

City Pacific Mortgage Trust

ARSN 088 139 477

Half-Year Financial Report

31 December 2005

City Pacific Mortgage Trust

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City Pacific Mortgage Trust

Directors' Report

The Directors of City Pacific Limited (the "Responsible Entity") present their report together with the financial report of the City Pacific Mortgage Trust (the "Trust"), for the half-year ended 31 December 2005 and the review report thereon.

Directors

The Directors of City Pacific Limited during or since the end of the half-year are:

<i>Name</i>	<i>Period of directorship</i>
Mr Ian William Donaldson Chairman Non-executive Director	Appointed 25 May 1998
Philip Keith Sullivan Managing Director	Appointed 8 August 1997
Thomas William Swan Non-executive Director	Appointed 8 August 1997
Stuart Handley Kissick Executive Director	Appointed 8 August 1997, resigned 16 September 2005
Mr Shane L Stone QC Non-executive Director	Appointed 16 September 2005
Mr Peter Charles Trathen Executive Director	Appointed 16 September 2005
Mr Michael Fowler Executive Director	Appointed 16 September 2005, resigned 9 January 2006

The registered office of the Responsible Entity and the Trust is Level 12, 300 Queen Street, Brisbane.

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia.

During the half-year the Trust invested predominantly in mortgage loans, while certain funds are held in bank deposits for liquidity purposes. The investment strategy of the Trust is weighted towards secured first mortgage loans with lending valuation ratios of 80% or below.

The Trust did not have any employees during the half-year.

Review and results of operations

The City Pacific Mortgage Trust has net assets of \$965,207,606 as at 31 December 2005 (30 June 2005: \$921,750,967), which is invested primarily in registered first mortgages on properties in Australia. This represents a growth in the size of the Trust of 4.7% during the half-year.

During the half-year the Trust distributions paid or payable were \$40,070,668 (2004: \$34,545,636).

City Pacific Mortgage Trust

Directors' Report (cont)

Subsequent events

Pursuant to the Responsible Entity's Australian Financial Services Licence, an independent expert was engaged to review and report on the loan book and liquidity of the City Pacific Mortgage Trust.

On 28 September 2005 the report from the independent expert was lodged with the Australian Securities and Investments Commission ("ASIC").

Notwithstanding the independent expert's finding that the City Pacific Mortgage Trust met the liquidity provisions of the Corporations Act, ASIC had concerns regarding the liquidity of the City Pacific Mortgage Trust. No other concerns were raised by ASIC in relation to the loan book of the City Pacific Mortgage Trust.

These concerns in relation to liquidity were addressed subsequent to 31 December 2005, with an agreed course of action being to hold a meeting of unitholders of the City Pacific Mortgage Trust to vote on the implementation of a uniform withdrawal period for all classes of investments of up to 180 days or 360 days in certain circumstances. The meeting of unitholders will be held in April 2006.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2005.

Dated at Brisbane this 17th day of March 2006.

Signed in accordance with a resolution of the directors:

P K Sullivan
Managing Director



**LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF CITY PACIFIC LIMITED, THE RESPONSIBLE ENTITY OF THE
CITY PACIFIC MORTGAGE TRUST**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

S J Board
Partner

17 March 2006

City Pacific Mortgage Trust

Condensed Interim Income Statement

For the half- year ended 31 December 2005

	2005	2004
	\$	\$
Note		
Interest income – mortgage loans	58,439,391	45,618,525
Interest income – other	401,437	504,037
Net investment income	<u>58,840,828</u>	<u>46,122,562</u>
Management fees	13,727,848	11,576,926
Operating expenses before finance costs	<u>13,727,848</u>	<u>11,576,926</u>
Net income from operations before finance costs	<u>45,112,980</u>	<u>34,545,636</u>
Borrowing costs paid to financier	5,042,312	-
Total finance costs	<u>5,042,312</u>	<u>-</u>
Net profit before distributions to unitholders	40,070,668	34,545,636
Distributions to unitholders	<u>40,070,668</u>	<u>34,545,636</u>
Net profit/(loss)	<u>-</u>	<u>-</u>

The income statement is to be read in conjunction with the notes to the interim financial statements.

