the consolidated entity financial statements for the half-year ended 31 December 2002.

Dated at Brisbane this 4th day of March 2003.

Signed in accordance with a resolution of the directors:

.....
P K Sullivan
Managing Director



City Pacific Limited ACN 079 453 955

STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF-YEAR ENDED 31 DECEMBER 2002

	Note	2002 \$	2001 \$
Revenue from rendering of services		9,999,446	2,783,247
Other revenue from ordinary activities		661,771	155,349
Total revenue		<u>10,661,217</u>	<u>2,938,596</u>
Expenses from ordinary activities:			
Employee expenses		(509,445)	(337,412)
Occupancy expenses		(81,805)	(19,295)
Depreciation		(24,564)	(31,200)
Commissions and professional fees		(811,715)	(226,515)
Advertising and promotion fees		(577,405)	(286,811)
Other expenses from ordinary activities		(246,577)	(237,272)
Gain on deconsolidation of controlled entity		77,491	-
Share of net losses of associates accounted for using the equity method		<u>(93,832)</u>	<u>-</u>
Profit from ordinary activities before related income tax expense		8,393,365	1,800,091
Income tax expense relating to ordinary activities		<u>(2,522,912)</u>	<u>(540,000)</u>
Net profit after related income tax expense		<u>5,870,453</u>	<u>1,260,091</u>
Net loss attributable to outside equity interests		<u>1,309</u>	<u>-</u>
Net profit attributable to members of the parent entity		<u>5,871,762</u>	<u>1,260,091</u>
Non-owner transaction changes in equity			
Net increase/(decrease) in retained earnings on initial adoption of:			
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	2	<u>2,056,250</u>	<u>-</u>
Total changes in equity from non-owner related transactions attributable to members of the parent entity		<u>7,928,012</u>	<u>1,260,091</u>
Basic earnings per share		<u>9.98 cents</u>	<u>10.73 cents</u>
Diluted earnings per share		<u>6.80 cents</u>	<u>10.54 cents</u>

The statement of financial performance is to be read in conjunction with the notes to and forming part of the financial statements.



City Pacific Limited ACN 079 453 955

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2002

	Note	31 December 2002 \$	30 June 2002 \$
Current assets			
Cash assets		283,350	2,257,232
Receivables		5,471,296	1,477,490
Other financial assets		9,125,685	7,861,635
Total current assets		<u>14,880,331</u>	<u>11,596,357</u>
Non-current assets			
Receivables		4,619,767	296,035
Property, plant and equipment		119,320	93,382
Investments accounted for using the equity method		78,311	152,143
Deferred tax assets		42,495	61,293
Other financial assets		3,352,236	3,198,827
Total non-current assets		<u>8,212,129</u>	<u>3,801,680</u>
Total assets		<u>23,092,460</u>	<u>15,398,037</u>
Current liabilities			
Payables		1,820,005	1,086,958
Current tax liabilities		3,517,215	1,563,563
Provisions		60,000	2,110,661
Total current liabilities		<u>5,397,220</u>	<u>4,761,182</u>
Total liabilities		<u>5,397,220</u>	<u>4,761,182</u>
Net assets		<u>17,695,240</u>	<u>10,636,855</u>
Equity			
Contributed equity	3	3,260,351	2,691,388
Retained profits	4	7,095,341	1,223,579
Total parent entity interest		<u>10,355,692</u>	<u>3,914,967</u>
Outside equity interest		7,339,548	6,721,888
Total Equity		<u>17,695,240</u>	<u>10,636,855</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements.



