

# *City* Pacific Limited ACN 079 453 955

Half-Year Financial Report

31 December 2003



# City Pacific Limited

ACN 079 453 955

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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 2003 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 consolidated entity 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 the consolidated entity for the half-year was \$11,532,682 (2002: \$5,871,762).

Funds under management grew from \$426 million at 30 June 2003 to \$638 million at 31 December 2003, resulting in increased management fees earned from acting as responsible entity.

### Subsequent event

In January and February 2004, 21,819,658 options were exercised in accordance with the prospectus dated 10 November 2003, resulting in the issue of 21,819,658 ordinary shares and raising cash funds of \$21,819,658. With the 1,630,000 options issued under the prospectus in December 2003, this brought the total cash funds raised under the options offer to \$23,449,658.

On 7 January 2004 the Directors announced a half-year fully franked dividend of 10 cents per share totalling approximately \$8,900,000, to be paid on 27 February 2004. In accordance with Australian Accounting Standards the financial effect of this dividend has not been taken into account in this financial report and will be brought to account upon payment of the dividend.

Dated at Brisbane this 12<sup>th</sup> day of February 2004.

Signed in accordance with a resolution of the directors:

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P K Sullivan  
*Managing Director*



# City Pacific Limited ACN 079 453 955

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

	Note	2003 \$	2002 \$
Revenue from rendering of services		18,927,866	9,999,446
Revenue from the sale of investments		49,200	-
Other revenue from ordinary activities		1,503,453	661,771
Total revenue		<u>20,480,519</u>	<u>10,661,217</u>
Expenses from ordinary activities:			
Employee expenses		(879,037)	(509,445)
Occupancy expenses		(119,103)	(81,805)
Depreciation and amortisation		(37,608)	(24,564)
Brokerage and professional fees		(1,645,087)	(811,715)
Advertising and promotion fees		(749,050)	(577,405)
Cost of investments sold		(46,500)	-
Other expenses from ordinary activities		(457,556)	(246,577)
Gain on deconsolidation of controlled entity		-	77,491
Share of net profits/(losses) of associates accounted for using the equity method		<u>141,511</u>	<u>(93,832)</u>
<b>Profit from ordinary activities before related income tax expense</b>		16,688,089	8,393,365
Income tax expense relating to ordinary activities		<u>(4,978,973)</u>	<u>(2,522,912)</u>
<b>Net profit after related income tax expense</b>		<u>11,709,116</u>	<u>5,870,453</u>
Net (profit)/loss attributable to outside equity interests		<u>(176,434)</u>	<u>1,309</u>
<b>Net profit attributable to members of the parent entity</b>		<u>11,532,682</u>	<u>5,871,762</u>
<b>Non-owner transaction changes in equity</b>			
Net increase/(decrease) in retained earnings on initial adoption of:			
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	3	<u>-</u>	<u>2,056,250</u>
<b>Total changes in equity from non-owner related transactions attributable to members of the parent entity</b>		<u>11,532,682</u>	<u>7,928,012</u>
Basic earnings per share		<u>18.19 cents</u>	<u>9.98 cents</u>
Diluted earnings per share		<u>11.16 cents</u>	<u>6.80 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 2003

	Note	31 December 2003 \$	30 June 2003 \$
<b>Current assets</b>			
Cash assets		325,943	470,387
Receivables		6,865,697	6,375,795
Other financial assets		29,137,473	13,531,131
<b>Total current assets</b>		<u>36,329,113</u>	<u>20,377,313</u>
<b>Non-current assets</b>			
Receivables		2,835,706	3,781,587
Property, plant and equipment		176,552	104,038
Investments accounted for using the equity method		223,844	81,667
Other financial assets		4,118,582	3,303,936
Deferred tax assets		82,795	93,000
<b>Total non-current assets</b>		<u>7,437,479</u>	<u>7,364,228</u>
<b>Total assets</b>		<u>43,766,592</u>	<u>27,741,541</u>
<b>Current liabilities</b>			
Payables		2,655,784	1,714,863
Current tax liabilities		6,540,117	3,267,757
Provisions		156,829	126,144
<b>Total current liabilities</b>		<u>9,352,730</u>	<u>5,108,764</u>
<b>Total liabilities</b>		<u>9,352,730</u>	<u>5,108,764</u>
<b>Net assets</b>		<u>34,413,862</u>	<u>22,632,777</u>
<b>Equity</b>			
Contributed equity	2	10,225,790	4,719,749
Retained profits	3	15,802,300	10,057,558
<b>Total parent entity interest</b>		<u>26,028,090</u>	<u>14,777,307</u>
Outside equity interests		8,385,772	7,855,470
<b>Total equity</b>		<u>34,413,862</u>	<u>22,632,777</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 2003

