

Corporate Directory

Company

City Pacific Limited
ACN 079 453 955

Registered Office and Brisbane Office

Level 12, 300 Queen Street
Brisbane QLD 4000
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Phone (07) 3229 7129
Fax (07) 3229 5796

Sydney Office

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Sydney NSW 2000
National number 13 4769
Phone (02) 9238 0822
Fax (02) 9238 0833

Melbourne Office

Level 7, 50 Market Street
Melbourne VIC 3000
Phone (03) 9629 1777
Fax (03) 9629 1677

Gold Coast Office

City Pacific House
2 Miami Key
Broadbeach Waters QLD 4226
National number 13 4769
Phone (07) 5554 0200
Fax (07) 5575 6366

Postal Address

GPO Box 2456
Brisbane QLD 4001

Directors

Ian Donaldson
Thomas Swan
Shane Stone
Phillip Sullivan
Peter Trathen

Share Registry

Link Market Services Limited
Level 12, 300 Queen Street
Brisbane QLD 4000

Responsible entity for the following registered managed investment schemes:

- City Pacific Mortgage Trust
- City Pacific Income Fund
- City Pacific Managed Fund
- City Pacific Private Fund

Custodian of the Mortgage Trust, Income Fund and Managed Fund

The Public Trustee of Queensland
Trustee House
Level 10, 444 Queen Street
Brisbane QLD 4000

Auditor of the Company, Mortgage Trust, Income Fund, Managed Fund and Private Fund

KPMG
Level 11, Corporate Centre One
Cnr Bundall Road and Slatyer Avenue
Bundall QLD 4217

Lawyers for the Company, Mortgage Trust, Income Fund, Managed Fund and Private Fund

McCullough Robertson, Lawyers
Level 12
Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

Auditor of the Compliance Plans of the Mortgage Trust, Income Fund, Managed Fund and Private Fund

KPMG
Riparian Plaza
Level 16, 71 Eagle Street
Brisbane QLD 4000

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Financial Calendar

Financial year-end	30 June 2007
ASX announcement of results and dividend	16 August 2007
Record closing date for final dividend entitlement	23 October 2007
Final dividend payment	31 October 2007
ASX announcement of 2008 interim results and dividend	February 2008

Annual General Meeting

The Annual General Meeting of City Pacific Limited will be held at 10.00 am on Tuesday 16th October at the Stamford Plaza Hotel, Cnr Edward and Margaret Streets, Brisbane, Queensland, 4000. The business of the meeting is outlined in the formal Notice and Proxy Form that are enclosed with this report.

Overview



Profile

City Pacific Limited is a diversified financial services company, which provides finance, investment products and services with a strong focus on the property sector. City Pacific conducts its core activities through four business units:

- Funds Management
- Residential & Commercial Finance
- Property
- Investment



Gainsborough Greens, a joint venture with Mirvac

As at 30 June 2007 the group was one of Australia's largest non-bank financiers with:

- Over \$1 billion in funds under management in the City Pacific Mortgage Trust, City Pacific Income Fund, City Pacific Managed Fund and the City Pacific Private Fund.
- A residential mortgage portfolio in excess of \$3 billion.
- Commercial mortgage assets under management of approximately \$1 billion.
- \$2.2 billion of new business written during the year.
- A stock market capitalisation of over \$580 million.
- Inclusion in ASX 200 Index.
- Offices in Melbourne, Sydney, Brisbane and the Gold Coast.
- 40 City Pacific Finance franchise outlets throughout the Eastern seaboard.
- 20,000 unitholders and investors.

City Pacific also maintains an investment in two expanding ASX listed property companies, CP1 Limited and Indigo Pacific Capital Limited, which provide an increasing stream of dividends into group earnings.

City Pacific has an established track record of delivering yield and growth to investors and we are pleased to report a sixth consecutive record result for 2007, with net profit after tax of \$73.2 million and a full year dividend of 45 cents per share fully franked.

Financial Summary

	2003	2004	2005	2006	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Group Revenue	22,732	59,096	163,541	310,186	330,595
Profit before Tax	17,917	59,594	97,105	107,103	136,719
Net Profit after Tax	12,469	43,792	58,333	62,105	73,213
Earnings per Share (Cents)*	14.02	44.66	49.05	48.12	53.07
Dividends per Share (Cents)	15.0	33.0	45.0	45.0	45.0
Shareholders Funds	22,633	82,765	181,172	161,693	244,033
Return on Equity (%)	55	53	32	38	30

Note that the 2003 to 2005 amounts are before adjustments in relation to the transition to Australian Equivalents to International Financial Reporting Standards.

* Diluted earnings per share as per the annual financial report.



Financial Highlights

- Despite increasingly competitive and sometimes volatile market conditions, City Pacific's expanding operating businesses increase revenue to \$330 million.
- Company announces sixth consecutive record profit, with net profit after tax up 17.9 per cent to \$73.2 million.
- Sustained group-wide growth reflected by 50.9 per cent increase in net assets to \$244 million.
- Full year dividend maintained at 45 cents per share fully franked (representing a yield at market close on 16 August 2006 of 10.8 per cent).
- Company gearing levels significantly reduced to 14 per cent following retirement of debt from proceeds of an oversubscribed \$85 million share placement to institutional investors, together with the deconsolidation of CP1 Limited.

Operational Highlights

- Strong forward pipeline consolidated to underwrite future earnings stream with \$2.2 billion in new business written during the year.
- Deconsolidation of CP1 Limited following the sale of a 17.9 per cent interest to, and striking of strategic alliance with, leading construction group Grocon, which nets City Pacific \$18 million before tax.
- City Pacific Mortgage Trust defies adverse market conditions, particularly in second half, to increase funds under management 9 per cent to over \$1 billion.
- The \$1 billion Townsville Ocean Terminal and Breakwater Cove is on schedule to achieve full approval in FY08.
- CP1 Limited, in conjunction with JV partner Raptis Group, settles \$85 million acquisition of the prime Gold Coast International site in the heart of Surfers Paradise, with plans for 3 major residential towers.
- CP1 Limited commences approval process for the \$700 million redevelopment of the Paradise Resort site in Surfers Paradise.
- Wholly owned subsidiary Grande Pacific's first 5 star Independent Living Community project, Grande Pacific Broadwater, records excellent pre-sales.
- Acquisition in July 2007 of specialist wholesale mortgage manager Australian Beneficial Finance to bolster capability and breadth of City Pacific's Finance division.



Townsville Ocean Terminal and Breakwater Cove project

Chairman's Report

Overview

It is fitting that in our tenth year of operation City Pacific has posted its sixth consecutive year of increased profit to \$73.2 million, a 17.9 % increase on 2006.

And this has been achieved in a year when the industry in which the company operates - mortgage lending - has been turbulent because of the well-publicised failure of a number of companies.

In light of the problems experienced by several debenture-issuing companies during the year, it is worth emphasising that all our mortgage products offered to investors are fully secured by first mortgage over real property with a maximum loan to value ratio of no more than eighty percent. This is also backed by specialist expertise and an unblemished history of successful lending.

However the year has also been noteworthy for a change in strategic direction of the company that will materially reduce risks and strengthen the company's balance sheet.

During 2007, the net assets of the company increased 50.9% to \$244 million, basic earnings per share increased 9.2% to 53.12 cents, and the dividend per share was maintained at 45 cents per share.

During the year the company had a successful institutional capital raising of \$85 million, it sold its controlling interest in CP1 Limited retaining a 30.6% interest, and strengthened its strategic relationship with joint venture partners.

Strategic Direction

The company's strategic positioning as a specialist fund manager that lends to development industry has again served the company well during 2007. The level of the company's expertise in this industry is perhaps best demonstrated by its ten-year record of no loss of capital through defaulting loans.

In the future, the company plans to vigorously expand both its funds management and its financial services business. However, as presaged in previous reports, in the future the company intends to target the funds that it manages from a mixture of institutional and retail investors whereas in the past, the majority of funds have been invested from the retail sector. We believe that this will provide the company with greater growth and flexibility.

Apart from income from funds management and other financial services such as project management and finance lending and leasing, the company's other core activity is property dealing and development. The company intends to focus more on building its financial services income and will use its property knowledge and expertise to earn a range of financial services income through managing property and development trusts.

This does not mean that the company will be any less active in exploiting property opportunities but rather it indicates that the company will change the way that these opportunities are handled.

Therefore instead of the company or a subsidiary purchasing and developing property, we will transfer responsibility for the delivery of development projects from City Pacific to development trusts, while providing a service to manage the development process for a fee.

During the transition, we will look to sell a number of our property assets into these separate development or investment trusts while retaining the management of the development or investment trusts. City Pacific is likely to retain a minor equity holding in each of these projects.

CP1 Limited

During the year City Pacific sold down its interest in CP1 and transferred control of the company to an independently controlled Board of Directors. This is consistent with the change in strategic direction of the company out of direct property development. This independence will enable CP1 to widen its scope of activities and will, we believe, be to the benefit of all CP1 shareholders.



Surfers Paradise, site of the Gold Coast International Hotel and Paradise Resort

New Products

The change in direction for City Pacific will result in an expansion of products available for investment by the public. These will include a variety of property trusts.

City Pacific Finance

City Pacific recently added a further 89 brokers to its existing City Pacific Finance franchise and preferred broker network of approximately 240 offices when it acquired Australian Beneficial Finance, a specialist residential wholesale mortgage management company. During the coming year the City Pacific finance division is committed to growing its market share through cross-selling of the group's product range and opening new franchise offices.



City Pacific Board

Strengthening of our Balance Sheet

The deconsolidation of CP1 reduced our consolidated debt and therefore strengthened the City Pacific balance sheet. In fact, the company's gearing at 14% is extremely conservative.

Since 30 June 2007, a loan from the City Pacific Mortgage Trust to CP1 subsidiary Marina Cove has been reduced by approximately \$100 million through settlements and partial refinance.

Dividend

The company will pay a final dividend of 30 cents per share on 31 October 2007 and will thus maintain its dividend at 45 cents per share. However in so doing the company will reduce its dividend payout from 92% in 2006 to 85% in 2007 on an increased capital base. This is in line with our target to reduce the payout to 75% over two or three years.

Conclusion

In this our tenth year of operation it is fitting that I conclude with a sincere thank you to our people. The company, its shareholders and your Board are well served by a talented, supportive and loyal team of executives and employees and I extend to them the appreciation of all of us for their efforts. I also take this opportunity to acknowledge the vision of Phil Sullivan in forming the company and driving its performance and also the excellent contribution made by my fellow Directors. I thank them all for their commitment and support over the past ten years.