City Pacific Mortgage Trust

Condensed Interim Statement of Changes in Equity

For the half- year ended 31 December 2005

	Unitholders funds 2005	2004	Undistributed income 2005	2004	Total equity 2005	2004
Opening balance	-	-	-	-	-	-
Net profit/(loss) for period	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-

The statement of changes in equity is to be read in conjunction with the notes to the interim financial statements.

City Pacific Mortgage Trust

Condensed Interim Balance Sheet

as at 31 December 2005

	Note	31 December 2005 \$	30 June 2005 \$
Assets			
Cash and cash equivalents		6,144,515	120,046,178
Receivables		13,465,484	17,641,751
Mortgage investments		1,102,462,676	921,698,982
Total assets		1,122,072,675	1,059,386,911
Liabilities			
Accounts payable		4,449,603	9,435,764
Distributions payable		12,975,260	12,754,854
Interest bearing liabilities		139,440,206	115,445,326
Total liabilities (excluding net assets attributable to unitholders)		156,865,069	137,635,944
Net assets		965,207,606	921,750,967
Net assets attributable to unitholders - liability			
Represented by:			
Net assets attributable to unitholders at redemption price		965,197,606	921,740,967
Settlement sum		10,000	10,000
Unitholders' funds – equity		-	-

The balance sheet is to be read in conjunction with the notes to the interim financial statements.

City Pacific Mortgage Trust

Condensed Interim Statement of Cash Flows

For the half- year ended 31 December 2005

	2005 \$	2004 \$
Cash flows from operating activities		
Interest received	63,318,102	46,510,773
Responsible entity fees and other costs paid	(18,930,757)	(13,690,887)
Distributions paid	(22,064,014)	(15,386,004)
Borrowing costs	(4,131,691)	-
Net cash follows from operating activities	<u>18,191,640</u>	<u>17,433,882</u>
Cash flows from investing activities		
Mortgage loan funds advanced	(398,073,879)	(431,737,474)
Mortgage loan funds repaid	217,310,185	222,888,733
Net cash flows from investing activities	<u>(180,763,694)</u>	<u>(208,848,741)</u>
Cash flows from financing activities		
Proceeds from borrowings	23,000,000	-
Proceeds from issue of redeemable units	248,422,788	481,234,880
Payments on redemption of redeemable units	(222,752,397)	(300,989,252)
Net cash flows from financing activities	<u>48,670,391</u>	<u>180,245,628</u>
Net increase/(decrease) in cash and cash equivalents	(113,901,663)	(11,169,231)
Cash at beginning of the half-year	<u>120,046,178</u>	<u>41,986,034</u>
Cash at the end of the half-year	<u>6,144,515</u>	<u>30,816,803</u>
Non-cash financing and investment activities	No of units	No of units
Units created as a result of distributions reinvested in the Trust under the distribution reinvestment plan	17,786,248	15,983,978
Value of units reinvested	\$17,786,248	\$15,983,978

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

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

1. Significant accounting policies

The Trust is a registered managed investment scheme under the Corporations Act 2001. The Trust was constituted on 23 June 1998 and will terminate on 23 June 2078 unless terminated in accordance with the Constitution.

The condensed interim financial report was authorised for issue by the directors on 17 March 2006.

(a) Statement of compliance

The condensed interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

This is the Trust's first AIFRS condensed interim financial report for part of the period covered by the first AIFRS annual financial report and AASB1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by the Responsible Entity during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the Trust is provided in note 10. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRSs.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed interim financial report has been prepared on the basis of AIFRSs on issue that are effective or available for early adoption at the Trust's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors of the Responsible Entity have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ended 30 June 2006.

