

PRELIMINARY FINAL REPORT

Name of entity

City Pacific Limited

ABN or equivalent company
reference

90 079 453 955

Financial year ended ('current period')

30 June 2005

Results for announcement to the market

Revenues from ordinary activities	up	181.3%	to	166,229,950
Profit (loss) from ordinary activities after tax attributable to members	up	52.7%	to	67,707,922
Net profit (loss) for the period attributable to members	up	33.2%	to	58,333,361
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend		30.0¢		30.0¢
Interim dividend		15.0¢		15.0¢
Previous corresponding period (year ended 30 June 2003)				
Final dividend	Paid: 30 September 2004	23.0¢		23.0¢
Interim dividend	Paid: 28 February 2004	10.0¢		10.0¢
Record date – date by which options must be exercised for determining entitlements to the dividend	22 September 2005			
Ex-dividend date – date by which shares must be purchased for determining entitlements to the dividend	16 September 2005			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
NTA backing		Current period		Previous corresponding period
Net tangible asset backing per ordinary security		\$1.43		81.4¢

ANNUAL MEETING

The annual meeting will be held as follows:

Place

Stamford Plaza Hotel Edward Street Brisbane

Date

19 th October 2005

Time

10am

Approximate date the annual report will be available

September 2005

COMPLIANCE STATEMENT

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.
- 2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is based on accounts to which one of the following applies.
(Cross one)
 The +accounts have been audited. The +accounts have been subject to review.
 The +accounts are in the process of being audited or subject to review. The +accounts have *not* yet been audited or reviewed.
- 5 The accounts are in the process of being audited, no audit report is attached.
- 6 The entity has a formally constituted audit committee.

Sign here: Date: 25 August 2005
(Director/Company Secretary)

Print name: Stephen Mackay

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenue from rendering of services	2	95,999,958	52,081,364	71,935,317	52,021,364
Revenue from sale of property	2	61,040,203	-	-	-
Proceeds from sale of business	2	950,000	-	-	-
Proceeds from sale of non current assets	2	27,689	-	-	-
Proceeds from sale of shares	2	-	49,200	-	-
Other revenue from ordinary activities	2	8,212,100	6,965,925	8,128,859	5,882,417
Total revenue		166,229,950	59,096,489	80,064,176	57,903,781
Expenses from ordinary activities:					
Advertising and promotion		(2,918,151)	(1,464,614)	(1,686,460)	(1,464,614)
Borrowing costs	3	(631,215)	-	(319,972)	-
Cost of sales – property	3	(34,213,326)	-	-	-
Cost of sales – hotel operations	3	(1,436,742)	-	-	-
Cost of shares in listed company sold		-	(46,500)	-	-
Commissions and brokerage		(7,663,313)	(1,342,472)	(700,867)	(1,342,472)
Professional fees		(3,262,399)	(1,766,904)	(1,919,990)	(1,730,482)
Depreciation and amortisation	3	(1,714,319)	(52,853)	(68,998)	(52,557)
Employee expenses		(11,632,949)	(1,564,812)	(2,318,420)	(1,539,812)
Occupancy expenses		(804,045)	(266,252)	(338,696)	(266,252)
Offices expenses		(1,118,075)	(291,968)	(607,109)	(288,610)
Provision for doubtful debts	3	(543,656)	(989,141)	(681,292)	(989,141)
Write-off of investment		-	(50,000)	-	-
Other expenses from ordinary activities		(5,330,589)	(466,015)	(951,341)	(418,291)
Share of net profits/(losses) of associates accounted for using the equity method	11	2,143,707	8,799,529	-	-
Profit from ordinary activities before related income tax expense		97,104,878	59,594,487	70,471,031	49,811,550
Income tax expense relating to ordinary activities	5(a)	(29,396,956)	(15,243,772)	(20,845,542)	(14,943,469)
Net profit after related income tax expense		67,707,922	44,350,715	49,625,489	34,868,081
Net profit attributable to outside equity interests	19	(9,374,561)	(558,735)	-	-
Net profit attributable to members of the parent company	18	58,333,361	43,791,980	49,625,489	34,868,081
Basic earnings per share	6	51.42 cents	57.64cents		
Diluted earnings per share	6	47.60 cents	44.66cents		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Current assets					
Cash assets	7	10,367,268	1,316,541	4,032,806	917,114
Receivables	8	167,396,915	36,626,757	49,118,269	36,133,179
Inventories	9	279,787	-	-	-
Other financial assets	10	3,356,044	16,091,915	3,344,789	12,096,106
Total current assets		181,400,014	54,035,213	56,495,864	49,146,399
Non-current assets					
Receivables	8	17,007,390	6,670,986	29,679,403	1,995,802
Inventories	9	176,535,841	-	-	-
Property, plant and equipment	12	6,590,992	180,346	3,314,758	179,501
Investments accounted for using equity method	11	19,398,046	8,897,281	-	-
Intangible assets	13	58,092,065	-	-	-
Other financial assets	10	959,291	24,090,492	67,754,295	24,323,057
Inter-company loan – deferred tax assets		-	-	522,352	-
Deferred tax assets	5 (d)	1,298,797	389,742	1,045,625	384,642
Total non-current assets		279,882,422	40,228,847	102,316,433	26,883,002
Total assets		461,282,436	94,264,060	158,812,297	76,029,401
Current liabilities					
Payables	14	45,248,271	2,922,726	3,866,765	2,806,675
Interest bearing liabilities	15	89,697,349	-	-	-
Current tax liabilities	5 (b)	5,967,466	8,361,872	9,972,693	8,216,156
Provisions	16	872,931	214,697	269,432	214,697
Total current liabilities		141,786,017	11,499,295	14,108,890	11,237,528
Non-current liabilities					
Interest-bearing liabilities	15	125,312,542	-	-	-
Provisions	16	427,777	-	110,000	-
Deferred tax liabilities	5 (c)	12,584,370	-	216,959	-
Total non-current liabilities		138,324,689	-	326,959	-
Total liabilities		280,110,706	11,499,295	14,435,849	11,237,528
Net assets		181,171,730	82,764,765	144,376,448	64,791,873
Equity					
Contributed equity	17	107,148,052	34,773,902	107,148,052	34,773,902
Reserves	17 (b)	910,727	-	910,727	-
Retained profits/(accumulated losses)	18	54,016,685	39,009,115	36,317,669	30,017,971
Total parent entity interest		162,075,464	73,783,017	144,376,448	64,791,873
Outside equity interests	19	19,096,266	8,981,748	-	-
Total equity		181,171,730	82,764,765	144,376,448	64,791,873

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		88,866,999	39,801,669	49,339,928	39,741,670
Interest received		7,610,019	3,878,490	9,498,053	3,622,763
Dividends received		118,774	90,062	400,000	-
Distributions received		868,580	1,115,660	92,662	649,839
Cash payments in the course of operations		(40,436,839)	(5,723,544)	(7,638,998)	(5,590,166)
Interest paid		(402,516)	-	(173,237)	-
Income tax paid		(23,079,530)	(10,342,587)	(20,055,734)	(10,227,861)
Net cash provided by/(used in) operating activities	21 (b)	<u>33,545,487</u>	<u>28,819,750</u>	<u>31,462,674</u>	<u>28,196,245</u>
Cash flows from investing activities					
Loans to associated entities		(2,456,727)	(695,184)	(12,982,786)	-
Repayment of loan by associated entities		695,184	2,680,535	2,065,661	-
Loans to other entities		(43,863,227)	(18,852,819)	(43,863,227)	(18,852,819)
Prepayment of loans by other entities		34,131,467	-	34,298,399	-
Proceeds on disposal of shares in listed company		-	49,200	-	-
Proceeds on disposal of business		950,000	-	-	-
Payments for inventories		(69,842,352)	-	-	-
Payments for property, plant and equipment		(3,374,881)	(129,162)	(3,204,255)	(128,021)
Payment for development property		(59,148,031)	-	-	(3,050,000)
Payment for investment in controlled entities		-	-	(6)	-
Payments for investment in associate		(9,008,650)	(100,000)	(9,008,650)	(100,000)
Payments for investment in unlisted entity		(665,000)	-	(665,000)	-
Payments for shares in listed company		-	(892,354)	-	(892,354)
Proceeds from redemption of investment in Managed Investment Schemes		103,929,032	8,055,282	97,881,018	6,322,241
Payments for investments in Managed Investment Schemes		(69,411,408)	(30,573,477)	(67,358,999)	(28,862,059)
Net cash used in investing activities		<u>(118,064,593)</u>	<u>(43,507,979)</u>	<u>(2,837,845)</u>	<u>(42,513,012)</u>