	2003 \$	2002 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	17,099,293	6,465,583
Interest received	1,060,845	142,423
Dividends received	3,214	1,600
Distributions received	1,705,650	32,744
Cash payments to suppliers and employees	(2,828,228)	(1,366,714)
Income tax paid	(1,696,409)	(550,462)
<b>Net cash provided by/(used in) operating activities</b>	<u>15,344,365</u>	<u>4,725,174</u>
<b>Cash flows from investing activities</b>		
Loans to associated entities	-	(1,814,210)
Repayment of loans by associated entities	880,535	-
Loans to other entities	-	(2,509,122)
Repayment of loans by other entities	137,762	-
Acquisition of shares in listed company	(892,354)	(148,482)
Payment for investment in associate	-	(20,000)
Payment for investment in unassociated entity	-	(50,000)
Payments for investments in managed investment schemes	(49,269,394)	(4,802,908)
Redemption of investments in managed investment schemes	33,643,594	3,571,882
Proceeds on disposal of shares in listed companies	49,200	-
Payments for property, plant and equipment	(110,123)	(54,989)
<b>Net cash provided by/(used in) investing activities</b>	<u>(15,560,780)</u>	<u>(5,827,829)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	5,506,043	568,963
Proceeds from the issue of shares to outside equity interests	353,868	617,660
Dividends paid	(5,787,940)	(2,057,850)
<b>Net cash provided by/(used in) financing activities</b>	<u>71,971</u>	<u>(871,227)</u>
Net increase/(decrease) in cash held	(144,444)	(1,973,882)
Cash at beginning of the half-year	<u>470,387</u>	<u>2,257,232</u>
<b>Cash at the end of the half-year</b>	<u>325,943</u>	<u>283,350</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 2003

#### 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 2003 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, are consistent with those applied in the 30 June 2003 Annual Financial Report.

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



# City Pacific Limited ACN 079 453 955

## NOTES TO THE FINANCIAL REPORT

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

<b>2. Contributed equity</b>	<b>31 December 2003</b>	<b>30 June 2003</b>
	\$	\$
<i>Ordinary shares</i>		
Issued and paid-up share capital 66,172,250 (30 June 2003: 60,766,223) ordinary shares, fully paid	10,225,790	4,719,749

Contributed equity increased by \$5,339,098 as a result of the exercise of 5,339,098, \$1 options and the issue of 66,929 fully paid ordinary shares at an average price of \$2.50 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.

	<b>Options (1)</b>	<b>Options (2)</b>
	#	#
<b>(b) Options</b>		
Balance at the beginning of half-year	19,583,165	33,258,069
- Options exercised during the half-year	-	(5,339,098)
Balance at end of year	19,583,165	27,918,971

(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.

<b>3. Retained profits</b>	<b>31 December 2003</b>	<b>31 December 2002</b>
	\$	\$
Retained profits at the beginning of the half-year	10,057,558	1,223,579
Net profit attributable to members of the parent entity	11,532,682	5,871,762
Net effect of initial adoption of: AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	2,056,250
Dividends	(5,787,940)	(2,056,250)
Retained profits at the end of the half-year	15,802,300	7,095,341



# City Pacific Limited ACN 079 453 955

## NOTES TO THE FINANCIAL REPORT

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

#### 4. Dividends

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

	<b>Cents per share</b>	<b>Total amount</b>	<b>Date of payment</b>	<b>Franked/unfranked</b>
<b>2003</b>				
Final – ordinary	9.0	<u>5,787,940</u>	30 September 2003	Franked 100%
<b>2002</b>				
Final – ordinary	3.5	<u>2,056,250</u>	30 September 2002	Franked 100%

#### *Subsequent to reporting date:*

Since 31 December 2003, the directors have declared an interim dividend of 10 cents per ordinary share payable on 27 February 2004, totalling approximately \$8,900,000.