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the condensed interim financial report in accordance with ASSB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 January 2004 for the purposes of the transition to Australian Accounting Standards – AIFRSs, as required by AASB 1. The impact of the transition from previous GAAP to AIFRSs is explained in note 10.

(c) Mortgage loans

Mortgage loans, which are recorded at principal amount less repayments, represent amounts advanced to other parties which are secured by registered mortgage and are stated at cost less impairment losses.

(d) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and at-call deposits.

(f) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(g) Payables

Payables are stated cost.

(h) Interest income

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date.

(i) Expenses

Management fees

Management fees are recognised in the income statement on an accruals basis.

Borrowing costs

Interest expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

1. Significant accounting policies (continued)

(j) Income tax

Under current legislation the Trust is not subject to taxation as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders.

The Trust fully distributes its distributable income, calculated in accordance with the Trust constitution and applicable taxation legislation, to unitholders who are presently entitled to the income under the constitution. Should realised capital losses arise, they are not distributed to unitholders but are retained in the Trust to be offset against any future realised capital gains.

(k) Impairment

The carrying amounts of the Trust's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the Trust's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

1. Significant accounting policies (continued)

(k) Impairment (continued)

Reversals of impairment (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Goods and services tax

Revenue, 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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part 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 balance sheet.

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.

2. Distributions

	2005	2004
	\$	\$
Distributions for the financial period comprise:		
Distributions paid	27,095,408	21,839,599
Distributions payable	12,975,260	12,706,037
	<u>40,070,668</u>	<u>34,545,636</u>

3. Segment information

The Trust operates predominantly as a mortgage trust and the Trust's operations and customers are located predominantly within Australia. The Trust provides mortgage finance to borrowers.

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

4. Investments

As at 31 December 2005, there were 8 loans (2004: 2) which were past due with total principal of \$32,811,315 and accrued interest of \$1,528,844 outstanding.

Past due loans were reduced to outstanding principal and interest of \$4,436,222 by 28 February 2006 due to the following:

- One loan with principal and accrued interest of \$6,507,022 as at 31 December 2005 was repaid in full in January 2006;
- One borrower with accrued interest of \$251,101, as at 31 December 2005, repaid this outstanding interest and \$3,888,021 of principal in January 2006;
- One borrower with principal and accrued interest of \$10,115,665 as at 31 December 2005 repaid \$2,374,601 in February 2006 clearing all outstanding interest owing and part of the principal; and
- One borrower with accrued interest of \$169,082, as at 31 December 2005, repaid \$150,000 of this outstanding interest in February 2006.

The directors consider that all principal and interest will be recovered in full and accordingly no impairment losses have been recorded.

5. Interest bearing liabilities

The Responsible Entity has established a finance arrangement for the Mortgage Trust with the Commonwealth Bank of Australia for the purposes of meeting unexpected withdrawal requests. The finance arrangement is secured by a fixed and floating charge over the assets of the Mortgage Trust, providing the Commonwealth Bank of Australia with first priority over the assets of the Mortgage Trust.

The finance arrangement consists of the following components:

Cash advance facility

The cash advance facility has a limit of \$35,000,000 and is available to be drawn at any time. The cash advance facility bears an average interest rate of 6.9% per annum and the drawn amount of the facility as at 31 December 2005 is \$35,000,000, prior to the allocation of prepaid borrowing costs.

Bill acceptance facility

The bill acceptance facility has a limit of \$105,000,000 and is available to be drawn at any time. The bill acceptance facility bears an average interest rate of 6.42% per annum and the drawn amount of the facility as at 31 December 2005 is \$105,000,000, prior to the allocation of prepaid borrowing costs.

As at the date of this report the drawn amount of the cash advance facility was \$35,000,000, prior to the allocation of prepaid borrowing costs and the drawn amount of the bill acceptance facility was \$60,000,000, prior to the allocation of prepaid borrowing costs.

6. Contingent liabilities

The Trust did not have any material contingent liabilities as at 31 December 2005.