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows from financing activities					
Proceeds from issue of shares		16,685,323	29,777,892	17,756,593	29,777,892
Dividends paid		(43,265,730)	(14,811,052)	(43,265,730)	(14,811,052)
Loans from related parties		103,290,784	-	-	-
Repayment of loans from related parties		(14,496,989)	-	-	-
Loan from other parties		30,000,000	-	-	-
Repayment of loans from other parties		(2,476,875)	-	-	-
Proceeds from the issue of shares to outside equity interest		1,071,270	567,543	-	-
Net cash provided by/(used in) financing activities		<u>90,807,783</u>	<u>15,534,383</u>	<u>(25,509,137)</u>	<u>14,966,840</u>
Net increase/(decrease) in cash held		6,288,677	846,154	3,115,692	650,073
Cash acquired / (disposed) of during the year		2,762,050	-	-	-
Cash at beginning of the financial period		<u>1,316,541</u>	<u>470,387</u>	<u>917,114</u>	<u>267,041</u>
Cash at the end of the financial period	21 (a)	<u><u>10,367,268</u></u>	<u><u>1,316,541</u></u>	<u><u>4,032,806</u></u>	<u><u>917,114</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Consensus Views, other authoritative pronouncements of the Australian Accounting Standard Board and 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 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 of the previous year.

b) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the company are shown as a separate item in the consolidated financial statements.

Associates

Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

Transactions eliminated on consolidation

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

Unrealised gains resulting from transactions with associates, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to associates are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

Transactions eliminated on consolidation

Loss of control

When control ceases, a gain or loss is recognised as the difference between net sales proceeds, if any, and the consolidated carrying amount (including post-acquisition share of profits, goodwill and equity). Any remaining investment is then accounted for at cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (cont)

c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Rendering of services

Revenue from the rendering of services is recognised in the period in which the services are provided and where it is probable that the compensation will flow to the consolidated entity, the amount to be received can be reliably measured and the state of completion of the contract can be reliably measured.

Sale of goods

Revenue from the sale of goods is recognised when control of the goods passes to the customer.

Dividends and distributions

Revenue from dividends and distributions are recognised when the consolidated entity's right to receive payment is established. Dividend revenue is recognised net of any franking credits.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Land held for resale

Revenue and expenses from sales of land held for resale is recognised when unconditional contracts are exchanged and a significant non-refundable deposit is received on an individual basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified and total contract revenue and costs to complete can be reliably estimated.

d) Goods and Services Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (cont)

e) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income.

The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless the realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account where their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation, and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

f) Acquisition of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Expenditure is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Subsequent additional costs

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

Costs that do not meet the criteria for capitalisation are expensed as incurred.

g) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance charges in respect of finance leases.

Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs.

Ancillary costs incurred in connection with the arrangement of borrowings are netted against the relevant borrowings and amortised over their life.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalized to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (cont)

h) Inventory

Raw materials and stores are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling pattern.

Land held for resale

Development properties are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, and holding costs such as borrowing costs, rates and taxes. Borrowing costs and other holding costs incurred after completion of development are expensed.

i) Receivables

Debtors

Debtors which are normally settled within 30 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful debts.

Unconditional contracts for sale of property

Unconditional contracts for the sale of property are recognised as debtors when unconditional contracts are exchanged and a significant non-refundable deposit is received.

j) Investments

Controlled entities

Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount.

Associates

In the company's financial statements, investments in unlisted shares of associates are carried at the lower of cost and recoverable amount.

Other entities

Investments in other listed entities, other unlisted entities and managed investment schemes are carried in the company's and consolidated entity's financial statements at the lower of cost and recoverable amount.

k) Leased assets

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

Finance leases

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

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (cont)

l) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

m) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years.

n) Depreciation and amortisation

Useful lives

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the diminishing value method over their estimated useful lives, taking into account estimated residual values, and finance lease assets which are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Intangible assets are amortised from the time benefits are provided by the intangible assets.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

	Note	2005	2004
Property, plant and equipment	12	10-40%	35%
Leased plant and equipment	12	15%	-

o) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Trade accounts payable are normally settled within 30 days.

p) Interest bearing liabilities

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals".

Debentures, bills of exchange and notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (cont)

q) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Long service leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

Superannuation plan

The consolidated entity contributes to several defined contribution superannuation plans. Contributions are charged against income as they are made.

r) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares for EPS calculation purposes), by the weighted number of ordinary shares of the company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

s) Provisions, contingent liabilities and contingent assets

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

Dividends are recognised at the time they are declared, determined or publicly recommended.

t) Provision for doubtful debts

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing of which is uncertain. A general provision for doubtful debts has been made in relation to loans to other entities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

2. REVENUE FROM ORDINARY ACTIVITIES	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Rendering of services revenue from operating activities:				
Management fees	34,342,538	26,092,952	34,008,728	26,092,952
Loan facility fees	35,962,029	24,781,578	37,362,709	24,781,578
Commissions and brokerage	14,080,133	-	-	-
Project management fees	631,436	-	-	-
Hotel operations	9,903,551			
Other fees	1,080,271	1,206,834	563,880	1,146,834
	<u>95,999,958</u>	<u>52,081,364</u>	<u>71,935,317</u>	<u>52,021,364</u>
Proceeds from sale of business	950,000	-	-	-
Proceeds from sale of non current assets	27,689	-	-	-
Revenue from sale of property	61,040,203	-	-	-
Proceeds from the sale of investments in listed company	-	49,200	-	-
Other revenues				
<i>From operating activities</i>				
Dividends from other entities	76,778	6,146	400,000	-
Distributions	523,784	1,911,331	92,662	1,099,474
Interest - other parties	7,581,505	3,888,268	7,636,197	3,622,763
Other income	30,033	1,160,180	-	1,160,180
Total other revenues	<u>8,212,100</u>	<u>6,965,925</u>	<u>8,128,859</u>	<u>5,882,417</u>
Total revenue from ordinary activities	<u><u>166,229,950</u></u>	<u><u>59,096,489</u></u>	<u><u>80,064,176</u></u>	<u><u>57,903,781</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