A handwritten signature in black ink, which appears to read 'Ian Donaldson'. The signature is fluid and cursive, written on a light-colored background.

Ian Donaldson

Chairman



Mariner's Cove

Managing Director's Review

Financial Results

I am pleased to report City Pacific has achieved another outstanding result for 2007 financial year; a result that reflects the underlying strength of the company's business model, particularly when taking into account the challenges that impacted on our sector in the latter half of the year.

The record profits for our companies and continued strong returns for our shareholders and investors is a result of a disciplined, strategic focus that leverages the diversity of our asset base and the active management of our known competencies in financial services, managed funds and property.

Today City Pacific is one of the largest non-bank financiers in Australia, is an ASX 200 company, has in excess of \$1 billion funds under management, a residential mortgage portfolio in excess of \$3 billion and commercial mortgage assets under management of approximately \$1 billion. During the 2007 financial year we also wrote \$2.2 billion of new business, were capitalised at around \$580 million at 30 June 2007 and operated on a predominantly East Coast basis with over 40 City Pacific Finance franchise outlets and 20,000 unit holders and investors.

Despite an increasingly competitive and sometimes volatile market City Pacific again performed strongly reporting an operating profit of \$136.7 million, up 27.7 per cent on the previous year.

Group revenue increased 6.6 percent to \$330.6 million, with EBITDA up 30 percent to \$140.5 million and net profit after tax up 17.9 per cent to \$73.2 million, our sixth consecutive year of increasing after tax profitability. The result represented basic earnings per share of 53.12 cents.

The company's expanding operating base was reflected in a 50.9 per cent growth in net assets to \$244 million on a consolidated basis.

A final dividend of 30 cents per share fully franked will be paid on 31 October 2007, lifting the full year's dividend to 45 cents fully franked.

Our objective of matching the previous year's dividend of 45 cents per share has been achieved and delivers us about \$65 million in dividend payouts to an increased number of shareholders for the 2007 financial year.

The \$85 million raised from a heavily oversubscribed share placement to institutional investors in February 2007 was used to retire group debt and provide equity for several major projects. The debt retirement made during the year resulted in Company gearing of 14 per cent at the end of the year.

Funds Management

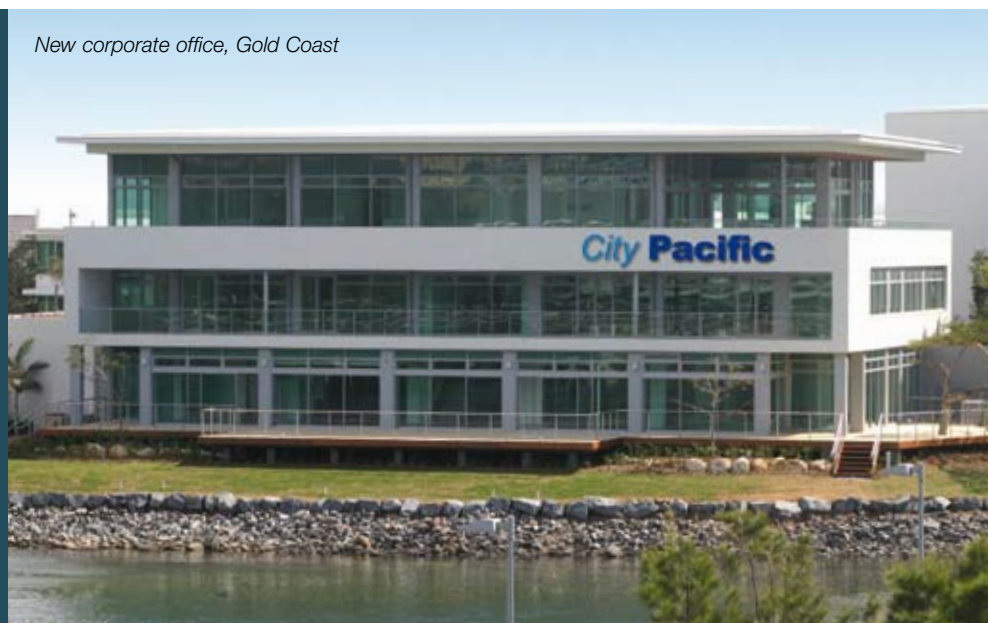
Our funds management operations weathered extremely difficult and often volatile conditions in the second half to pleasingly record 9 per cent annualised growth to over \$1 billion. Our total distributions to investors in the year of \$95 million was up 18.6 per cent on the prior year. In particular, the performance of our flagship fund, the City Pacific Mortgage Trust, to withstand the full impact of several unrelated failings in the fund management sector, reflects not only its growing reputation in the marketplace, but the solid prudential criteria in place which controls its investment policies.

The City Pacific Mortgage Trust is a registered managed investment scheme, which invests in registered first mortgages and cash. These funds are held in trust for investors, and unlike other seemingly similar funds which are actually debenture issuers, the money cannot be used to operate and finance our group's operations

As at 30 June 2007 our diversified stable of fund management activities comprised:

- City Pacific Mortgage Trust (\$1.03 billion)
- City Pacific Treasury Finance (\$641.8 million)
- City Pacific Income Fund (\$9.3 million)
- City Pacific Private Fund (\$13.1 million)
- Institutional funding lines (\$200 million)





2008 will see a wider diversity of funds available which will target both retail and institutional investors as a result of the growth and strength of this core part of our business.

New Funds

City Pacific is committed to expanding our fund management operations to capitalise on the expertise consolidated over the past 5 years.

We are currently developing a number of new funds to be launched in the near future. Our first such offering will be a specialist Marina Fund which has been developed in response to a growing demand for, and shortage of, marinas in Australia and overseas.

The planned Marina Fund is consistent with City Pacific's successful strategy of focusing on prime regions experiencing rapid growth and which are driven by lifestyle buyer demand.

It is well documented that demand for marinas in Australia far exceeds supply and City Pacific undoubtedly has the expertise, track record and resources to fully capitalise on this increasingly popular asset category to benefit investors.

We have a number of operating marinas and others that we are currently developing including product from our Martha Cove project in Victoria and the Breakwater Marina in Townsville.

Residential and Commercial Finance

City Pacific Finance

The City Pacific Finance division provides an extensive range of mortgage broking and commercial finance solutions through a national distribution network of around 40 franchises and 200 brokers.

In the 2007 financial year we further expanded and enhanced the suite of financial products distributed through the network. This broad financial services offering will continue to allow the distribution network to provide its growing client base with leading edge funding solutions that encompass all private and commercial requirements.

In 2006/07 City Pacific Finance generated \$18.7 million in revenue through commissions and trail fees.

During the year our mortgage lending business continued to increase its residential mortgage trail book to over \$3 billion, by again writing in excess of \$1 billion of new residential mortgage loans. The continued diversification of the range of lending products offered by the group resulted in significant increases in commercial loans (an increase of 144 per cent) and plant and equipment finance (an increase of 36 per cent).

Australian Beneficial Finance

As a continuation of our financial services diversification strategy, City Pacific acquired Australian Beneficial Finance in early July

2007. Australian Beneficial Finance is a wholesale mortgage manager with 89 introducing brokers, which specialises in funding residential mortgages. It accesses its funds from a select group of wholesale lenders which provide it with much lower costs of funds for its white label lending.

This acquisition will strengthen our client retention capability and provide an opportunity to cross-sell products through our existing broker and franchise distribution channels.

Transport Finance

Our specialised Transport Finance business was severely impacted by a rare combination of events, which dampened demand from transport equipment suppliers. Flow on effects of Cyclone Larry, a continuation of the severe drought and rapidly increasing fuel prices, led to a temporary down turn for replacement trucks and trailers. The short-term negative impacts of these events have now passed and it is expected to result in a significant improvement in the industry and the Transport Finance's results in the current year.

Treasury Finance

City Pacific Treasury Finance in Melbourne is an originator and structured property finance group operating in the commercial property markets and has approximately \$640 million under management. Treasury also operates the \$200 million City Pacific Warehouse Trust in Melbourne.

Residential and Commercial goals for the 2007/08 financial year are to:

- implement and access the substantial product cross-selling opportunities throughout the group;
- continue to focus on expanding the franchise geographic distribution network; and
- make City Pacific Finance the financial franchisee of choice throughout its chosen markets.

The Residential and Commercial Finance division continues to diversify the group's revenue base by providing an increasing, multiple product offering to a wide range of markets.

Property Investments

In 2006/07 City Pacific's property development and project management divisions maintained a direct or indirect involvement in a \$4 billion plus pipeline of significant leisure and lifestyle property projects located in identified high-growth regions. These investments are held via several specialised operating entities, comprising:

- City Pacific Project Management (100 per cent interest)
 - Breakwater Pacific (100 per cent interest)
 - ASX-listed CP1 Limited (30.6 per cent interest)
 - ASX-listed Indigo Pacific Capital Limited (26.8 per cent interest)
- Grande Pacific (50 per cent interest)
 - Mirvac Pacific (50 per cent interest)

City Pacific does not in its own right conduct any property development, but rather has investments in listed companies and unlisted Joint Venture companies where project delivery is the responsibility of the joint venture partner.

As additional projects are identified or approved – investment or development trusts will be established to undertake the development or hold the properties.

City Pacific Project Management

City Pacific Project Management receives fees for services and is currently managing projects with a combined design and construction value of more than \$4 billion along Australia's eastern seaboard, including:

- Martha Cove, a unique \$1 billion marina living development on the Mornington Peninsula in Victoria.
- The \$1 billion Townsville ocean terminal and waterfront land development.
- The \$700 million Paradise Resort and residential high-rise development in Surfers Paradise, Queensland.
- The \$92 million Lake Views Industrial Park and residential subdivision in Melbourne, Victoria.
- The \$960 million Pacific Beach high-rise beachfront residential development in Surfers Paradise, Queensland.

- A \$30 million corporate office development at Broadbeach, Queensland.
- A \$100 million Geelong bulky good development.
- The \$1 billion Gainsborough Greens residential development at Pimpama, Queensland
- The \$570 million redevelopment of the Gold Coast International Hotel site, in Surfers Paradise, Queensland.

The approval by the State of a new Masterplan for the Townsville Ocean Terminal and Breakwater Cove project was a major step forward for our Townsville development.

Standout features of the future development area include a commercial marina and super-yacht berths. In 2006/07 City Pacific secured 100 per cent ownership of Breakwater Marina which delivered control of a 234 berth marina and allows us to increase this capacity by another 200 berths. This work is currently underway and the marina will form part of the product to be included in our Marine Trust currently being structured.