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

7. Unitholders' funds – classified as liability

	2005		2004	
	No. of units	\$	No. of units	\$
Units on issue at issue price of \$1:				
Opening balance	921,740,967	921,740,967	740,376,942	740,376,942
Applications	248,422,788	248,422,788	481,234,880	481,234,880
Redemptions	(222,752,397)	(222,752,397)	(300,989,252)	(300,989,252)
Reinvestments	17,786,248	17,786,248	15,983,978	15,983,978
Closing balance	<u>965,197,606</u>	<u>965,197,606</u>	<u>936,606,548</u>	<u>936,606,548</u>

8. Related parties

During the half-year ended 31 December 2005 the Mortgage trust advanced the following loan funds to entities associated with the Responsible Entity or its subsidiaries:

	Loan balance at 31 December 2005	Funds advanced during the period	Repayments made during the period	Interest paid/payable	Interest rate
Marina Cove Pty Ltd	169,751,048	51,813,830	28,090,387	9,264,014	11.25%
Lake Views Estates Pty Ltd	30,639,106	12,173,149	-	1,437,279	11.25%
Grande Pacific Operations Pty Ltd	6,800,000	6,800,000	-	354,485	10.75%
	<u>207,190,154</u>	<u>70,786,979</u>	<u>28,090,387</u>	<u>11,055,778</u>	

Marina Cove Pty Ltd is 100% owned by CP1 Limited and Lake Views Estates Pty Ltd is 50% owned by CP1 Limited. CP1 Limited is a public company listed on the Australian Stock Exchange. City Pacific held 49.87% of CP1 Limited as at 31 December 2005.

Grande Pacific Operations Pty Ltd is 50% owned by Grande Pacific Limited, which is a 100% owned subsidiary of City Pacific Limited.

These loans are secured and are on normal commercial terms and conditions.

9. Events subsequent to balance date

Pursuant to the Responsible Entity's Australian Financial Services Licence, an independent expert was engaged to review and report on the loan book and liquidity of the City Pacific Mortgage Trust.

On 28 September 2005 the report from the independent expert was lodged with the Australian Securities and Investments Commission ("ASIC").

Notwithstanding the independent expert's finding that the City Pacific Mortgage Trust met the liquidity provisions of the Corporations Act, ASIC had concerns regarding the liquidity of the City Pacific Mortgage Trust. No other concerns were raised by ASIC in relation to the loan book of the City Pacific Mortgage Trust.

These concerns were addressed subsequent to 31 December 2005, with an agreed course of action being to hold a meeting of unitholders of the City Pacific Mortgage Trust to vote on the implementation of a uniform withdrawal period for all classes of investments of up to 180 days or 360 days in certain circumstances. The meeting of unitholders will be held in April 2006.

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

10. Explanation of transition to AIFRSs

As stated in note 1(a), these are the Trust's first interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards – AIFRSs.

The accounting policies in note 1 have been applied in preparing the interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the Trust's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2005 and financial statements for the year ended 30 June 2005, the Trust has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition for previous GAAP to AIFRSs has affected the Trust's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

There were no material adjustments to the Trust's cash flow statements.

The Trust has elected not to apply the exemption from restating financial instrument comparative information available under AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*.