(a) Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Depreciation of property, plant and equipment	246,485	52,853	68,998	52,557
Amortisation of lease assets	15,419	-	-	-
Amortisation of goodwill and other intangible assets	1,452,415	-	-	-
Cost of sales – property	34,213,326	-	-	-
Cost of sales – hotel operations	1,436,742	-	-	-
Net expense from movement in provision for employee entitlements	109,402	59,182	104,674	59,182
Operating lease rentals	599,783	240,649	269,267	240,649
Loss on sale of business	220,090	-	-	-
Loss on sale of non current assets	7,738	-	-	-
Profit on the sale of shares in listed company	-	2,700	-	-
Provision for doubtful debts	543,656	989,141	681,292	989,141
Borrowing costs:				
Related parties	22,040,974	-	-	-
Bank loans	2,428,878	-	-	-
Deferred purchase consideration	2,249,111	-	-	-
Other	337,703	-	319,972	-
	27,056,666	-	319,972	-
Less:				
Borrowing costs capitalised	(26,425,451)	-	-	-
	631,215	-	319,972	-
 (b) Individually significant revenue item included in profit from ordinary activities before income tax expense				
Discount on acquisition of Indigo Pacific Capital Limited (note 11)	-	8,161,631	-	-
	-	8,161,631	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

4. AUDITORS REMUNERATION	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<i>Audit services</i>				
Auditors of the company - KPMG				
Audit and review of financial reports	262,500	63,600	50,000	33,500
	262,500	63,600	50,000	33,500
Other auditors - (non-KPMG firms)				
Audit and review of financial reports	19,500	-	-	-
	282,000	63,600	50,000	33,500
<i>Other services</i>				
Auditors of the company - KPMG				
- accounting advice	20,500	-	20,500	-
- tax advice	16,500	1,500	-	1,500
- IFRS report and advice	-	12,100	-	12,000
	37,000	13,600	20,500	13,500
Other auditors – (non KPMG firms)				
- accounting advice	12,423	-	-	-
- tax advice	2,800	-	-	-
- IFRS report and advice	5,835	-	-	-
	21,058	-	-	-
	58,058	13,600	20,500	13,500

During the year City Pacific Limited, responsible entity for certain managed investment schemes, paid audit fees on behalf of the schemes, for which it did not seek reimbursement, in relation to the statutory audits and compliance audits of the schemes, in the following amounts:

<i>Audit services</i>				
Auditors of the Schemes – KPMG				
Audit and review of financial reports	51,000	48,000	51,000	48,000
Other regulatory audit services	16,500	18,500	16,500	18,500
	67,500	66,500	67,500	66,500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

5. TAXATION	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
(a) Income tax expense				
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	29,131,464	17,878,346	21,141,309	14,943,465
<i>Increase/(decrease) in income tax due to non-deductible/(non-assessable);</i>				
Loss utilisation	(177,502)	-	(177,502)	-
Gross up of dividends	51,429	-	51,429	-
Share of associate entities net (profit)/loss	(643,112)	(2,639,859)	-	-
Write-off of investment	-	15,000	-	-
Franking credits on dividend received	(156,158)	-	(171,429)	-
Amortisation of goodwill	98,879	-	-	-
Other	1,091,956	(9,715)	1,735	4
Income tax expense attributable to operating profit	29,396,956	15,243,772	20,845,542	14,943,469
(b) Current tax liabilities				
<i>Provision for current income tax</i>				
Movements during the year:				
Balance at the beginning of period	8,361,872	3,267,757	8,216,156	3,205,005
Income tax paid	(22,532,190)	(10,34,258)	(20,095,981)	(10,227,861)
(Over)/under provision	39,262	(4,843)	-	4
Other	(1,982,195)	-	-	-
Current year's income tax expense on profit from ordinary activities	22,080,717	15,441,545	21,852,518	15,239,008
	5,967,466	8,361,872	9,972,693	8,216,156
(c) Deferred tax liabilities				
<i>Provision for deferred income tax</i>				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:				
Marina Cove adjustment	2,503,688	-	-	-
Inter-company adjustment	12,049,660	-	216,959	-
WIP adjustment	(1,894,348)	-	-	-
Other	(74,630)	-	-	-
	12,584,370	-	216,959	-
	12,584,370	-	216,959	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

5. TAXATION (cont)	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
(d) Deferred tax assets				
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:				
Provisions and accrued employee entitlements not currently deductible	102,633	47,400	93,842	47,400
Adjustments to tax consolidation	543,445	-	274,198	-
General provision for doubtful debts	501,130	296,742	501,130	296,742
Sundry items	151,589	45,600	176,455	45,600
	1,298,797	389,742	1,045,425	389,742

(e) Future income tax benefit not taken to account

The potential future income tax benefit, arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

Capital losses	5,130	5,130	-	-
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The potential future income tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

6. EARNINGS PER SHARE

The following securities have been classified as ordinary shares and included in basic earnings per share:

- Ordinary shares

The following securities have been classified as potential ordinary shares and included in diluted earnings per share only:

- Options outstanding, exercisable at \$0.30 per option with an expiry date of 2 July 2006.
- Options outstanding, exercisable at \$1.00 per option with an expiry date of 1 September 2006

	Consolidated	
	2005	2004
	\$	\$
Earnings reconciliation		
Net profit	67,707,922	44,350,715
Net loss attributable to outside equity interest	(9,374,561)	(558,735)
Basic earnings	58,333,361	43,791,980
After-tax effect of costs of options	-	-
Diluted earnings	58,333,361	43,791,980

Weighted average number of shares used as the denominator

Number for basic earnings per ordinary share	113,447,343	75,976,501
Effect of share options on issue	9,106,521	22,081,599
Number for diluted earnings per share	122,553,864	98,058,100

During the year options were converted to ordinary shares. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration, weighted with reference to the date of conversion. The weighted average number included is 538,780.

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
7. CASH ASSETS				
Cash at bank and on hand	9,076,488	1,316,541	4,032,806	917,114
Cash held in trust	1,290,780	-	-	-
	10,367,268	1,316,541	4,032,806	917,114

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

8. RECEIVABLES	Consolidated		Company	
	2005	2004	2005	2004
Current	\$	\$	\$	\$
Manager's fee from City Pacific Mortgage Trust	9,215,930	4,250,121	9,215,930	4,250,122
Provision for doubtful debts	(461,707)	-	(461,707)	-
	8,754,223	4,250,121	8,754,223	4,250,122
Manager's fee from City Pacific Private Fund	875,216	4,516,178	875,216	4,516,178
Trade debtors	31,729,728	9,580,684	30,703,684	9,433,141
General provision for doubtful debts (i)	(672,313)	(841,141)	(481,431)	(841,141)
	31,057,415	8,739,543	30,222,253	8,592,000
Unconditional contracts for sale of property	89,590,909	-	-	-
Other receivables	16,002,090	-	-	-
Interest receivable	771,648	2,298,096	90,204	1,952,060
Prepayments	339,491	-	1,912	-
Loans to associated entities – unsecured (note 22)	-	-	5,000,000	-
Other loans – secured by 2 nd mortgage	20,005,923	16,822,819	4,174,461	16,822,819
	167,396,915	36,626,757	49,118,269	36,133,179
Non current				
Loans to associated entities – secured (note 22)	-	695,184	-	-
Loans to associated entities – unsecured (note 22)	2,456,727	-	5,917,125	-
Deposits (note 22)	1,550,496	3,163,802	246,387	113,802
Other loans – unsecured	1,396,934	-	-	-
Other loans – secured by 2 nd mortgage	8,111,722	2,960,000	24,243,186	2,030,000
General provision for doubtful debts (i)	(727,295)	(148,000)	(727,295)	(148,000)
	7,384,427	2,812,000	23,515,891	2,812,000
Other receivables	4,218,806	-	-	-
	17,007,390	6,670,986	29,679,403	1,995,802

(i) While directors do not consider any of these loan amounts to be specifically doubtful, in accordance with the company's accounting policy, a general provision for doubtful debts has been made.

Other receivables include deposits securing bank guarantees in relation to a property development being undertaken by Marina Cove Pty Ltd.