Research which confirms a growing demand by larger vessels wanting access to Townsville coupled with growth in boat ownership in the region of 50 per cent in seven years, reinforce the pent up demand for quality marina berths in north Queensland's booming regional capital.

Hope Island, Gold Coast





Townsville is a prime example of City Pacific's ability to successfully identify strong growth locations and to profitably capitalise on these through astute timing. Due to forecast population growth the city will need 1,600 new dwellings each year for the next 15 years. This outlook undoubtedly augers well for the market success of this major project. The project will be included in a development trust currently being structured.



Gainsborough Greens

City Pacific's \$1 billion joint venture with Mirvac at Gainsborough Greens also progressed in 2006/07, with two applications on adjoining tracts of land submitted to the Gold Coast City Council. The combined projects will produce up to 2,800 dwellings over a seven year development period. Initial works on the first phase of this project is expected to get underway in 2008.

During the year we also completed a \$30 million mixed low rise office and residential development at Broadbeach and City Pacific will occupy one of the two commercial office buildings as our new Gold Coast office from September 2007.

The complex enjoys a strategic location with views across the Tallebudgera waterway to Jupiters Casino, the Gold Coast Convention and Exhibition Centre and Broadbeach. This property will be packaged in a Property Trust and will form the basis of our initial offering to our retail investors.

CP1 Limited

In the year under review, CP1 successfully expanded its already extensive property development activities past the \$2 billion mark, and increased after tax profit 20.7 per cent to \$36.84 million.

CP1 is developing a number of large high profile projects in strategic locations with a clear focus on the leisure/lifestyle market. The projects are managed by City Pacific through our wholly owned subsidiary City Pacific Project Management.

CP1 Limited's \$1 billion residential marina development at Martha Cove on Victoria's Mornington Peninsula has undergone a transformation from its formative years as a development site to one that is quickly becoming an established residential haven and boating mecca.

With the first owners taking residence in 2007, local and national awareness of Martha Cove continued to gather momentum resulting in strong sales of \$120 million by 30 June 2007. The strong wave of settlements experienced in the second half is expected to continue into the current financial year.

Martha Cove comprises 92 hectares of prime land and once completed will contain 1,150 residential dwellings, 650 marina berths, a commercial and retail precinct, tourist accommodation and a retirement

village. The approaching dry season will see the completion of bulk earthworks and sub-divisional work.

In June 2007, CP1 sold Stage 5 land to Eureka Funds Management at Martha Cove. Eureka is a closed fund, focused on Australian property investments. City Pacific and CP1 see long term opportunities from building a solid working relationship with Eureka.

CP1 Share Sale to Grocon

In an initiative designed to accelerate the scale and scope of its future development activities, CP1 finalised a formal alliance with the private construction group, Grocon, in June 2007. Grocon is one of Australia's largest privately owned property development and construction companies and responsible for the construction of many iconic high rise Australian projects, including Melbourne's tallest residential landmark, Eureka Tower and Sydney's tallest, the World Tower. A Grocon related entity acquired a 17.9 per cent interest in CP1 from City Pacific Limited, in a transaction worth approximately \$34 million.



Imperial Grande Pacific, Labrador



This deconsolidation initiative is in line with our increasing focus on funds management and will transition CP1 as an "independent" property development company. It also strengthens City Pacific's balance sheet by removing development debt, enabling the company to better utilise available capital and to develop further strategic alliances.

City Pacific Limited retains a 30.6 per cent share of CP1 and will continue to work closely with CP1. City Pacific will concentrate on growing our funds management business and future property development activities will be packaged to suit this strategy.

In April 2007 CP1 further strengthened its major project pipeline with \$85 million acquisition of the five star Gold Coast International Hotel and adjoining land in collaboration with Raptis Group. The joint purchase is a 50-50 venture, with CP1 to manage the established Gold Coast International Hotel and the Raptis Group undertaking project delivery of the developable areas on the site.

The 2.28 hectare site contains sufficient land to enable construction of a further three high rise towers to supplement the existing 5 star hotel facility, which will continue to be operated through the development phase.

This purchase strategically complements CP1's ownership of the multi-awarding winning Paradise Resort, which is located on a 2.5 hectare site immediately opposite Gold Coast International Hotel on Ferny Avenue, Surfers Paradise.

The first phase of the staged redevelopment of Paradise Resort was underway at the time of this report with the lodgement of a Development Application for a tower to contain approximately 240 apartments. This is the first of four towers planned for construction over the next five years for a combined construction cost in excess of \$700 million. Research indicates the towers will attract strong interest from investors following reports of a 6 per cent decline in the supply of serviced apartments

Breakwater Cove project, Townsville



in the area. Construction is anticipated to commence in the 2007/08 financial year.

CP1 also holds a 50 per cent stake in the Lake Views industrial and residential estate at Braeside, near Melbourne. An expression of interest campaign is currently seeking purchasers of this project which should be sold during the first half of the 2007-08 financial year.

Indigo Pacific Capital

City Pacific holds a 26.8 per cent stake in the \$60 million capitalised Indigo Pacific Capital Limited (Indigo Pacific) which has continued to profitably expand since its listing on ASX in 2004. Indigo Pacific focuses on providing debt and equity funding to lifestyle focussed projects in high growth localities along Australia's eastern seaboard. The company has consistently achieved its goal of an average return-on-investment of between 25 – 30 per cent for individual project funding.

Indigo Pacific's expanding pipeline of property funding situations resulted in a net profit after tax of \$4.65 million for the 2007 financial year. At 30 June 2007, Indigo Pacific was involved with a range of quality development projects valued at in excess of \$645 million.

Grande Pacific

Wholly owned Grande Pacific performed strongly in 2006/07 capitalising on the escalating demand for 5-star senior or independent living resort style developments.

The response to the Grande Pacific strategy to initially develop Independent Living Communities (ILC) in premium water-



based locations, near major shopping precincts, with high exposure to the target demographic sectors, has been extremely positive. Sales and enquiries have been very strong for the inaugural project, the 25 level Grande Pacific Broadwater, currently under construction at Southport, Gold Coast. Two more sites have been purchased on the Gold Coast, another at Martha Cove Victoria and three prime sites in New Zealand have also been secured, one of which is currently operating as an ILC. It is intended the remaining sites will progressively be developed to offer more than 1,500 luxury independent living style apartments and villas.

The Grande Pacific's target model is the lucrative premium sector where there is a clearly identified and strongly growing demand from this market segment desiring luxury leisure and lifestyle based living communities.



Outlook

City Pacific remains committed to achieving further significant growth across all divisions of our operations in 2007/08.

In the year ahead we will be broadening the scope of our funds management business through the launch of several new offers, which will be pitched at both the retail and institutional markets. We are also confident that more stable market conditions will lead to a more buoyant performance from our flagship fund, the City Pacific Mortgage Trust, which will have a name change during the course of the next financial year to the City Pacific First Mortgage Fund which we believe more accurately describes the business of the fund.

In 2006/07 a number of strategic alliances and joint ventures were struck which significantly strengthened our forward property project pipeline. During the current year further progress on several key projects is expected to impact positively on our funds management revenue and profit base.

Our focus will continue on maximising growth from our diverse asset base with operations in the fastest growing areas of Australia's east coast. During the coming year we will continue to assess the market for new opportunities with the potential to build both our business and shareholders wealth.

City Pacific has demonstrated a capability to withstand changing property and market cycles and remains focused on delivering consistent and sustainable value to them.

City Pacific relies on the expertise and integrity of its executives to ensure that risks are intelligently and innovatively managed so as to maximize the return to investors and shareholders.

Our management team are highly motivated professionals with multiple skill sets who work to a common goal of expert team performance with fresh thinking, in both tactics and product delivery. I would like to thank them for their contribution and leadership this year.

Our strategic and operational focus means that we are well positioned to meet the challenges of continued growth of stakeholder returns.

I would also like to thank our shareholders, investors and business associates for their continued support and loyalty. I and my fellow directors are totally committed to continue to deliver exceptional returns to everyone with a vested interest in City Pacific.

Phil Sullivan

Managing Director & CEO

Group Executives



Philip Keith Sullivan

Managing Director and Chief Executive Officer

Mr Sullivan has been actively involved in property investment and development for over 30 years across many sectors of the property market. He currently holds directorships with a number of public and private Australian investment and development companies and has been the Managing Director of City Pacific since its incorporation.

Mr Sullivan has a detailed understanding of the elements necessary to properly manage large scale property based construction projects. This assists City Pacific to assess, manage and monitor the project values and risks effectively.

City Pacific utilises Mr Sullivan's experience to enhance the company's understanding of trends in property markets, essential in mortgage lending and the related credit policy issues.



Peter Charles Trathen

BSc (Bldg)

Executive Director

Mr Trathen is the Chief Executive of the City Pacific Project Management Division, which oversees the property and development arm of that business.

Mr Trathen has a long history of involvement in the construction and development industry. He has had extensive experience in South Africa, New Zealand and Australia with a key focus on the initiation and execution of major projects. These include the Treasury Casino in Brisbane and the Gold Coast Convention Centre and the Wellington Civic Centre.

As a member of Jupiters' and Tabcorp's senior executive teams for many years, Mr Trathen had responsibility for a number of their business units.



Adam Christopher Purss

CA, B Bus, M.ProfAc

Chief Financial Officer

Mr Purss joined City Pacific in March 2005. A Chartered Accountant, Mr Purss came to City Pacific from KPMG, where he had been for four and a half years as a Manager in their Audit and Risk Advisory Services division. Mr Purss' principle client in his time at KPMG had been City Pacific, enabling him to gain detailed insight into the Company and its operations. His role at KPMG gave him great exposure to large private and public companies, across a broad range of industries including the financial services sector.

Mr Purss had previously held a position at Bank of Queensland where he gained exposure to loans markets. Mr Purss' contribution since joining City Pacific has included the financial integration of acquired entities, enhancement of management and board reporting information, and refinement of annual and half-year financial reporting systems and processes.



James Timothy Finucan

LL.B., Bus (Acc.)

Corporate Counsel

Mr Finucan joined City Pacific in February 2006, bringing a depth of experience in property development and corporate restructuring law. During his previous posting with McLaughlin's which spanned over 4 years, Mr Finucan gained great exposure in their Commercial division. He advised on matters concerning corporate structuring and development work, including prominent property transactions. Mr Finucan spent 2 years as a legal consultant in the United Kingdom, advising Public companies on commercial matters and consulting on Private Public Partnerships of property developments.