City Pacific Limited ACN 079 453 955

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2002

	2002 \$	2001 \$
Cash flows from operating activities		
Receipts from customers	6,465,583	2,802,777
Interest received	142,423	113,812
Dividends received	1,600	-
Distributions received	32,744	-
Cash payments to suppliers and employees	(1,366,714)	(1,785,495)
Income tax paid	(550,462)	(41,320)
Net cash provided by/(used in) operating activities	<u>4,725,174</u>	<u>1,089,774</u>
Cash flows from investing activities		
Loans to associated entities	(1,814,210)	-
Loans to other entities	(2,509,122)	-
Acquisition of shares in listed company	(148,482)	-
Payment for investment in associate	(20,000)	-
Payment for investment in unassociated entity	(50,000)	-
Payments for investments in managed investment schemes	(4,802,908)	(956,108)
Redemption of investments in managed investment schemes	3,571,882	-
Payments for property, plant and equipment	(54,989)	(77,337)
Net cash provided by/(used in) investing activities	<u>(5,827,829)</u>	<u>(1,033,445)</u>
Cash flows from financing activities		
Proceeds from issue of shares	568,963	-
Proceeds from the issue of shares to outside equity interests	617,660	-
Dividends paid	(2,057,850)	-
Net cash provided by/(used in) financing activities	<u>(871,227)</u>	<u>-</u>
Net increase/(decrease) in cash held	(1,973,882)	56,329
Cash at beginning of the financial year	<u>2,257,232</u>	<u>25,261</u>
Cash at the end of the financial year	<u>283,350</u>	<u>81,590</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements.



City Pacific Limited ACN 079 453 955

NOTES TO THE FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2002

1. Statement of accounting policies

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

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2002 Annual Financial Report and any public announcements by City Pacific and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as disclosed in Note 2, are consistent with those applied in the 30 June 2002 Annual Financial Report.

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

2. Changes in accounting policy

Provisions, contingent liabilities and contingent assets

The consolidated entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (issued in October 2001) for the first time from 1 July 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year.

The adjustments to the financial report as at 1 July 2002 as a result of this change are:

- \$2,056,250 increase in opening retained profits
- \$2,056,250 decrease in provision for dividends.

There was no impact on profit for the reporting period to 31 December 2002.

Had the new accounting policy always been applied, there would have been an effect on the consolidated retained profits as at the end of the corresponding comparative half-year. Consolidated provision for dividends would have been decreased by \$940,000 and consolidated retained earnings would have increased by \$940,000 as at 31 December 2001.



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NOTES TO THE FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2002

3. Contributed equity	31 December 2002	30 June 2002
	\$	\$
<i>Ordinary shares</i>		
Issued and paid-up share capital 59,313,000 (30 June 2002: 58,750,000) ordinary shares, fully paid	3,260,351	2,691,388

Contributed equity increased by \$568,963 as a result of the exercise of 546,435, \$1 options and the issue of 16,565 fully paid ordinary shares at \$1.36 each, during the half-year.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

	Options (1)	Options (2)
	#	#
(b) Options		
Balance at the beginning of half-year	19,583,165	35,250,008
- Options exercised during the half-year	-	(546,435)
Balance at end of year	19,583,165	34,703,573

(1) – exercisable at \$0.30 each from 2 July 2004 to 2 July 2006.

(2) – exercisable at \$1.00 each from 1 September 2002 to 1 September 2006.

4. Retained profits	31 December 2002	31 December 2001
	\$	\$
Retained profits at the beginning of the half-year	1,223,579	186,344
Net profit attributable to members of the parent entity	5,871,762	1,260,091
Net effect of initial adoption of: AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	2,056,250	-
Dividends	(2,056,250)	(940,000)
Retained profits at the end of the half-year	7,095,341	506,435



City Pacific Limited ACN 079 453 955

NOTES TO THE FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2002

5. Dividends

During the reporting period, City Pacific Limited has paid for dividends as follows:

	2002	2001
	\$	\$
Final dividend:		
On ordinary shares, paid 30 September 2002	2,056,250	-
Interim dividend:		
On ordinary shares, paid 28 February 2002	<u>-</u>	<u>940,000</u>
	<u>2,056,250</u>	<u>940,000</u>

Subsequent to reporting date:

Since 31 December 2002, the directors have declared an interim dividend of 6 cents per ordinary share payable on 28 February 2003, totalling \$3,558,780.

The financial effect of this dividend has not been brought to account in the consolidated entity financial statements for the period ended 31 December 2002.

6. Segment Reporting

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system.