Other loans disclosed above are loans to other companies. These loans are secured by registered second mortgages over properties and carry the following terms and rates:

Loan balance	Fixed interest rate	Term	Loan balance	Fixed interest rate	Term
\$	% per annum		\$	% per annum	
615,000	11.00	12 months	1,800,000	14.00	7 months
650,742	11.25	16 months	2,100,000	10.50	12 months
656,178	10.75	12 months	2,983,778	10.50	12 months
853,915	11.00	12 months	3,279,733	11.00	21 months
1,685,470	10.50	24 months	4,174,460	25.00	5 months
1,742,916	11.00	7 months	5,775,510	11.00	12 months
1,799,943	30.00	12 months	28,117,645		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

9 INVENTORIES	Consolidated		Company	
	2005	2004	2005	2004
Current				
Raw materials and stores	279,787	-	-	-
Non-current				
Land held for development and resale	176,535,841	-	-	-
<i>Land held for development and resale comprises:</i>				
Cost of land acquisition	95,548,497	-	-	-
Development costs capitalised	59,869,489	-	-	-
Other costs (borrowing costs, rates, taxes and other amounts) capitalised	110,708,764	-	-	-
	266,126,750	-	-	-
Less: Unconditional contracts for sale of property	(89,590,909)	-	-	-
	176,535,841	-	-	-
10 OTHER FINANCIAL ASSETS				
Current				
Investments in managed investment scheme:				
- City Pacific Mortgage Trust – at cost	2,696,044	15,091,915	2,684,789	12,096,106
- City Pacific Private Fund – at cost	660,000	1,000,000	660,000	-
	3,356,044	16,091,915	3,344,789	12,096,106
Non-current				
Investment in managed investment scheme:				
- City Pacific Private Fund – at cost	-	21,770,702	-	21,770,702
Investment in controlled entities:				
- unlisted shares at cost (note 24)	-	-	57,730,645	10,002
- listed shares at cost	-	-	250,000	250,000
Investment in associates:				
- unlisted shares at cost	-	-	9,008,650	-
- listed shares at cost	-	-	100,000	-
Investments in other entities:				
- unlisted shares at cost	832,520	666	665,000	-
- listed shares at cost	126,771	2,319,124	-	2,192,353
	959,291	24,090,492	67,754,295	24,323,057

The investments in managed investment schemes are represented by investments in the City Pacific Private Fund and the City Pacific Mortgage Trust for which the company is also responsible entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Associates	19,398,046	8,897,281	-	-

During the year the consolidated entity received fully franked dividends of \$41,996 from it's 33.3% holding of Eastcoast Capital Pty Ltd an entity associated with controlled entity CP1 Limited.

	Consolidated	
	2005	2004
	\$	\$
Results of associates		
Share of associates profit/(loss) from ordinary activities before income tax expense	3,573,965	1,032,329
Share of associates income tax expense relating to profit from ordinary activities	(1,132,503)	(339,301)
Share of associates net profit/(loss) - as disclosed by associates	2,441,462	693,028
Adjustments		
Increase cost of sales	(22,416)	(25,130)
Discount on acquisition of Indigo Pacific Capital Limited	-	8,161,631
Amortisation of goodwill arising from investment	(15,000)	(30,000)
Provision for doubtful debts	(256,903)	-
Other	(3,436)	-
Share of associates net profit/(loss) accounted for using the equity method	2,143,707	8,799,529

Share of post acquisition retained profits and reserves attributable to associates

Retained profits

Share of associates retained profits/(loss) at beginning of period	8,623,948	(91,665)
Share of associates net profit/(loss) accounted for using the equity method	2,143,707	8,799,529
Dividends from associates	(41,996)	(83,916)
Ceasing of accounting for investments using the equity method	(436,364)	-
Share of associates retained profits/(loss) at end of period	10,289,295	8,623,948

Movements in carrying amount of investments

Carrying amount of investments in associates at beginning of period	8,897,281	81,668
Investments in associates acquired during the period	9,008,750	100,000
Discount on acquisition of Indigo Pacific Capital Limited	-	8,161,631
Share of associates net profit/(loss)	2,143,707	637,898
Dividends from associates	(41,996)	(83,916)
Ceasing of accounting for investments using the equity method	(609,696)	-
Carrying amount of investments in associates at end of period	19,398,046	8,897,281

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONT)	Consolidated	
	2005	2004
	\$	\$
Summary financial position of associates		
The consolidated entity's share of aggregate assets and liabilities of associates is as follows:		
Current assets	12,137,581	25,831,971
Non-current assets	46,264,240	20,070,135
Total assets	58,401,821	45,902,106
Current liabilities	10,677,385	6,289,712
Non-current liabilities	27,740,474	32,947,324
Total liabilities	38,417,859	39,237,036
Net assets - as reported by associates	19,983,962	6,665,070
Adjustments arising from equity accounting:		
Goodwill	75,000	90,000
Adjustment to Marina Cove work in progress	22,416	2,360,081
Eliminate equity portion of listing fee	-	(217,870)
Doubtful debts	(256,903)	-
Ceasing of accounting for investments using the equity method	(436,364)	-
Other	9,935	-
Net assets equity adjusted	19,398,046	8,897,281
Share of net profits accounted for using the equity method included in the statement of financial performance:		
- Associates	2,143,707	8,799,529

Investments in associates

Details of investments in associates are as follows:

Name	Ordinary share ownership interest		Investment carrying value			
	Consolidated and Company		Consolidated			
	Principal activities	Balance date	2005	2005	2004	2004
			%	\$	%	\$
Marina Cove Pty Ltd	Property development	30 June 2005	(i)	-	50%	397,481
Eastcoast Capital Pty Ltd	Short-term lending	30 June 2005	(ii)	-	33.3%	148,019
Lake Views Estates Pty Ltd	Property development	30 June 2005	50%	-	50%	-
Indigo Pacific Capital Limited	Investment in property development	30 June 2005	25%	10,653,921	25%	8,351,781
Sunleisure Group Pty Ltd	Management rights	30 June 2005	49%	8,744,125	-	-
				19,398,046		8,897,281

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont)

- (i) During the year the consolidated entity increased its shareholding in Marina Cove Pty Ltd, from 50% to 100% and accordingly has consolidated the result of Marina Cove Pty Ltd from the date of acquisition of the additional 50% shareholding.
- (ii) During the year the consolidated entity ceased accounting for its investment in East Coast Capital Pty Ltd using the equity method as the directors of the consolidated entity considers that it no longer has significant influence over the company.

During the year the consolidated entity acquired 49% of Sunleisure Group Pty Ltd. The entity's main operating activities are management rights.

During the prior year the consolidated entity acquired 25% of Indigo Pacific Capital Limited. Indigo Pacific Capital Limited was incorporated on 17 February 2005. The company was listed on the ASX on 18 May 2005. The entity's main operating activities involve taking investment opportunities in property development and financial services industries.

During the prior year the consolidated entity acquired a 50% holding in Lake Views Estates Pty Ltd a company which holds land on the Mornington Peninsula for possible future development.