Mr Finucan advises the City Pacific Board on a range of legal matters, streamlining the relationship between City Pacific and external legal counsel. Mr Finucan is a Solicitor of the Supreme Court of Queensland and the High Court of Australia and a member of the Australian Corporate Lawyers Association.



Steve McCormick

Group Executive – Property Development Finance

Mr McCormick's career in Banking and Finance spans over 26 years, and includes exposure to retail, commercial, property finance and corporate banking. With a focus on commercial property finance, he progressed to a senior role as a Regional Property Finance Manager for Westpac in New Zealand.

Mr McCormick expanded his experience in the property finance field with the position of Regional Manager for a financial institution in Christchurch responsible for 3 offices and overseeing a loan portfolio including a mix of residential, commercial and property development lending.

Mr McCormick joined City Pacific in early 2005 bringing a comprehensive knowledge of property finance and the banking industry. He sits on the Company's Executive Credit Risk Committee.



Lee Danahay

Group Executive – Investor Relations

Ms Danahay has been with City Pacific for 5 years and has grown with the company progressing from Senior Accountant and Compliance Officer to Human Resource Manager and just recently was appointed Group Executive of Investor Relations.

Prior to joining City Pacific Ms Danahay worked for KPMG where she was a member of the audit team on City Pacific's audit for 2 years, enabling her to gain insight into the Company and its operations.

Ms Danahay oversees the Client Services Team who are dedicated to keeping City Pacific's investors and shareholders informed and in tune with their investments.



Breakwater Marina, Townsville

Directors' Report

The directors present their report together with the financial report of City Pacific Limited ("the company" or "City Pacific"), and of the consolidated entity, being the company and its controlled entities for the year ended 30 June 2007 and the auditor's report thereon.

Directors

The directors of the company in office at any time during or since the end of the financial year are:

Ian William Donaldson *AM, FCA, FICD, AAUQ*

Chairman

Independent Non-Executive Director

Mr Donaldson has been the Chairman of City Pacific since commencement of the company's business in 1997. Mr Donaldson is a Fellow of the Institute of Chartered Accountants in Australia and was State President of the Queensland branch in 1996. He is past Chairman of the firm William Buck (formerly Hall Chadwick) in Queensland (established 1888) and past Chairman of the Leukaemia Foundation of Australia. He is an experienced director of public and private companies, having been Chairman of CP1 Limited ("CP1"), between March 2002 and June 2007 and Chairman of Indigo Pacific Capital Limited ("Indigo Pacific Capital"), from February 2004 until February 2006.

He has played a leading role in the advancement of the mortgage industry in Australia, with particular emphasis on promoting the mortgage securitisation industry in Queensland. Mr Donaldson was appointed inaugural Chairman of the Mortgages (Secondary Market) Board by the Queensland Government in 1984, and held this position until June 1990.

Mr Donaldson brings to City Pacific considerable experience as a director of public companies together with specialist knowledge in mortgage securitisation.

Thomas William Swan *BBus, GradDipBusIP, MComLaw, FPNA, ACIS, MAICD*

Deputy Chairman

Independent Non-Executive Director

Mr Swan holds graduate and post graduate qualifications in accounting, management, information systems and business law. He is a Fellow of the National Institute of Accountants and Associate of the Chartered Institute of Secretaries and Administrators. Mr Swan is a director of Swan & Baker Pty Ltd, which conducts the business advisory and public accounting practice originally commenced by him in 1977.

City Pacific is able to draw on Mr Swan's experience in these areas to direct the sound administration and management of the company.

Mr Swan has been a director of City Pacific since commencement of the company's business in 1997 and was also a director of CP1 between March 2002 and June 2007.

Shane L. Stone *AC, PGDK, QC, B.A (ANU), LL.B (Melb), Grad Dip Ed Admin (ADEL), Dip Tchg (RCAE), TPTC, FACE, FAIM, FAICD*

Independent Non-Executive Director

Mr Stone is executive chairman of APAC Group which provides advice to companies operating in the Asia Pacific region and was contracted to develop strategy to secure Australia's largest ever export sale through the \$25 billion LNG project in China. He is a former Chief Minister of the Northern Territory and immediate past Federal President of the Liberal Party.

Mr Stone is also on the Board of Med Tech Global Ltd and is a foundation member of the Advisory Board of PT Thiess Constructions (Indonesia). He is on the Board of the Australian Children's Television Foundation and serves as Chairman of the Foundation's Audit Committee. He is also Chairman of the Defence Reserves Support Council. Mr Stone brings to City Pacific extensive background in Government including his proven negotiating skills, a clear understanding of the role of a non executive independent director and an ability to deal with financial matters.

He has a strong legal background, being a former barrister and having served as Attorney General. An invaluable skill that Shane brings to the table for City Pacific is his ability to interpret and implement the complex provisions of the finance and banking sector legislation.

Mr Stone was appointed as a director of City Pacific in 2005.

Directors' Report

Directors (cont)

Philip Keith Sullivan

Managing Director and Chief Executive Officer

Mr Sullivan has been actively involved in property investment and development for over 30 years across many sectors of the property market. He currently holds directorships on a number of private Australian investment and development companies and has been the Managing Director of City Pacific since the company's incorporation.

Mr Sullivan has a detailed understanding of the elements necessary to properly manage large scale property based construction projects. This enables City Pacific to assess, manage and monitor the project values and risks effectively.

City Pacific utilises Mr Sullivan's experience to enhance the company's understanding of trends in property markets, essential in mortgage lending and the related credit policy issues.

Mr Sullivan has been a director of City Pacific since commencement of the company's business in 1997. Mr Sullivan is also a director of CP1 and was a director of Indigo Pacific Capital from February 2004 until September 2005.

Peter Charles Trathen

Executive Director

Mr Trathen has a long history of involvement in the construction and development industry. He has had extensive experience in South Africa, New Zealand and Australia with a key focus on the initiation and execution of major projects. These include the Treasury Casino in Brisbane, the Gold Coast Convention Centre and the Wellington Civic Centre.

As a member of Jupiters' and Tabcorp's senior executive teams for many years, Mr Trathen had responsibility for a number of their business units. Mr Trathen is Managing Director of the City Pacific Project Management Division, which oversees the property and development arm of that business. He is also the current Chairman of the Gold Coast Chapter of the Property Council of Australia.

Mr Trathen was appointed as a director of City Pacific in 2005 and was also a director of CP1 between September 2005 and June 2007.

Company secretary

Mr James Timothy Finucan LL.B., B.Bus (Acc) was appointed company secretary on 1 August 2006. Mr Finucan joined City Pacific in February 2006 as Corporate Counsel, bringing a depth of experience in property development and corporate restructuring law, including 2 years as a legal consultant in the United Kingdom, advising public companies on commercial matters. He is a Solicitor of the Supreme Court of Queensland and the High Court of Australia and a member of the Australian Corporate Lawyers Association.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the company during the financial year are:

	Directors Meetings		Audit Committee Meetings	
	A	B	A	B
Mr IW Donaldson	11	12	2	2
Mr TW Swan	12	12	2	2
Mr SL Stone	11	12	2	2
Mr PK Sullivan	12	12	-	-
Mr PC Trathen	11	12	-	-

A = Number of meetings attended.

B = Number of meetings held during the time the director held office during the year.

Corporate governance statement

This statement outlines the main corporate governance practices of the company that were in place throughout the financial year, which comply with the Australian Stock Exchange ("ASX") Corporate Governance Council recommendations, unless otherwise stated.

Board of directors and committees

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the consolidated entity, including formulating its strategic direction, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for operation and administration of the company to the Chief Executive Officer and executive management.

Board processes

To assist in the execution of its responsibilities, the board has established an audit committee. Due to the size of the board and to maintain efficiency the board also fulfils the role of nomination and remuneration committee. The board has established a framework for the management of City Pacific including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds monthly meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and Company Secretary. Standing items include the Chief Executive Officer's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance.

Director education

The company has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the company concerning performance of directors. Directors also have the opportunity to visit company's offices and meet with management to gain a better understanding of business operations.

Independent Professional Advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at City Pacific's expense concerning any aspect of City Pacific's operations or undertakings in order to fulfil their duties and responsibilities as directors.

The board of directors

The board carries out its responsibilities according to the following mandate:

- the board should comprise at least 4 directors;
- the majority of directors should be independent, non executive directors. The board currently consists of 3 independent, non-executive directors in accordance with the ASX corporate governance principals;
- the Chairman of the board should be an independent, non executive director;
- the roles of Chairman and Chief Executive Officer should not be exercised by the same individual;
- a majority of directors should have extensive knowledge of City Pacific's industries, and those which do not should have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- the board should meet on a regular basis;
- all available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting;
- directors should generally serve for a maximum of 12 years and all directors should retire by the age of 72;
- directors appointed to the board are subject to election by shareholders at the following annual general meeting ("AGM") and thereafter directors other than executive directors are subject to re-election at least every 3 years.

The board of directors (cont)

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company; and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The primary responsibilities of the board include:

- the establishment of the long term goals of City Pacific and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of City Pacific and monitoring the results on a quarterly basis;
- ensuring that City Pacific has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- the approval of the annual and half year financial reports.

The composition of the board is reviewed on an annual basis to ensure that the board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the board selects a panel of candidates with the appropriate expertise and experience. Potential candidates are identified by the board with advice from an external consultant. The board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Trading in general company securities by directors and employees

Company policy permits directors and employees to acquire shares in the company. Company policy prohibits directors and employees from dealing in company shares or exercising options:

- except between 3 and 30 days after either the release of the company's half-year and annual results to the Australian Stock Exchange, the annual general meeting or any major announcement; and
- whilst in possession of price sensitive information.

Directors and employees are permitted to acquire or deal with shares outside of the period between 3 and 30 days after either the release of the company's half-year and annual results to the Australian Stock Exchange, the AGM or any major announcement with the approval of the Chairman of the Board. Directors and senior managements dealing in shares is reported to the board and is subject to board veto. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, directors advise the exchange of any transactions conducted by them in shares in the company.

Audit Committee

The board has established an audit committee consisting of three non-executive directors. The chairman may not be the chairman of the board. The current members of the audit committee are:

- Thomas Swan (Chairman) – independent non-executive;
- Ian Donaldson – independent non-executive; and
- Shane Stone – independent non-executive.