The financial effect of this dividend has not been brought to account in the consolidated entity financial statements for the period ended 31 December 2003.

#### 5. 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 2003

#### 6. Segment Reporting (cont)

	Funds management \$	Investment \$	Other \$	Consolidated \$
<b>Business segments</b>				
<b>31 December 2003</b>				
Segment revenue	18,867,866	1,369,406	100,878	20,338,150
Other unallocated revenue				142,369
<b>Total revenue</b>				<u>20,480,519</u>
<b>Segment result</b>	18,867,866	1,295,549	100,878	20,264,293
Share of net profit/(loss) result of equity accounted investments			141,511	141,511
Unallocated revenues and expenses				<u>(3,717,715)</u>
<b>Profit from ordinary activities before related income tax expense</b>				<u>16,688,089</u>
<b>31 December 2002</b>				
Segment revenue	9,999,446	593,906	-	10,593,352
Other unallocated revenue				67,865
<b>Total revenue</b>				<u>10,661,217</u>
<b>Segment result</b>	8,803,806	593,906	-	9,397,712
Share of net profit/(loss) result of equity accounted investments			(93,832)	(93,832)
Unallocated revenues and expenses				<u>(910,515)</u>
<b>Profit from ordinary activities before related income tax expense</b>				<u>8,393,365</u>

#### 7. Contingent liabilities

	31 December 2003 \$	30 June 2003 \$
Bank guarantee provided in relation to Security Dealers Licence	-	20,000

In October 2003 the ASIC withdrew the requirement for a bank guarantee in relation to the Security Dealers Licence.



# City Pacific Limited ACN 079 453 955

## NOTES TO THE FINANCIAL REPORT

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

#### 8. Events subsequent to balance date

In January and February 2004, 21,819,658 options were exercised in accordance with the prospectus dated 10 November 2003, resulting in the issue of 21,819,658 ordinary shares and raising cash funds of \$21,819,658. With the 1,630,000 options issued under the prospectus in December 2003, this brought the total cash funds raised under the options offer to \$23,449,658.

On 7 January 2004 the Directors announced a half-year fully franked dividend of 10 cents per share totalling approximately \$8,900,000, to be paid on 27 February 2004. In accordance with Australian Accounting Standards the financial effect of this dividend has not been taken into account in this financial report and will be brought to account upon payment of the dividend.

#### 9. Disposal of controlled entity

The following controlled entity was disposed of during the prior corresponding half-year period:

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

During the prior corresponding half-year the consolidated entity's investment 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 was brought to account in the consolidated financial statements for the half-year ended 31 December 2002.

#### 10. Associates

##### *Investments in associates*

Name	Ownership interest		Share of net profit/(loss)	
	Consolidated		Consolidated	
	2003	2002	2003	2002
	%	%	\$	\$
Marina Cove Pty Ltd	45.0	40.0	(21,842)	(1,692)
Eastcoast Capital Limited	33.3	33.3	163,353	(92,140)
			<u>141,511</u>	<u>(93,832)</u>

On 5 January 2004 the consolidated entity completed its increase in the ownership of Marina Cove Pty Ltd, bringing the consolidated entity's ownership in that company to 50%.



# 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 2003 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 company will be able to pay its debts as when they become due and payable.

Dated at Brisbane this 12<sup>th</sup> day of February 2004.

Signed in accordance with a resolution of the directors:

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P K Sullivan  
*Director*

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

### **Scope**

#### ***The financial report and directors' responsibility***

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements and the directors' declaration set out on pages 2 to 10, for the City Pacific Limited consolidated entity ("the consolidated entity"), for the half-year ended 31 December 2003. The consolidated entity comprises City Pacific Limited ("the company") and the entities it controlled during that half-year.

The company's directors are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### ***Review approach***

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

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and its cash flows.

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

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

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

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

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

#### ***Independence***

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

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF  
CITY PACIFIC LIMITED (cont)**

***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 2003 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 financial reporting requirements in Australia.

KPMG

P G Steer  
*Partner*

Bundall  
12 February 2004