12. PROPERTY, PLANT AND EQUIPMENT	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Freehold land				
At cost	2,953,309	-	2,953,309	-
At independent valuation - June 2005	310,000			
	3,263,309	-	2,953,309	-
Buildings				
At independent valuation - June 2005	1,240,000	-	-	-
Property, plant and equipment - at cost	3,437,954	348,635	598,440	347,494
Accumulated depreciation	(1,449,098)	(168,289)	(236,991)	(167,993)
	1,988,856	180,346	361,449	179,501
Leased plant and equipment – at cost	137,358	-	-	-
Accumulated amortisation	(38,531)	-	-	-
	98,827	-	-	-
	6,590,992	180,346	3,314,758	179,501

Valuation of land and buildings

Freehold land and buildings are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay. The valuation of the building was determined by an independent valuer on the basis of open market valued for existing use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

12. PROPERTY, PLANT AND EQUIPMENT (CONT)	Consolidated		Company	
	2005	2004	2005	2004
Reconciliations	\$	\$	\$	\$
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
<i>Freehold land</i>				
Carrying amount at beginning of period	-	-	-	-
Acquisition of Treasury Group	310,000	-	-	-
Additions	2,953,309	-	2,953,309	-
Carrying amount at end of period	3,263,309	-	2,953,309	-
<i>Buildings</i>				
Carrying amount at beginning of period	-	-	-	-
Acquisition of Treasury Group	1,240,000	-	-	-
Carrying amount at end of period	1,240,000	-	-	-
<i>Property, plant and equipment</i>				
Carrying amount at beginning of period	180,346	104,038	179,501	104,038
Acquisition of Terrain group of companies	1,149,188	-	-	-
Acquisition of Treasury group of companies	82,208	-	-	-
Acquisition of Mercure resort	354,241	-	-	-
Acquisition of Marina Cove Pty Ltd	45,809	-	-	-
Additions	463,424	129,162	250,947	128,021
Sales of Weston Insurance Services Pty Ltd	(33,087)	-	-	-
Disposals	(6,788)	-	-	-
Depreciation	(246,485)	(52,854)	(68,998)	(52,558)
Carrying amount at end of period	1,988,856	180,346	361,449	179,501
<i>Leased plant and equipment</i>				
Carrying amount at beginning of period	-	-	-	-
Acquisition of Terrain Group	131,328	-	-	-
Acquisition of Treasury Group	17,033	-	-	-
Disposals	(34,115)	-	-	-
Amortisation	(15,419)	-	-	-
Carrying amount at end of period	98,827	-	-	-
13. INTANGIBLE ASSETS				
Goodwill at cost	59,524,480	-	-	-
Accumulated amortisation	(1,447,498)	-	-	-
	58,076,982	-	-	-
Other intangible assets	20,000	-	-	-
Accumulated amortisation	(4,917)	-	-	-
	15,083	-	-	-
	58,092,065	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Company	
	2005	2004	2005	2004
14. PAYABLES	\$	\$	\$	\$
Trade creditors	12,901,432	451,603	694,866	439,363
Other creditors and accruals	12,209,329	2,471,123	3,171,899	2,367,312
Purchase consideration payable	20,137,510	-	-	-
	45,248,271	2,922,726	3,866,765	2,806,675
15. INTEREST BEARING LIABILITIES				
Current				
Other loans – unsecured	67,500	-	-	-
Loan – City Pacific Mortgage Trust	89,590,909			
Lease liabilities	38,940	-	-	-
	89,697,349	-	-	-
Non-current				
Bank loans – secured	30,900,000	-	-	-
Loan – City Pacific Mortgage Trust	61,850,265	-	-	-
Loan – City Pacific Private Fund	32,500,000	-	-	-
Lease liabilities	62,277	-	-	-
	125,312,542	-	-	-
Financing arrangements				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank loans	30,900,000	-	-	-
City Pacific Mortgage Trust	151,441,174	-	-	-
City Pacific Private Fund	32,500,000	-	-	-
	214,841,174	-	-	-
Facilities utilised at reporting date:				
Bank loans	30,900,000	-	-	-
City Pacific Mortgage Trust	151,441,174	-	-	-
City Pacific Private Fund	32,500,000	-	-	-
	214,841,174	-	-	-
Facilities not utilised at reporting date:				
Bank loans	-	-	-	-
City Pacific Mortgage Trust	-	-	-	-
City Pacific Private Fund	-	-	-	-
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
16. PROVISIONS				
Current				
Dividends	89,432	29,371	89,432	29,371
Employee entitlements	783,499	185,326	180,000	185,326
	<u>872,931</u>	<u>214,697</u>	<u>269,432</u>	<u>214,697</u>
Non-current				
Employee entitlements	427,777	-	110,000	-
	<u>306</u>	<u>17</u>	<u>24</u>	<u>17</u>
Number of employees at year end				

Reconciliations

Reconciliation of the amounts of each class of provision, except for employee entitlements, are set out below:

Dividends

Provisions made during the year:

Carrying amount at beginning of year	29,371	-	29,371	-
Final dividend 2003	-	5,787,940	-	5,787,940
Interim dividend 2004	-	9,052,483	-	9,052,483
Final dividend 2004	25,448,693	-	25,448,693	-
Interim dividend 2005	17,887,098	-	17,887,098	-
Payments made during the year	<u>(43,275,730)</u>	<u>(14,811,052)</u>	<u>(43,275,730)</u>	<u>(14,811,052)</u>
Carrying amount at the end of the year	<u>89,432</u>	<u>29,371</u>	<u>89,432</u>	<u>29,371</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
17. CONTRIBUTED EQUITY				
Issued and paid-up share capital 126,689,868 (2004: 90,637,683) ordinary shares, fully paid	107,148,052	34,773,902	107,148,052	34,773,902
(a) Ordinary shares				
Balance at the beginning of year	34,773,902	4,719,749	34,773,902	4,719,749
Shares issued				
- 18,993,249 upon exercise of \$0.30 options	5,697,975	-	5,697,975	-
- 2,114,257 upon exercise of \$1 options	2,114,257	-	2,114,257	-
- 29,167 upon exercise of \$2.90 options	84,584		84,584	
- 29,342 ordinary shares issued at an average price of \$4.32 for services rendered	126,842	-	126,842	-
Shares and options issued pursuant to takeover of Terrain Australia Limited in accordance with Bidders Statement dated 12 November 2004:				
- 7,492,623 ordinary shares at an average price of \$4.00	29,970,492	-	29,970,492	-
Shares issued pursuant to takeover of Treasury Group of Companies Pty Ltd in accordance with Share sale agreement dated 18 February 2005:				
- 5,243,010 ordinary shares at an average price of \$4.65	24,380,000	-	24,380,000	-
2,150,537 ordinary shares issued pursuant to a private placement at \$4.65 per share	10,000,000		10,000,000	
Shares issued during prior financial year:				
-29,777,892 upon exercise of options	-	29,777,892	-	29,777,892
- 93,568 at an average price of \$2.95 each for services rendered	-	276,261	-	276,261
Balance at end of year	107,148,052	34,773,902	107,148,052	34,773,902

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Company	
	2005	2004	2005	2004
17. CONTRIBUTED EQUITY (cont)	\$	\$	\$	\$
(b) Options reserve				
Balance at the beginning of period	-	-	-	-
- 720,165 options at fair value of \$1.127	811,845	-	811,845	-
- 29,167 options at fair value of \$1.131	32,979	-	32,979	-
- 100,000 options at an average price of \$0.65	65,903	-	65,903	-
Balance at end of period	<u>910,727</u>	<u>-</u>	<u>910,727</u>	<u>-</u>

The option reserve reflects the fair value of options granted as consideration for the acquisition of goods or services.