The auditors and Chief Financial Officer are invited to Audit Committee meetings at the discretion of the committee. The committee met twice during the year and committee members' attendance record is disclosed in the table of directors' meetings in the Directors Report. The Chief Executive Officer and the Chief Financial Officer declared in writing to the board that the company's financial report for the year ended 30 June 2007 presents a true and fair view, in all material respects, of the company's financial condition and operational result and is in accordance with relevant accounting standards. This statement is required annually.

The Audit Committee's charter is available upon request along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

Audit Committee (cont)

The responsibilities of the audit committee include:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs) and assessing whether the financial information is adequate for shareholder needs;
- reviewing the propriety of related party transactions;
- assessing corporate risk assessment processes;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews deemed necessary by board;
- monitoring procedures to ensure compliance with Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and recommend board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

Risk management

The board is responsible for City Pacific's system of internal controls and assessing, monitoring and managing operational, financial reporting, and compliance risks for the company. The board constantly monitors the operational and financial aspects of City Pacific's activities and, through the audit committee, the board considers the recommendations and advice of the auditors and other external advisers on the operational and financial risks that face City Pacific.

The board ensures that recommendations made by the auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that City Pacific has an appropriate internal control environment in place to manage the key risks identified.

In addition, the board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

The Chief Executive Officer and the Chief Financial Officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the company and material associates.

Financial reporting

The Chief Executive Officer and the Chief Financial Officer have declared, in writing to the board, that the company's financial reports are based on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Code of conduct

As part of the board's commitment to the highest standard of conduct, City Pacific has adopted a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibility to shareholders and the financial community, including ethical practices and the integrity of financial reporting;
- responsibility to clients, customers and consumers;
- employment practices;
- obligations in relation to fair trading and dealing with stakeholders;
- responsibility to the community and the environment;
- privacy of information;
- confidentiality of information;
- managing conflicts of interest; and
- compliance with laws and regulations.

Conflict of interest

In accordance with the Corporations Act 2001 and the company's constitution, directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the board believes that a significant conflict exists the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Shareholders

The board of directors aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to those shareholders who request a copy. The board ensures that the report includes relevant information about the operations of the company during the year, changes in the state of affairs of the company and details of future developments, in addition to the other disclosures required by the Corporations Act 2001.
- The half-yearly report contains summarised financial information and a review of the operations of the company during the period. The half-year reviewed financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The financial report is sent to any shareholder who requests it.
- Proposed major changes in the company which may impact on share ownership rights are submitted to a vote of shareholders.
- Notice of all meetings of shareholders.
- Matters that may have a material effect on the price of the company's securities are notified to the Australian Stock Exchange, posted on the company's website and issued in media releases.
- The external auditor is requested to attend the AGM to answer any questions concerning the audit and the content of the auditor's report.

The board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification with the company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

Remuneration report

Remuneration of directors and executives is referred to as compensation as defined in AASB 124. Compensation levels are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of increasing the company's profit and creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment performance;
- the consolidated entity's performance including:
 - the consolidated entity's earnings
 - the growth in share price and returns on shareholder wealth
- the amount of incentives within each key management personnel's remuneration.

Compensation packages include a mix of fixed and variable compensation.

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Variable compensation consists of annual bonus payments which are made at the discretion of the board. There were no bonuses paid in the 2006 or 2007 financial years.

Key management personnel compensation levels are reviewed annually through a process that considers individual, segment and overall performance of the consolidated entity. Directors compensation and salary increases are issued in accordance with thresholds set in plans approved by shareholders at the 2005 AGM. Directors fees cover all main board activities and membership of one committee.

Non-executive directors do not receive any performance related compensation or bonuses. A senior executive's compensation is also reviewed on promotion.

In considering the consolidated entity's performance and benefits for shareholders wealth the directors have regard to the following indices in respect of the current financial year and the previous four financial years.

	2007	2006	2005	2004	2003
Net profit attributable to equity holders of City Pacific	\$73,213,188	\$62,105,267	\$25,257,078(i)	\$43,791,980(ii)	\$12,469,131(ii)
Dividends paid	\$66,607,365	\$52,335,229	\$43,325,791	\$14,840,423	\$5,691,402
Change in share price	\$0.15	\$0.00	(\$0.60)	\$2.20	\$0.57
Total employee expenses	\$21,580,746	\$19,972,409	\$11,632,949	\$1,564,812	\$1,124,015
Employee expenses as percentage of net profit	29.5%	32.2%	46.1%	3.6%	9.0%

(i) Net profit after adjustments in relation to the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS").

(ii) Net profit reported under previous Australian Accounting Standards.

The board considers that the above compensation structure is generating the desired outcome.

Key management personnel each have a contract of employment with City Pacific Limited. Each contract is for an unlimited term and is capable of termination on three months notice by either party. The company retains the right to terminate contracts immediately, by making payment equal to three months' pay in lieu of notice.

Directors' Report

Remuneration report (cont)

Key management personnel compensation

Details of the nature and amount of each major element of remuneration of each key management personnel of the Company and consolidated entity are:

		Short term Salary & fees \$	Post employment Superann -uation benefits \$	Other long term Long service leave \$	Termination benefits \$	Share based payments \$	Total \$
Directors							
Non-executive							
Mr IW Donaldson	2007	154,988	-	-	-	-	154,988
(Chairman)	2006	160,745	-	-	-	-	160,745
Mr TW Swan	2007	140,000	-	-	-	-	140,000
(Deputy Chairman)	2006	120,000	-	-	-	-	120,000
Mr SL Stone	2007	120,000	10,800	-	-	-	130,800
	2006	95,000	8,100	-	-	-	103,100
Executive							
Mr PK Sullivan	2007	375,007	33,570	41,557	-	-	450,134
(Chief Executive Officer)	2006	375,000	33,750	32,414	-	-	441,164
Mr PC Trathen	2007	229,358	20,642	9,925	-	1,328,001	1,587,926
(Group Executive Property)	2006	245,638	20,642	2,858	-	-	269,138
Mr G Sladden	2007 (i)	100,000	9,000	-	-	-	109,000
(Group Executive Operations)	2006	-	-	-	-	-	-
Mr C Sullivan	2007	250,000	22,500	27,704	-	-	300,204
(Chief Information Officer)	2006	253,534	22,500	21,609	-	-	297,643
Mr K Dalton	2007(ii)	250,004	22,500	9,723	-	-	282,227
(Group Executive Finance)	2006	250,912	22,500	4,940	-	-	278,352
Mr AC Purss	2007	151,615	13,645	6,240	-	-	171,500
(Chief Financial Officer)	2006	133,596	11,866	3,138	-	-	148,600
Mr JT Finucan	2007	151,808	13,663	3,759	-	-	169,230
(Corporate Counsel)	2006	53,940	4,846	971	-	-	59,757
Mr S McCormick	2007 (iii)	141,375	12,724	5,672	-	-	159,771
(Group Executive Lending)	2006	-	-	-	-	-	-

(i) Appointed 2 April 2007

(ii) Resigned effective 14 September 2007

(iii) Appointed 1 July 2006

Directors' Report

		Short term Salary & fees \$	Post employment Superann -uation benefits \$	Other long term Long service leave \$	Termination benefits \$	Share based payments \$	Total \$
Remuneration report (cont)							
Key management personal compensation (cont)							
Former executive directors and executives							
Mr M Iacobucci	2007 (i)	166,666	23,134	-	17,915	-	207,715
(Group Executive Treasury Group)	2006	250,000	22,500	687	-	-	273,187
Mr SRM Mackay	2007 (ii)	141,990	12,779	-	26,541	-	181,310
(Group Executive Administration)	2006	251,486	22,511	21,952	-	-	295,949
Mr MP Fowler	2007	-	-	-	-	-	-
(Executive Director)	2006 (iii)	146,016	13,125	1,224	148,732	-	309,097
Mr SH Kissick	2007	-	-	-	-	-	-
(Executive Director)	2006 (iv)	10,797	-	-	-	-	10,797
Mr W Milner	2007	-	-	-	-	-	-
	2006 (v)	166,010	8,250	-	300,000	-	474,260
Total compensation – Consolidated	2007	2,372,811	194,957	104,580	44,456	1,328,001	4,044,805
	2006	2,512,674	190,590	89,793	448,732	-	3,241,789
Total compensation – Company	2007	2,372,811	194,957	104,580	44,456	1,328,001	4,044,805
	2006	2,346,664	182,340	89,793	148,732	-	2,767,529

(i) Resigned 2 March 2007

(ii) Resigned 25 January 2007

(iii) Resigned 9 January 2006

(iv) Resigned 16 September 2005

(v) Resigned 7 December 2005

During the year, the Company issued 266,668 shares to a director and employee, Mr Peter Trathen. The shares were issued as compensation in accordance with Mr Trathen's employment contract.

Grant date / employees entitled	Number of shares	Vesting conditions	Contractual life
Shares granted to key management -2007	266,668	None	None
Total	266,668		

Principal activities

The principal activities of the consolidated entity during the financial year were to act as Responsible Entity and manager of four registered schemes (City Pacific Mortgage Trust, City Pacific Income Fund, City Pacific Managed Fund and City Pacific Private Fund), property development, residential and commercial financing and investment/ trading activities.

Directors' Report

Operating and financial review

The net profit after income tax and minority interests of the consolidated entity for the financial year was \$73,213,188 (2006: \$62,105,267).

Shareholder returns

	2007	2006	2005	2004	2003
Net profit	\$73,213,188	\$62,105,267	\$25,257,078 (i)	\$43,791,980 (ii)	\$12,469,131 (ii)
Basic EPS	53.12 cents	48.65 cents	22.24 cents	57.64 cents	20.91 cents
Dividends paid	\$66,607,365	\$52,335,229	\$43,325,791	\$14,840,423	\$5,691,402
Dividends per share	49.0 cents	41.0 cents	38.0 cents	19.0 cents	9.5 cents
Change in share price	\$0.15	\$0.00	(\$0.60)	\$2.20	\$0.57

(i) Net profit after adjustments in relation to the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS").

(ii) Net profit reported under previous Australian Accounting Standards.

Dividends for 2007 were fully franked and it is expected that dividends in future years will continue to be fully franked.

Objectives

The consolidated entity's objectives are to:

- Continue the growth of the registered schemes for which City Pacific is the responsible entity;
- Obtain a greater financial contribution from subsidiary and associated companies;
- Expand property and equipment financing services; and
- Continue investment and trading activities of the group's assets.

The consolidated entity operates in four primary segments, being funds management, property, residential and commercial finance and investment/trading.