<i>Funds management</i>	management of funds in managed investment schemes
<i>Investment</i>	investment activities
<i>Other</i>	- property development
	- short-term lending

Geographical segments

The consolidated entity operates predominantly in Australia where its operations and customers are located.



City Pacific Limited ACN 079 453 955

NOTES TO THE FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2002

6. Segment Reporting (cont)

	Funds management \$	Investment \$	Other \$	Consolidated \$
Business segments				
31 December 2002				
Segment revenue	9,999,446	593,906	-	10,593,352
Other unallocated revenue				<u>67,865</u>
Total revenue				<u>10,661,217</u>
Segment result	<u>8,803,806</u>	<u>593,906</u>	-	<u>9,397,712</u>
Share of net profit/(loss) result of equity accounted investments				(93,832)
Unallocated revenues and expenses				<u>(910,515)</u>
Profit from ordinary activities before related income tax expense				<u>8,393,365</u>
31 December 2001				
Segment revenue	2,824,784	100,666	-	2,925,450
Other unallocated revenue				<u>13,146</u>
Total revenue				<u>2,938,596</u>
Segment result	<u>2,393,405</u>	<u>100,666</u>	-	<u>2,494,071</u>
Unallocated revenues and expenses				<u>(693,980)</u>
Profit from ordinary activities before related income tax expense				<u>1,800,091</u>



City Pacific Limited ACN 079 453 955

NOTES TO THE FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2002

7. Disposal of controlled entity

The following controlled entity was disposed of during the period:

2002

Name	Date of disposal	Consolidated entity's	Consideration	Contribution to
		interest	2002	consolidated net loss
		2002	2002	2002
		%	\$	\$
Wondercap Pty Ltd	1 July 2002	66.67	-	-

The consolidated entity did not sell its investment in Wondercap Pty Ltd, rather its interest in Wondercap Pty Ltd was diluted to a minority holding as a result of Wondercap Pty Ltd issuing additional shares on 1 July 2002, and the consolidated entity ceased to control Wondercap Pty Ltd.

The financial effect of this loss of control was a gain on deconsolidation of controlled entity of \$77,491 which has been brought to account in the consolidated financial statements for the half-year ended 31 December 2002.

	31 December 2002	30 June 2002
	\$	\$
8. Contingent liabilities		
Bank guarantee provided in relation to Security Dealers Licence	20,000	20,000

The company acts as a holder of a Securities Dealers Licence and acts as manager or responsible entity of the City Pacific Private Fund, City Pacific Mortgage Trust and City Pacific Managed Fund. Under the Securities Dealers Licence and Constitutions, the company has various obligations and conditions to be complied with under these arrangements. The Directors consider that all conditions have been complied with.

There were no changes in contingent liabilities since 30 June 2002.

9. Events subsequent to balance date

On 20 January 2003, a controlled entity in which City Pacific Limited holds a 56.7% interest, CP1 Limited, listed on the Australian Stock Exchange. City Pacific owns 10,000,000 shares in CP1 Limited which are being carried in the statement of financial position at their cost of \$250,000 or 2.5 cents each. City Pacific also owns 6,000,000 options for CP1 Limited. Since listing CP1 Limited shares have traded at an average of \$2.39 per share.

The financial effects of the above event have not been brought to account in the consolidated entity financial statements for the half-year ended 31 December 2002.



City Pacific Limited ACN 079 453 955

DIRECTORS' DECLARATION

In the opinion of the directors of City Pacific Limited:

- (a) the financial statements and notes, set out on pages 2 to 9, 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 2002 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as when they become due and payable.

Dated at Brisbane this 4th day of March 2003.

Signed in accordance with a resolution of the directors:

Director

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
CITY PACIFIC LIMITED**

Scope

We have reviewed the financial report of City Pacific Limited (“the Company”) for the half-year ended 31 December 2002, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes and the directors’ declaration set out on pages 2 to 10. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company’s directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 “Interim Financial Reporting” and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity’s financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. 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.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of City Pacific 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 2002, and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 “Interim Financial Reporting” and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

P G Steer
Partner

Bundall
4 March 2003