	Consolidated				
	Options (1) #	Options (2) #	Options (3) #	Options (4) #	Options (5) #
(c) Options					
Balance at the beginning of year	19,583,165	3,480,177	-	-	-
- options issued pursuant to takeover of Terrain	-	-	720,165	29,167	100,000
- options exercised during the financial year	<u>(18,993,249)</u>	<u>(2,114,257)</u>	<u>-</u>	<u>(29,167)</u>	<u>-</u>
Balance at end of year	<u>589,916</u>	<u>1,365,920</u>	<u>720,165</u>	<u>-</u>	<u>100,000</u>

(1) – exercisable at \$0.30 expiring 2 July 2006

(2) – exercisable at \$1.00 expiring 1 September 2006

(3) – exercisable at \$3.14 expiring 25 August 2006

(4) – exercisable at \$2.90 expiring 30 June 2005

(5) – exercisable at \$4.00 expiring 30 June 2007

	Consolidated		Company	
	2005	2004	2005	2004
18. RETAINED PROFITS	\$	\$	\$	\$
Retained profits/(loss) at the beginning of the year	39,009,115	10,057,558	30,017,971	9,990,313
Net profit/(loss) attributable to members of the parent entity	58,333,361	43,791,980	49,625,489	34,868,081
Dividends recognised during the year	<u>(43,325,791)</u>	<u>(14,840,423)</u>	<u>(43,325,791)</u>	<u>(14,840,423)</u>
Retained profits at the end of the year	<u>54,016,685</u>	<u>39,009,115</u>	<u>36,317,669</u>	<u>30,017,971</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

19. OUTSIDE EQUITY INTERESTS

	Consolidated	
	2005	2004
	\$	\$
Outside equity interest in controlled entities comprise:		
Interest in retained profits at the beginning of the financial period after adjusting for outside equity interest in entities disposed of during the financial year	611,575	52,840
Interest in operating profit/(loss) after tax	9,374,561	558,735
Interest in extraordinary items after income tax	-	-
Interest in operating profit/(loss) and extraordinary items after income tax	9,986,136	611,575
Interest in dividends provided for or paid	(346,068)	-
Interest in retained profits at the end of the financial year	9,640,068	611,575
Interest in share capital	9,456,198	8,370,173
Total outside equity interests	19,096,266	8,981,748

20. DIVIDENDS

Dividends recognised in the current year by the company:

	Cents per Share	Total amount	Date of payment	Franked/unfranked
2005				
Interim 2005 ordinary	15.0	17,877,098	28 February 2005	Franked
Final 2004 ordinary	23.0	25,448,693	30 September 2004	Franked
Total amount		43,325,791		
2004				
Interim 2004 ordinary	10.0	9,052,483	27 February 2005	Franked
Final 2003 ordinary	9.0	5,787,940	30 September 2003	Franked
Total amount		14,840,423		

Subsequent events

Since the end of the financial year, the directors declared the following dividends:

Final 2005 ordinary	30.0	38,011,898	30 September 2005	Franked
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- (i) Estimated final dividend amount calculated using the number of shares on issue at 31 July 2005 being 126,706,328.

The financial effect of these dividends have not been brought to account in the financial statements for the year ended 30 June 2005 and will be recognised in subsequent financial reports.

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

	Company	
	2005	2004
	\$	\$
Dividend franking account		
30% franking credits available to shareholders of City Pacific Limited for subsequent financial years	23,611,528	20,287,048

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- a) franking credits that will arise from the payment of the amount of the provision for income tax
- b) franking credits that will arise from the payment of dividends recognised as a liability at year-end
- c) franking credits that will arise from the receipt of dividends recognised as receivables at year-end
- d) franking credits that the entity may be prevented from distributing in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

21. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purpose of the statements of cash flow, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled in the statements of financial position as follows:

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash assets	10,367,268	1,316,541	4,032,806	917,114

(b) Reconciliation of cash flow from operations with operating profit after income tax:

Operating profit/(loss) after income tax	58,333,361	44,350,715	49,625,489	34,868,081
Add/(less) non-cash items:				
(Profit) on sale of shares	-	(2,700)	-	-
Loss on sale of non current assets	7,738	-	-	-
Write-off of investment	-	50,000	-	-
Shares of associates' net (profit)/loss	(2,143,707)	(8,799,529)	-	-
Dividend from associate	41,996	83,916	-	-
Provision for doubtful debts	543,656	989,141	681,292	989,141
Value of shares issued for services rendered	-	276,261	-	276,261
Depreciation and amortisation	1,713,319	2,853	68,998	52,557
Gain on deconsolidation	-	-	-	-
Amounts transferred to provisions:				
- employee entitlements	109,402	59,182	104,674	59,182
(Decrease)/increase in income taxes payable	4,756,015	5,094,116	1,756,184	5,011,151
(Increase)/decrease in deferred tax benefit	(11,073,441)	(192,931)	(966,376)	(295,542)
Net cash provided by operating activities before changes in assets and liabilities	52,288,339	41,961,024	51,270,261	40,960,831
(Increase)/decrease in receivables and inventory	(24,218,830)	(14,245,325)	(20,868,030)	(13,889,510)
Increase/(decrease) in creditors and accruals	5,475,978	1,104,051	1,060,443	1,124,924
Net cash provided by/(used in) operating activities	33,545,487	28,819,750	31,462,674	28,196,245

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

22. RELATED PARTIES

Transactions with related parties

City Pacific Limited as Responsible Entity and Manager of City Pacific Mortgage Trust, City Pacific Managed Fund and City Pacific Private Fund, provides accounting, treasury and investment services to these schemes and receives fees on normal commercial terms. Management fees received or receivable for these services were:

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
City Pacific Mortgage Trust	30,805,698	18,714,723	30,805,698	18,714,723
City Pacific Managed Fund	-	115,894	-	115,894
City Pacific Private Fund	3,203,030	7,262,335	3,203,030	7,262,335
	<u>34,008,728</u>	<u>26,092,952</u>	<u>34,008,728</u>	<u>26,092,952</u>

In addition to the above the consolidated entity earns establishment fees and early redemption fees from non-related parties. Amounts receivable from related parties at year end are disclosed in notes 8 and 9.

The following expenses were paid by City Pacific Limited on behalf of City Pacific Mortgage Trust, City Pacific Managed Fund and City Pacific Private Fund for which reimbursement will not be sought:

Expenses

Audit fees	67,500	66,500	67,500	66,500
Custodial fees	789,977	537,332	789,977	537,332
Prospectus costs	35,981	20,973	35,981	20,973
	<u>893,458</u>	<u>624,805</u>	<u>893,458</u>	<u>624,805</u>

The company charged the following fees for the provision of management and/or administration and accounting services to the following related entities during the year:

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Eastcoast Capital Pty Ltd	60,000	60,000	60,000	60,000
City Pacific Project Management Pty Ltd	50,000	-	50,000	-
Indigo Pacific Capital Limited	120,000	-	120,000	-
	<u>230,000</u>	<u>60,000</u>	<u>230,000</u>	<u>60,000</u>

In accordance with the Indigo Pacific Capital Limited prospectus dated 30 March 2004, the company paid City Pacific a capital raising fee of \$871,479.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

22. RELATED PARTIES (cont)

Transactions with related parties (cont)

The company has the following loans to associated entities at 30 June 2005:

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Allied Business Finance Corporation Pty Ltd	-	-	4,646	-
City Pacific Finance Pty Ltd	-	-	6,797	-
City Pacific Project Management Pty Ltd	-	-	329,914	-
CP1 Limited	-	-	5,617,300	-
Danimel Pty Ltd	-	-	252,774	-
Eastcoast Capital Pty Ltd	8,400	-	4,400	-
H & H Advisers Pty Ltd	-	-	25,699	-
Indigo Pacific Capital Limited	2,500	-	2,500	-
Pacific Collections Limited	-	-	2,000	-
City Pacific Finance Services Pty Ltd	-	-	3,970,622	-
City Pacific Transport Finance Pty Ltd	-	-	124,174	-
City Pacific Business & Equipment Finance Pty Ltd	-	-	272,748	-
Lakeview Estates Pty Ltd	2,445,827	-	-	-
City Pacific Property Finance Limited	-	-	251,387	-
Transport Finance Pty Ltd	-	-	52,164	-
	<u>2,456,727</u>	<u>-</u>	<u>10,917,125</u>	<u>-</u>

During the prior year the consolidated entity acquired 50% of Lake Views Estates Pty Ltd. Lake Views Estates Pty Ltd will hold and develop property on the Mornington Peninsula. The consolidated entity advanced funds of \$1,750,642 (2004: \$695,184) to Lake Views Estates Pty Ltd these funds have been advanced as purchases on properties acquired for future development on the Mornington Peninsula. During the year Lake Views Estates paid fees of \$358,473 to the consolidated entity. The loan has a term of 2 years and interest will be capitalised at a rate of 10.5% per annum.