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

10. Explanation of transition to AIFRSs (continued)

Reconciliation of equity	Note	Previous GAAP	Effect of transition to AIFRSs 1 July 2004	AIFRSs	Previous GAAP	Effect of transition to AIFRSs 31 December 2004	AIFRSs	Previous GAAP	Effect of transition to AIFRSs 30 June 2005	AIFRSs
Assets										
Cash and cash equivalents		41,986,034	-	41,986,034	30,816,803	-	30,816,803	120,046,178	-	120,046,178
Receivables		10,143,616	-	10,143,616	9,755,405	-	9,755,405	17,641,751	-	17,641,751
Prepayments	b	-	-	-	-	-	-	1,554,674	(1,554,674)	-
Mortgage investments		702,037,796	-	702,037,796	910,886,537	-	910,886,537	921,698,982	-	921,698,982
Total assets		754,167,446	-	754,167,446	951,458,745	-	951,458,745	1,060,941,585	(1,554,674)	1,059,386,911
Liabilities										
Accounts payable		4,250,121	-	4,250,121	2,136,160	-	2,136,160	9,435,764	-	9,435,764
Distributions payable		9,530,383	-	9,530,383	12,706,037	-	12,706,037	12,754,854	-	12,754,854
Interest bearing liabilities	a,b	-	-	-	-	-	-	117,000,000	(1,554,674)	115,445,326
Total liabilities (excluding net assets attributable to unitholders)		13,780,504	-	13,780,504	14,842,197	-	14,842,197	139,190,618	(1,554,674)	137,635,944
Net assets		740,386,942	-	740,386,942	936,616,548	-	936,616,548	921,750,967	-	921,750,967
Net assets attributable to unitholders – liability (AIFRS)										
Represented by:										
Net assets attributable to unitholders at redemption price										
	a	-	740,376,942	740,376,942	-	936,606,548	936,606,548	-	921,740,967	921,740,967
Settlement sum		-	10,000	10,000	-	10,000	10,000	-	10,000	10,000
Unitholder's funds - equity		-	-	-	-	-	-	-	-	-
Unitholders funds (Previous GAAP)										
Settlement sum		10,000	(10,000)	-	10,000	(10,000)	-	10,000	(10,000)	-
Units at issue price of \$1	a	740,376,942	(740,376,942)	-	936,606,548	(936,606,548)	-	921,740,967	(921,740,967)	-
Total unitholders funds		740,386,942	(740,386,942)	-	936,616,548	(936,616,548)	-	921,750,967	(921,750,967)	-

City Pacific Mortgage Trust

Notes to and forming part of the half-year financial statements For the half-year ended 31 December 2005

10. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity

The adjustments in relation to the transition to AIFRS are set out below:

a) **Financial Liabilities and change in net asset value attributable to unitholders**

In accordance with AASB 132, unitholders funds are “puttable instruments” and are no longer classed as equity but rather as debt. Therefore, a liability has been recognised for the fair value which is redeemable as at reporting date and the changes in value recognised in the Income Statement. Unitholders funds are disclosed as “Net assets attributable to unitholders” measured at an amount equal to the number of units on issue multiplied by redemption price as at reporting date and the transaction costs incurred by the scheme in meeting the financial liability to unitholders.

Unitholders funds are classed as debt under AIFRS, and it is necessary to recognise “distribution expense to unitholders” and “change in net asset value attributable to unitholders” in the Income Statement as an expense rather than as a change in unitholders equity.

b) **Transaction costs attributable to borrowings**

In accordance with AIFRS, prepaid transaction costs attributable to borrowings are recorded as a reduction in the liability to which they relate.

Under previous GAAP, prepaid transaction costs attributable to borrowings were recorded separately as an asset in the balance sheet.

City Pacific Mortgage Trust

Directors' declaration

In the opinion of the directors of City Pacific Limited, the Responsible Entity of City Pacific Mortgage Trust:

- 1 the financial statements and notes, set out on pages 5 to 17, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Trust as at 31 December 2005 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
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 17th day of March 2006.

Signed in accordance with a resolution of the directors:

P K Sullivan
Managing Director



Independent review report to the unitholders of City Pacific Mortgage Trust

Scope

The financial report and directors' responsibility

The financial report comprises the condensed interim income statement, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 5 to 18 for the City Pacific Mortgage Trust (the "Trust"), for the half- year ended 31 December 2005.

The directors of City Pacific Limited (the "Responsible Entity") 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. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

Review approach

We conducted an independent review in order for the Trust 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 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and 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.



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 Mortgage Trust is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Trust's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

SJ Board
Partner

17 March 2006