Funds management consists of the company's Responsible Entity activities for which it receives management fees, establishment fees and interest. Total funds under management by the company was \$1,057,329,550 as at 30 June 2007. The result of the funds management segment before income tax and minority interests for the year ended 30 June 2007 was a net profit of \$58,858,236.

Property comprises the property development activities of the following controlled entities and associates:

- Mirvac Pacific Pty Ltd – City Pacific holds a 50% shareholding in Mirvac Pacific Pty Ltd which acquired a site in South East Queensland for future development. Commencement of development works are expected in the 2008 financial year;
- Breakwater Pacific Pty Ltd – City Pacific holds a 100% shareholding in Breakwater Pacific Pty Ltd which owns, and is in the process of developing premium land at Townsville in Queensland;
- Grande Pacific Limited – City Pacific holds a 100% shareholding in Grande Pacific Limited which, in a 50% joint venture, owns and is in the process of developing land in South East Queensland for the operation of independent living communities. Grande Pacific Limited also owns land in Victoria and is in the process of acquiring land in New Zealand for development and operation of independent living communities;
- Marina Cove Pty Ltd – CP1 (held 30.6% by City Pacific) holds a 100% shareholding in Marina Cove Pty Ltd which owns, and is in the process of developing, premium land at Mount Martha on the Mornington Peninsula in Victoria;
- Danimel Pty Ltd – CP1 holds a 51% shareholding in Danimel Pty Ltd which owns an amalgamated site in Surfers Paradise in Queensland, which is being held for future development. The development site presently contains the Paradise Resort which has been operated by the company since acquisition and will continue to be operated until the staged commencement of development works on the site require the demolition of the Resort;
- Lake Views Estates Pty Ltd – CP1 holds a 50% shareholding in Lake Views Estates Pty Ltd which owns and is in the process of developing land at Braeside in Victoria for industrial and residential uses;

Operating and financial review (cont)

Objectives (cont)

- Cira International Pty Ltd – CP1 holds a 50% shareholding in Cira International Pty Ltd which acquired the Gold Coast International Hotel and adjoining land during the year. The hotel will continue to be operated with the adjoining land to be held for future development; and
- Indigo Pacific Capital Limited – City Pacific holds a 26.78% shareholding in Indigo Pacific Capital which invests in development projects, primarily undertaken by the Indigo Group.

The result of the property segment before income tax and minority interests for the year ended 30 June 2007 was a net profit of \$46,786,967.

Residential and commercial finance comprises the provision of property and equipment financing activities of Citypac Home Loans Pty Ltd, the City Pacific Finance Services Pty Ltd (formerly Terrain Australia Limited) consolidated entity and the City Pacific Treasury Finance Pty Ltd (formerly Treasury Group of Companies Pty Ltd) consolidated entity. The result of the residential and commercial finance segment before income tax and minority interests for the year ended 30 June 2007 was a net loss of \$1,391,870.

Investment/trading comprises the investment and/or trading of the group's assets. The result of the investment/trading segment before income tax and minority interests for the year ended 30 June 2007 was a net profit of \$24,961,595.

State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review, other than as set out below:

- On 3 October 2006, the company entered into a joint venture agreement with Mirvac Group to develop a \$780m master-planned residential community at Gainsborough Greens at Pimpama in Queensland. The joint venture entity, Mirvac Pacific Pty Ltd, acquired the Gainsborough Greens land for consideration of \$90 million on 3 October 2006 and on 22 November 2006 secured the right to acquire an adjacent parcel of land which will enable expansion of the proposed development;
- On 16 October 2006, the company sold 20,255,790 shares in CP1 for consideration of \$17,580,000. Subsequently, the company was issued with 62,136,000 shares in CP1 as a result of exercising 62,136,000 options in CP1 at \$0.80 per option;
- On 2 November 2006, the consolidated entity acquired the remaining 50% of shares in City Pacific Project Management Pty Ltd, bringing the consolidated entity's ownership interest to 100%. 1,030,769 shares were issued as consideration for the acquisition in accordance with Scrip for Scrip Offer documents, with total consideration being \$4,473,537. An entity related to a director, Mr Peter Trathen, held 30% of the shares of City Pacific Project Management Pty Ltd prior to the acquisition. 618,461 shares were issued to this director related entity in relation to the acquisition, representing consideration of \$2,684,121;
- On 2 February 2007, the company raised \$85 million through the issue of 18,279,570 ordinary shares by way of an institutional placement. The funds were used to reduce debt and provide balance sheet capacity for future acquisitions;
- On 4 April 2007, CP1 entered into a joint venture agreement with Raptis Group to acquire and develop the Gold Coast International Hotel and adjoining land. The joint venture entity, Cira International Pty Ltd, acquired the site for consideration of \$85 million. The hotel will continue to be operated with the adjoining land to be held for future development;
- On 28 June 2007, CP1 sold 49% of its shareholding in Danimel Pty Ltd for consideration of \$22,950,000. CP1 deconsolidated Danimel Pty Ltd as a result of the transaction, however continues to equity account its investment in Danimel Pty Ltd as CP1 has joint controlled in accordance with a shareholders' agreement;
- On 29 June 2007, the company sold a 19.9% interest in CP1 for consideration of \$37,687,936, reducing its shareholding in the company to 30.6%. City Pacific deconsolidated CP1 as a result of the transaction, however continues to equity account its investment in CP1.

Dividends

Dividends paid or declared by the company to members since the end of the previous financial year were:

	Cents per share	Total amount	Date of payment	Franked/unfranked
Declared and paid during the year				
Final 2006 ordinary	34.0	44,109,324	31 October 2006	Franked
Interim 2007 ordinary	15.0	22,498,041	30 March 2007	Franked
		<u>66,607,365</u>		

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

Directors' Report

Events subsequent to balance date

On 2 July 2007, the company acquired Australian Beneficial Finance Pty Ltd ("ABF"), a mortgage manager specialising in residential mortgage origination and management, and commercial and development funding. ABF brings to City Pacific a residential loan book of \$115 million and will add a further 89 brokers to City Pacific Finance's current broker and franchise network. The total cost of the acquisition was \$800,000, which was settled through the issue of City Pacific shares at an issue price of \$3.97 per share, together with variable deferred consideration contingent on certain performance hurdles being met.

Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company or consolidated entity, the results of those operations, or the state of affairs of the company or consolidated entity, in the future financial years.

Likely developments

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year. The directors will continue to investigate business and investment opportunities available to the consolidated entity.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity's operations are subject to environmental regulations in relation to its property development activities. The directors are not aware of any breaches under these regulations.

Directors' interests

The relevant interest of each director in the share capital of the company as notified by the directors to the Australian Stock Exchange Limited in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Directors	City Pacific Limited Ordinary shares
IW Donaldson	
- directly	-
- indirectly	500,000
TW Swan	
- directly	-
- indirectly	1,275,000
SL Stone	
- directly	-
- indirectly	10,000
PK Sullivan	
- directly	24,551
- indirectly	41,863,051
PC Trathen	
- directly	266,668
- indirectly	2,018,461

Share options

No options have been granted since the end of the previous financial period.

Unissued shares under option

At the date of this report there are no unissued ordinary shares of the company under option.

Shares issued on exercise of options

Since the end of the previous financial year, the company issued:

- 4,165 ordinary shares as a result of the exercise of \$0.30 options;
- 611,168 ordinary shares as a result of the exercise of \$1 options;
- 360,083 ordinary shares as a result of the exercise of \$3.14 options; and
- 100,000 ordinary shares as a result of the exercise of \$4.00 options.

There were no amounts unpaid on the shares issued.

Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the company has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer of the company, or an auditor of the company

Insurance premiums

During the financial year, the company paid premiums in respect of directors or executive officers for liability and legal expenses insurance contracts for the year ended 30 June 2007. The company has paid or agreed to pay in respect of the consolidated entity, premiums in respect of such insurance contracts for the year ending 30 June 2008. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the directors or executive officers of the consolidated entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *F1 Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit and other services have been disclosed.

	Consolidated	
	2007	2006
	\$	\$
Audit services		
Auditors of the company - KPMG		
Audit and review of financial reports	441,400	405,000
Services other than statutory audit		
Auditors of the company - KPMG		
- accounting and risk management assistance	54,913	34,725
- tax advice	81,910	160,689
- IFRS assistance	-	70,600
	136,823	266,014

Directors' Report

Non-audit services (cont)

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:

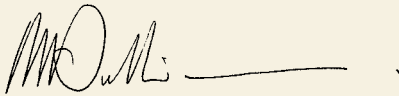
	Consolidated	
	2007	2006
	\$	\$
Audit services		
Auditors of the Schemes – KPMG		
Audit and review of financial reports	99,500	57,000
Other regulatory audit services	40,000	9,000
	<hr/>	<hr/>
	139,500	66,000
	<hr/>	<hr/>

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

The lead auditor's independence declaration is set out on page 31 and forms part of the directors' report for the year ended 30 June 2007.

Dated at Brisbane this 16th day of August 2007.

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

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



KPMG



S J Board

Partner

16 August 2007

Income Statements

For the year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue from rendering of services – funds management		18,192,220	21,587,994	46,929,700	50,557,387
Revenue from property sales		120,128,923	133,090,085	-	-
Revenue from rendering of services – residential and commercial finance		24,737,758	21,972,258	-	-
Revenue from rendering of services – other		22,214,962	17,249,226	-	-
Interest received – 2nd mortgage loans		19,883,957	14,846,810	19,883,957	14,846,810
Interest income – other	7	3,946,794	2,579,978	933,207	2,561,671
Securitised interest income		121,490,572	98,859,969	-	-
		330,595,186	310,186,320	67,746,864	67,965,868
Profits from investments/trading activities		28,115,571	13,609,091	30,959,825	-
Revaluation gain upon transfer to investment property	18	10,493,952	-	-	-
Other income	5	7,948	1,152,317	29,620,091	6,365,719
Advertising and promotion		(5,632,080)	(5,644,124)	(1,822,267)	(1,715,657)
Changes in inventories – property		(31,051,481)	143,969	-	-
Development expenditure – property		(25,936,031)	(68,274,588)	-	-
Changes in inventories – other		(167,710)	(36,827)	-	-
Raw materials and consumables– other		(3,681,406)	(2,239,797)	-	-
Commissions and brokerage		(15,697,577)	(13,821,378)	(748,481)	(557,137)
Professional fees		(3,603,929)	(5,084,705)	(2,123,917)	(2,543,460)
Depreciation		(987,027)	(587,612)	(170,497)	(132,385)
Amortisation		(1,791,000)	(1,791,000)	-	-
Employee expenses		(21,580,746)	(19,972,409)	(6,408,326)	(4,607,359)
Impairment losses		-	676,013	-	943,138
Securitised distributions to unitholders		(96,351,507)	(80,163,034)	-	-
Securitised interest expense	4	(8,706,074)	(9,344,461)	-	-
Interest expense – other	7	(4,899,200)	(1,104,925)	(3,015,607)	(314,036)
Other expenses from ordinary activities	6	(14,679,585)	(10,820,504)	(3,334,835)	(3,429,618)
Results from operating activities		134,447,304	106,882,346	110,702,850	61,975,073
Share of profit/(loss) of associates	16	2,271,208	220,897	-	-
Profit before tax		136,718,512	107,103,243	110,702,850	61,975,073
Income tax expense	9(a)	(45,238,781)	(30,843,445)	(29,589,694)	(16,477,050)
Profit for the year		91,479,731	76,259,798	81,113,156	45,498,023
Attributes to:					
Equity holders of the parent	26	73,213,188	62,105,267	81,113,156	45,498,023
Minority interests	27	18,266,543	14,154,531	-	-
Profit for the year		91,479,731	76,259,798	81,113,156	45,498,023
Basic earnings per share attributable to ordinary equity holders	10	53.12 cents	48.65 cents		
Diluted earnings per share attributable to ordinary equity holders	10	53.07 cents	48.12 cents		