The company received interest of \$228,700 on the mezzanine loan of \$5,000,000 advanced to CP1 Limited for the purchase of the remaining 50% of Marina Cove Pty Ltd. This loan was repaid subsequent to year end.

The remaining loans listed bear no fixed term and are interest free.

Investments in related entities

The consolidated entity has investments in City Pacific Mortgage Trust and City Pacific Private Fund for which it is also responsible entity (refer note 9). These investments are on normal commercial terms and conditions.

Distributions of \$767,714 (2004: \$680,815) were received during the financial year from City Pacific Mortgage Trust and \$75,478 (2004: \$1,592,194) from City Pacific Private Fund.

Other related parties

The consolidated entity paid nil rent and outgoings (2004: \$11,204) and custodial fees of \$789,977 (2004: \$537,332) during the financial year to the Public Trustee of Queensland, the Custodian for the City Pacific Mortgage Trust.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

22. RELATED PARTIES (cont)

Controlled entities

The company has provided administrative services to a controlled entity, CP1 Limited, for which the company has made no service charge for the year ended 30 June 2005 (2004: nil). The company received fully franked dividends of \$400,000 from its holding of 10,000,000 CP1 Limited shares.

During the year the consolidated entity advanced loan funds of \$536,417 (2004: \$3,050,000) to a controlled entity, Danimel Pty Ltd. The loan is secured by a registered first mortgage over an investment property in South East Queensland. The loan has a term of 3 years and interest is capitalised at a rate of 10.5% per annum.

Associates

On 4 January 2005 the consolidated entity purchased the remaining 50% of Marina Cove Pty Ltd to make it a controlled entity of CP1 Limited. During the year Marina Cove repaid loan funds of \$34,862,490 (2004: \$462,122). Marina Cove Pty Ltd has establishment fees and other expenses payable of \$1,765,761 to the consolidated entity at year end. Marina Cove Pty Ltd has a loan of \$146,027,605 (2004: \$65,894,648) from City Pacific Mortgage Trust a registered scheme for which the consolidated entity is responsible entity.

Indigo Pacific Capital Limited had a loan of \$2,800,000 to a related party, Indigo (Little Edward Street) Pty Ltd which was repaid in full during the year. Indigo Pacific Capital received interest of \$278,470 on the loan. The loan was secured by a 2nd registered mortgage over a property and a guarantee of indemnity by the directors of Indigo (Little Edward Street) Pty Ltd.

The company earned establishment fees of \$1,215,000 from Grand Pacific Operations Pty Ltd, a company associated with controlled entity Grand Pacific Limited. The establishment fee is for a loan to be drawn subsequent to year end for the purchase of a development property.

23. SEGMENT REPORTING

There is no inter-segment pricing.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

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

Funds management	management of funds in managed investment schemes
Investment	investment activities
Property development	property development and project management
Financial services	property and equipment financing services
Other	hotel operations and training

Geographical segments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

23. SEGMENT REPORTING (cont)

2005	Funds		Property	Financial		Consolidated
Primary reporting	Management	Investment	Development	Services	Other	\$
Business segments	\$	\$	\$	\$	\$	\$
Total segment revenue	62,993,254	14,521,181	61,644,664	15,564,957	10,934,291	165,658,347
Other unallocated revenue						571,603
Total revenue						<u>166,229,950</u>
Result						
Segment result	60,285,955	14,521,181	25,213,199	(726,740)	4,334,964	103,628,559
Share of net profit or loss/result of equity accounted investments						2,143,707
Unallocated corporate (expenses)/profit						<u>(8,667,388)</u>
Profit from ordinary activities						97,104,878
Income tax expense						<u>(29,396,956)</u>
Net profit/(loss)						<u>67,707,922</u>
Depreciation and amortisation	68,998	253	5,153	1,597,647	42,268	1,714,319
Non-cash expenses other than depreciation and amortisation	681,292	102,707	-	(240,343)	-	543,656
Assets						
Segment assets	68,219,640	32,210,412	287,202,145	67,340,770	5,129,136	460,102,103
Equity accounted investments						-
Unallocated corporate assets						<u>1,180,333</u>
Consolidated total assets						<u>461,282,436</u>
Liabilities						
Segment liabilities	-	20,111,171	238,708,497	6,479,533	1,396,787	266,695,988
Unallocated corporate liabilities						<u>13,414,718</u>
Consolidated total liabilities						<u>280,110,706</u>
Acquisitions of non-current assets	370,542	-	74,324	1,598,451	444,699	2,488,016

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

23. SEGMENT REPORTING (cont)

2004	Funds		Property	Financial		Consolidated
Primary reporting	Management	Investment	Development	Services	Other	\$
Business segments	\$	\$	\$	\$	\$	\$
Total segment revenue	52,021,364	5,914,945	-	-	-	57,936,309
Other unallocated revenue						1,160,180
Total revenue						<u>59,096,489</u>
Result						
Segment result	52,021,364	4,817,586	-	-	-	56,838,950
Share of net profit or loss/result of equity accounted investments	-	8,251,781	375,638	-	172,110	8,799,529
Unallocated corporate (expenses)/profit						<u>(6,043,992)</u>
Profit from ordinary activities						59,594,487
Income tax expense						<u>(15,243,772)</u>
Net profit/(loss)						<u>44,350,715</u>
Depreciation and amortisation	-	-	-	-	52,853	52,853
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-	-
Assets						
Segment assets	33,866,807	10,538,674	-	-	39,265,663	83,671,114
Equity accounted investments	-	8,351,781	397,481	-	148,019	8,897,281
Unallocated corporate assets						<u>1,695,665</u>
Consolidated total assets						<u>94,264,060</u>
Liabilities						
Segment liabilities	-	-	-	-	-	-
Unallocated corporate liabilities						<u>11,499,295</u>
Consolidated total liabilities						<u>11,499,295</u>
Acquisitions of non-current assets	-	-	-	-	129,162	129,162

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

24. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Name

Parent entity

City Pacific Limited

Ordinary shares consolidated entity interest

Controlled entities

	2005	2004
Pacific Collections Limited (i)	100%	100%
CP1 Limited (i)	52.56%	54.6%
Citypac Home Loans Pty Ltd (i)	100%	100%
City Pacific Training Pty Ltd (i)	100%	-
City Pacific Project Management Pty Ltd (i)	50%	-
Grande Pacific Ltd (i)	100%	-
City Pacific Securities Pty Ltd (i)	100%	-
Danimel Pty Ltd (i) (ii)	100%	100%
Marina Cove Pty Ltd (i) (ii)	100%	50%
CP2 Pty Ltd (i) (ii)	100%	-
Leminad Pty Ltd (i) (ii)	100%	-
City Pacific Finance Services Pty Ltd (formerly Terrain Australia Pty Ltd) (i)	100%	-
City Pacific Finance Pty Ltd (formerly Northern City Finance Pty Ltd) (i) (iii)	100%	-
City Pacific Property Finance Ltd (formerly Terrain Property Finance Ltd) (i) (iii)	100%	-
The Money Store Pty Ltd (i) (iii)	100%	-
City Pacific Transport Finance Pty Ltd (formerly Terrain Finance Queensland Pty Ltd) (i) (iii)	100%	-
Transport Finance Pty Ltd (i) (iii)	100%	-
Allied Business Finance Corporation Pty Ltd (i) (iii)	100%	-
City Pacific Business and Equipment Finance Pty Ltd (formerly Terrain Finance Pty Ltd) (i) (iii)	100%	-
City Pacific Insurance Services Pty Ltd (formerly Weston Insurance Services Pty Ltd) (i) (iii)	100%	-
Mawson Developments Pty Ltd (i) (iii)	100%	-
Terrain Australia Management Ltd (i) (iii)	100%	-
095 468 296 Pty Ltd (in administration) (i) (iii)	100%	-
008 082 157 Pty Ltd (in administration) (i) (iii)	100%	-
TEN Nominees Pty Ltd (i) (iii)	100%	-
TAL Nominees Pty Ltd (i) (iii)	100%	-
Drummond Finance Pty Ltd (i) (iii)	100%	-
H&H Advisors Pty Ltd (i) (iii)	100%	-
IFR Home Loan Solutions Pty Ltd (i) (iii)	100%	-
Terrain Asset Management Ltd (i) (iii)	100%	-
Terrain Infrastructure Ltd (i) (iii)	100%	-
TIL Agwater Pty Ltd (i) (iii)	100%	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

24. CONTROLLED ENTITIES (cont)

(a) Particulars in relation to controlled entities (cont)	Ordinary shares consolidated entity interest	
<i>Controlled entities</i>	2005	2004
Treasury Group of Companies Pty Ltd (i)	100%	-
MVM Pty Ltd (i)	100%	-
Treasury Funds Management Ltd (i) (iv)	100%	-
Treasury Property Finance Pty Ltd (i) (iv)	100%	-
Treasury Management Services Pty Ltd (i) (iv)	100%	-
Treasury Custodians Pty Ltd (i) (iv)	100%	-
Treasury Investments Pty Ltd (i) (iv)	100%	-
(i) Incorporated in Australia		
(ii) Controlled entity of CP1 Limited		
(iii) Controlled entity of City Pacific Finance Services Pty Ltd (formerly Terrain Australia Limited)		
(iv) Controlled entity of Treasury Group of Companies Pty Ltd		

CP1 Limited was acquired on 18 March 2002 and the operating results of the entity from that date have been included in consolidated operating profit. The entity's main operating activities involve taking equity investment opportunities in the property development and financial services industries. During the year ended 30 June 2005 City Pacific Limited's interest in CP1 Limited was reduced to 52.56% (2004: 54.6%) as a result of minority shareholders exercising options.

City Pacific Training Pty Ltd was established to secure the name City Pacific Training. The company has not yet commenced operations.

City Pacific Project Management Pty Ltd was established to undertake project management activities.

Grande Pacific Ltd was established to participate in a property development in South East Queensland. The company has not yet commenced operations.

City Pacific Securities Pty Ltd was established to secure the name City Pacific Securities. The company has not yet commenced operations.

Marina Cove Pty Ltd is a controlled entity of CP1 Ltd, was acquired on 4 January 2005 and the operating results of the entity from that date have been included in consolidated operating profit. Marina Cove Pty Ltd was previously accounted for as an investment in an associate as CP1 Ltd held a 50% interest prior to 4 January 2005.

CP2 Pty Ltd established to secure the name CP2. The company has not yet commenced operations.

Leminad Pty Ltd was established to act as a participant in a property development joint venture in South East Queensland. The company has not yet commenced operations.

Terrain Australia Limited and its controlled entities were acquired on 8 December 2004 and the operating results of the entity and its controlled entities from that date have been included in consolidated operating profit. Terrain Australia Limited was renamed City Pacific Finance Services Pty Ltd subsequent to acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

24. CONTROLLED ENTITIES (cont)

Treasury Group of Companies Pty Ltd was acquired on 18 February 2005 and the operating results of the entity and its controlled entities from that date have been included in consolidated operating profit.

(b) Acquisition of controlled entities	Terrain (i) \$	Treasury (ii) \$	Marina Cove (iii) \$	Other (iv) \$
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The following controlled entities were acquired during the financial year:

Details of the acquisitions are as follows:

Consideration (cash)	-	-	27,613,390	7
Consideration (shares)	33,073,572	24,380,000	-	-
Consideration payable	-	-	20,137,510	
Transaction costs	219,042	48,023	-	-
	33,292,614	24,428,023	47,750,900	7
Cash acquired	(1,844,587)	(919,093)	(511,835)	(7)
	31,448,027	23,508,930	47,239,065	-

Fair value of net assets of entity acquired:

Cash assets	1,844,587	919,093	511,835	7
Receivables	2,305,657	504,151	13,573,047	-
Inventories	-	-	133,853,328	-
Other financial assets	-	463,290	11,051	-
Property, plant and equipment	1,280,516	1,649,241	45,809	-
Payables	(6,792,183)	(131,222)	(4,703,201)	-
Interest-bearing liabilities	(2,573,273)	(948,692)	(95,147,379)	-
Deferred tax liability	-	(208,284)	(393,590)	-
Employee entitlements	(604,374)	(52,760)	-	-
Current tax liability	242,775	(485,961)	-	-
	(4,296,295)	1,708,856	47,750,900	7
Outside equity interests at acquisition	783,596	-	-	-
Goodwill on acquisition	36,805,313	22,719,167	-	-
Consideration	33,292,614	24,428,023	47,750,900	7

- (i) Terrain Australia Limited was acquired on 8 December 2004.
- (ii) Treasury Group of Companies Pty Ltd was acquired on 18 February.
- (iii) Marina Cove Pty Ltd was acquired on 4 January 2005. Marina Cove Pty Ltd was previously accounted for as an investment in an associate.
- (iv) Other entities acquired consists of City Pacific Training Pty Ltd, City Pacific Project Management Pty Ltd, Grande Pacific Ltd, City Pacific Securities Pty Ltd, CP2 Pty Ltd, Leminad Pty Ltd, and MVM Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

24. CONTROLLED ENTITIES (cont)

(b) Acquisition of controlled entities (cont)	2005	2004
	\$	\$
Acquisitions of entities		
2004		
During the prior year the company acquired 100% of the voting shares of Danimel Pty Ltd. Details of the acquisition were as follows:		
Consideration	-	1
Cash acquired	-	(1)
Inflow of cash	-	-
Fair value of net assets of entity acquired:		
Cash assets	-	1
Goodwill on acquisition	-	-
Consideration (cash)	-	1

Danimel Pty Ltd was incorporated on 11 June 2005 and was established to acquire and operate an investment property in South East Queensland.

(c) Disposal of businesses

During the year the company disposed of the Weston Insurance Services business. Weston Insurance Services Pty Ltd was acquired as part of the Terrain Australia Limited acquisition.

Details of the acquisition were as follows:

Consideration (cash)	950,000	-
Carrying amount of disposal	(1,170,090)	-
Profit/(loss) on disposal	(220,090)	-

The Weston Insurance Services business was disposed of on 28 June 2005 and the operating results from the date of acquisition to the date of disposal have been included in consolidated operating profit.

25. SUBSEQUENT EVENTS

Dividend

The directors announced a final dividend of 30 cents per share fully franked will be paid on 30 September 2005 for the year ended 30 June 2005.

International financial reporting standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in note 29 to the financial statements.