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

Statements of Recognised Income and Expense

For the year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Net income recognised directly in equity		-	-	-	-
Profit for the year		91,479,731	76,259,798	81,113,156	45,498,023
Total recognised income and expense for the year		91,479,731	76,259,798	81,113,156	45,498,023
Attributable to:					
Equity holders of the parent	26	73,213,188	62,105,267	81,113,156	45,498,023
Minority interest	27	18,266,543	14,154,531	-	-
Total recognised income and expense for the period		91,479,731	76,259,798	81,113,156	45,498,023

Other movements in equity arising from transactions with owners as owners are set out in note 25.

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

Balance Sheets

As at 30 June 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Current assets					
Cash and cash equivalents	11	24,742,900	83,231,371	166,578	6,343,067
Receivables	12	79,411,216	76,189,280	54,614,469	23,762,522
Inventories	14	75,250	86,239,755	2,730,262	-
Investments	15	660,000	22,076,604	660,000	14,395,016
Securitised first mortgage loans		704,117,301	652,202,284	-	-
Total current assets		809,006,667	919,939,294	58,171,309	44,500,605
Non-current assets					
Other receivables	13	94,041,755	12,453,855	97,319,472	31,639,255
Inventories	14	26,804,965	148,254,819	-	-
Property, plant and equipment	17	5,708,018	6,903,948	3,426,021	3,441,704
Investment property	18	16,676,973	-	-	-
Investments accounted for using equity method	16	78,591,913	10,002,823	-	-
Intangible assets	19	44,417,874	42,015,772	-	-
Investments	15	669,710	798,497	131,642,256	70,849,789
Securitised first mortgage loans		480,346,680	263,081,843	-	-
Deferred tax assets	9(c)	-	-	-	4,237,435
Total non-current assets		747,257,888	483,511,557	232,387,749	110,168,183
Total assets		1,556,264,555	1,403,450,851	290,559,058	154,668,788
Current liabilities					
Payables	20	32,743,517	42,166,318	8,275,264	12,456,080
Interest bearing loans	22	147,510,433	149,870,170	799,265	-
Securitised unitholders funds		540,006,416	560,089,057	-	-
Current tax liabilities	9(b)	11,368,939	13,362,736	7,441,953	15,773,057
Employee benefits	23	934,038	1,177,289	209,907	229,542
Provisions	24	157,476	139,319	157,476	139,319
Total current liabilities		732,720,819	766,804,889	16,883,865	28,597,998
Non-current liabilities					
Other payables	21	-	7,215,232	-	-
Interest bearing loans	22	36,614,488	63,463,393	32,000,000	-
Securitised unitholders funds		536,403,899	397,536,213	-	-
Employee benefits	23	166,374	387,102	96,621	139,472
Deferred tax liabilities	9(c)	6,326,241	6,350,681	5,655,567	-
Total non-current liabilities		579,511,002	474,952,621	37,752,188	139,472
Total liabilities		1,312,231,821	1,241,757,510	54,636,053	28,737,470
Net assets		244,032,734	161,693,341	235,923,005	125,931,318
Equity					
Issued capital	25	211,918,038	116,432,142	211,918,038	116,432,142
Reserves	25	28,642	471,826	-	471,826
Retained earnings	26	32,068,742	20,023,097	24,004,967	9,027,350
Total parent entity interest		244,015,422	136,927,065	235,923,005	125,931,318
Minority interests	27	17,312	24,766,276	-	-
Total equity		244,032,734	161,693,341	235,923,005	125,931,318

The balance sheets 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 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities					
Receipts from customers		128,396,389	202,549,778	35,118,308	73,722,662
Cash payments to suppliers and employees		(56,514,748)	(46,198,865)	(17,201,034)	(14,458,851)
Payments for inventories		(113,229,865)	(87,549,824)	-	-
Cash generated from operations		(41,348,224)	68,801,089	17,917,274	59,263,811
Interest received		19,824,187	17,723,716	20,265,690	16,478,209
Dividends received		3,928	35,496	400,000	163,964
Interest paid		(1,791,348)	(430,771)	(3,015,607)	(314,036)
Income tax paid		(28,824,028)	(16,617,122)	(28,628,587)	(13,762,773)
Securitised interest received		111,276,939	101,307,457	-	-
Securitised distributions paid		(94,061,467)	(80,508,651)	-	-
Securitised interest paid		(13,856,428)	(7,846,131)	-	-
Net cash from operating activities	32 (b)	(48,776,441)	82,465,083	6,938,770	61,829,175
Cash flows from investing activities					
Loans to associated entities		(32,095,641)	(586,340)	(33,351,485)	(24,107,016)
Repayment of loan by associated entities		13,973,346	4,702,917	19,304,785	3,839,338
Loans to other entities		(57,641,187)	(46,544,900)	(56,301,472)	(42,198,938)
Repayment of loans by other entities		19,279,342	61,599,130	13,744,090	56,323,168
Securitised mortgage loans		(643,622,656)	(886,917,987)	-	-
Repayment of securitised mortgage loans		513,792,168	741,891,668	-	-
Payments for investments in managed investment schemes		(20,574,296)	(26,851,830)	(16,912,424)	(26,851,830)
Proceeds on redemption of investments in managed investment schemes		39,459,684	5,436,321	14,423,250	15,801,603
Proceeds on disposal of investment in associates		2,250,000	9,008,650	-	9,008,650
Proceeds on disposal of shares in unlisted companies		-	276,000	-	-
Proceeds on disposal of shares in listed companies		151,338	-	-	-
Payments for property, plant and equipment		(632,609)	(1,107,489)	(166,585)	(259,330)
Deposit received on sale of shares		-	-	-	10,000,000
Proceeds on disposal of development land		9,100,000	10,000,000	-	-
Payments for investment in controlled entity		(4,000,000)	-	(4,000,100)	(11,707,905)
Payments for investment in associate		(6,829,726)	(20,000)	(6,829,726)	-
Net cash from investing activities		(167,390,237)	(129,113,860)	(70,089,667)	(10,152,260)

The statements of cash flows 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 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from financing activities					
Proceeds from issue of shares		83,742,357	1,955,672	83,742,357	1,955,672
Proceeds from the issue of shares to minority interests		11,772,072	2,171,827	-	-
Dividends paid		(60,647,214)	(54,865,361)	(60,647,214)	(51,322,326)
Interest paid - financing		(15,495,835)	-	-	-
Securitised unitholders funds received		657,541,866	518,025,908	-	-
Repayment of securitised unitholders funds		(536,238,915)	(479,445,561)	-	-
Securitised interest-bearing loans from other parties		142,799,265	102,000,000	-	-
Repayment of securitised interest-bearing loans from other parties		(145,000,000)	(69,000,000)	-	-
Repayment of loans:					
Related parties		(17,627,441)	(15,000,000)	(24,920,000)	-
Other parties		(79,151,426)	(4,633)	(54,231,426)	-
Proceeds from borrowings:					
Related parties		29,752,052	57,140	26,000,000	-
Other parties		86,231,426	15,000,000	87,030,691	-
Payment of deferred consideration		-	(20,137,510)	-	-
Net cash from financing activities		157,678,207	757,482	56,974,408	(49,366,654)
Net increase/(decrease) in cash held		(58,488,471)	(45,891,295)	(6,176,489)	2,310,261
Cash and cash equivalents at 1 July		83,231,371	129,122,666	6,343,067	4,032,806
Cash and cash equivalents at 30 June	32 (a)	24,742,900	83,231,371	166,578	6,343,067

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 2007

1. REPORTING ENTITY

City Pacific Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 12, 300 Queen Street, Brisbane, Queensland. The consolidated financial statements of the Company as at and for the year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "consolidated entity" or the "group") and the consolidated entity's interest in associates and jointly controlled entities.

2. BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australia Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the consolidated entity also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board. The Company's financial report does not comply with IFRS as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: *Presentation and Disclosure in respect of certain disclosure requirements*.

The financial report was authorised for issue by the directors on 16 August 2007.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value
- investment property is measured at fair value

The methods used to measure fair values are discussed further in note 3

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's and consolidated entity's functional currency.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 – consolidation of managed investment schemes
- Note 14 – investments
- Note 19 – intangible assets

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by consolidated entity entities. The consolidated entity has elected to early adopt the following accounting standards and amendments:

- AASB 101 *Presentation of Financial Statements* (October 2006)
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments
- AASB 8 *Operating Segments*
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the consolidated entity's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB132 *Financial Instruments: Disclosure and Presentation*, AASB101 *Presentation of Financial Statements*, AASB114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the financial report.
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the consolidated entity's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively 1 July 2004 when the consolidated entity first applied the measurement criteria of AASB 136 and AASB 139 respectively. The adoption of Interpretation 10 is not expected to have any impact on the financial report.
- Interpretation 11 *AASB 2 Share-based Payment – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the consolidated entity's 2008 financial report. Interpretation 11 is not expected to have any impact on the financial report.
- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 amends AASB 2 *Share-based Payments* to insert the traditional provisions of IFRS 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report.
- Interpretation 12 *Service Concession Arrangements* addresses the accounting for service concession operators, but not grantors, for public to private service concession arrangements. Interpretation 12 will apply for the consolidated entity's 2009 financial report. The potential effect of the interpretation on the financial report has not yet been determined. At this time an entity must adopt the revised Interpretation 4 *Determining when an arrangement contains a lease* and Interpretation 129 *Service Concession Arrangement: Disclosures*.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 117 *Leases*, AASB118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statement*, AASB 131 *Interest in Joint Ventures*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 *Service Concession Arrangements*.
- AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. The amending standard is applicable to annual reporting periods ending on or after 28 February 2007.
- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 and 12]. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 123 *Borrowing Costs*. The potential impact on the Company and the consolidated financial report has not yet been determined.
- AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128] is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 123 *Borrowing Costs*. The potential impact on the Company and the consolidated financial report has not yet been determined.
- AASB 123 *Borrowing Costs* (revised March 2007) requires the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use. All other borrowing costs are immediately recognised as expenses. AASB 123 is applicable for annual reporting periods beginning on or after 1 January 2009. The potential impact on the Company and the consolidated financial report has not yet been determined.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont)

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates and joint ventures (equity accounted investees)

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Joint Ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and Joint Ventures, including partnerships, are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the consolidated entity's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the consolidated entity, from the date that significant influence or joint control commences until the date the significant influence or joint control ceases. When the consolidated entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payment on behalf of the investee.

Special purpose entities

The consolidated entity has established a number of special purpose entities (SPEs). The consolidated entity does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on evaluation of the substance of its relationship with the consolidated entity and the SPE's risks and rewards, the consolidated entity concludes that it controls the SPE.

In these financial statements, the term "securitised" refers to assets, liabilities, income and expenses of SPE's.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the consolidated entity's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the consolidated entity's interest in such entities is disposed of.

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 July 2004, the date of transition to AASBs, was determined by reference to its fair value at that date.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Reclassification to investment property

When the use of a property changes to investment property, the property is remeasured to fair value and reclassified as investment property. Any loss is recognised in the revaluation reserve to the extent that an amount is included in a revaluation reserve for that property, with any remaining loss recognised immediately in profit or loss. Any gain arising on remeasurement is recognised in the profit or loss to the extent the gain reverses a previous impairment loss on that property, with any remaining gain recognised directly in a revaluation reserve in equity.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Property, plant and equipment 2.5 - 10 years
- Leased plant and equipment 6.67 years
- Buildings 40 years

The residual value, if not insignificant, is reassessed annually.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont)

(c) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of the exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Other intangible assets

Other intangible assets that are acquired by the consolidated entity, which have finite useful lives, are measured at cost less accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit and loss when incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

• Brand name	3 years
• Loan books	5 years
• Business agreements and contracts	5-10 years
• Customer relationships	10 years
• Other intangible assets	20 years

(d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant or equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(e) Trade and other receivables

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

(f) Mortgage loans

Mortgage loans represent amounts advanced to other parties which are secured by charges over borrowing entities or registered mortgage are stated at amortised cost less impairment losses.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont)

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows to be derived from that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than investment property, inventories and deferred tax 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.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

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 in the 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(j) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the consolidated entity's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the consolidated entity's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont)

(k) Employee benefits

Other long-term employee benefits

The consolidated entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus any related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are 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, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Share-based compensation to employees is recognised as an employee expense. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to conditions not being met.

(m) Provisions

A provision is recognised if, as a result of a past event, the consolidated entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Construction contracts

As soon as the outcome of construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Commissions

When the consolidated entity acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the consolidated entity.

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont)

(o) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(p) Borrowing costs

Borrowing costs include 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. Borrowing costs are capitalised into the cost of qualifying assets.

(q) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Tax consolidation

The Company is the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly owned subsidiaries. The implementation date of the tax consolidations system for the tax-consolidated group was 1 July 2004.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using an approach whereby each entity in the tax-consolidated group measures its current and deferred taxes reflecting an allocation of the group's current and deferred taxes with reference to the individual entities' transactions and balances. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the respective entity's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The interentity receivables/(payables) are at call.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont)

(r) 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 the acquisition of the net 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.

(s) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Segment reporting

An operating segment is a component of the consolidated entity that is engaged in business activities for which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the entity's chief operating decision maker. The consolidated entity's primary format for segment reporting is on the same basis as in used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(u) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value though profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(p) above.

Held-to-maturity investments

If the consolidated entity has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The consolidated entity's investment in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for sale monetary items, are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss is transferred to profit or loss.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial Instruments are designated at fair value through profit or loss if the consolidated entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the consolidated entity's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont)

(u) Financial instruments (cont)

Non-derivative financial instruments (cont)

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Share capital

Ordinary shares

Incremental costs directly attributable to issue of the ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(v) Determination of fair values

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

Notes to the Financial Statements

For the year ended 30 June 2007

4. CONSOLIDATION OF MANAGED INVESTMENT SCHEMES

City Pacific is responsible entity for certain registered managed investment schemes, which fund registered mortgage loans primarily through the issue of units to investors. Of these schemes, City Pacific has exposure to the majority of the risks and rewards of City Pacific Mortgage Trust and City Pacific Income Fund. In addition City Pacific has an investment in City Pacific Warehouse Trust where City Pacific has exposure to the majority of the risks and rewards of the Trust. Accordingly City Pacific Limited is required to consolidate City Pacific Mortgage Trust, City Pacific Income Fund and City Pacific Warehouse Trust.

Consolidation of City Pacific Mortgage Trust, City Pacific Income Fund and City Pacific Warehouse Trust results in a gross up of assets and liabilities in the balance sheet, which are separately disclosed. Likewise, consolidation also results in a gross up of revenue and expenses in the income statement.

The following table summaries the combined income statement and balance sheet of City Pacific Mortgage Trust, City Pacific Income Fund and City Pacific Warehouse Trust for the years ended 30 June 2006 and 30 June 2007 prior to consolidation adjustments.

	2007 \$	2006 \$
COMBINED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007		
Securitised interest income (i)	141,699,469	117,534,526
Total revenue	141,699,469	117,534,526
Securitised distributions (ii)	(96,438,593)	(80,163,034)
Securitised interest expense	(8,706,074)	(9,344,461)
Securitised management fees (iii)	(36,554,802)	(28,027,031)
Profit attributable to unitholders	-	-
COMBINED BALANCE SHEET AS AT 30 JUNE 2007		
Assets		
Securitised cash and cash equivalents	23,158,304	72,499,725
Securitised receivables (iv)	32,047,004	15,379,773
Securitised mortgage loans (v)	1,198,561,741	1,027,628,075
Securitised investments (vi)	5,044,297	11,757,774
Total assets	1,258,811,346	1,127,265,347
Liabilities		
Securitised payables (iii)	26,356,735	15,551,541
Securitised interest bearing loans	147,000,000	150,000,000
Securitised unitholders' funds (vii)	1,085,454,611	961,713,806
Total liabilities	1,258,811,346	1,127,265,347
Net assets	-	-
Total Equity	-	-

(i) Includes interest charged to entities in the consolidated entity which is eliminated on consolidation

(ii) Includes distributions paid to entities in the consolidated entity which is eliminated on consolidation

(iii) Includes management fees payable to City Pacific Limited, which are eliminated on consolidation

(iv) Includes amounts receivable from entities in the consolidated entity which are eliminated on consolidation

(v) Includes loans from City Pacific Mortgage Trust, City Pacific Income Fund or City Pacific Warehouse Trust to the consolidated entity which are eliminated on consolidation

(vi) Available for sale financial assets represented by investments in other managed investment schemes

(vii) Includes investments made by the consolidated entity in City Pacific Mortgage Trust, City Pacific Income Fund or City Pacific Warehouse Trust which are eliminated on consolidation

As at 30 June 2007, there were 5 mortgage loans (2006: 6) advanced by City Pacific Mortgage Trust which were past due with total principal of \$94,066,285 (2006: \$9,456,197) and accrued interest of \$5,428,973 (2006: \$873,346) outstanding. The directors consider that all principal and interest will be recovered in full and accordingly no impairment losses have been recorded.

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
5. OTHER INCOME				
Dividends received	3,928	35,496	29,620,091	5,248,427
Other	4,020	1,116,821	-	1,117,292
	7,948	1,152,317	29,620,091	6,365,719
6. OTHER EXPENSES				
Administration expenses	3,218,996	3,451,486	1,886,420	1,952,432
Insurance	727,735	577,099	243,408	150,890
Occupancy expenses	3,458,374	2,245,311	355,350	468,409
Travel & accommodation	507,202	513,515	181,716	179,683
Entertainment	191,295	165,059	100,137	32,843
Other	6,575,983	3,868,034	567,804	645,361
	14,679,585	10,820,504	3,334,835	3,429,618
7. INTEREST INCOME/EXPENSE – OTHER				
Interest income from related parties	460,518	777,245	933,207	1,328,972
Interest income from other parties	3,486,276	1,802,733	-	1,232,699
Total interest – other	3,946,794	2,579,978	933,207	2,561,671
Total interest expense	29,255,099	38,562,119	3,015,607	314,036
Less interest capitalised	24,355,899	37,457,194	-	-
Interest expense -other	4,899,200	1,104,925	3,015,607	314,036
8. AUDITORS REMUNERATION				
Audit services				
Auditors of the company - KPMG				
Audit and review of financial reports	441,400	405,000	203,600	135,000
Other auditors - (non-KPMG firms)				
Audit and review of financial reports	-	-	-	-
	441,400	405,000	203,600	135,000
Other services				
Auditors of the company – KPMG				
- accounting and risk management assistance	54,913	34,725	54,913	31,725
- tax advice	81,910	160,689	81,910	92,768
- IFRS assistance	-	70,600	-	33,000
	136,823	266,014	136,823	157,493
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:				
Audit services				
Auditors of the Schemes – KPMG				
Audit and review of financial reports	99,500	57,000	99,500	57,000
Other regulatory audit services	40,000	9,000	40,000	9,000
	139,500	66,000	139,500	66,000

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
9. TAXATION				
(a) Income tax expense				
Recognised in income statement				
Current income tax				
Current income tax charge	24,071,629	20,799,475	19,677,833	19,920,158
Adjustments in respect of current income tax of previous years	245,972	(180,570)	18,860	-
Deferred income tax				
Relating to origination and reversal of temporary differences	20,921,180	10,224,540	9,893,001	(3,443,108)
Total income tax expense	45,238,781	30,843,445	29,589,694	16,477,050
Reconciliation between tax expense and pre-tax net profit				
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	41,015,553	32,130,973	33,210,855	18,592,522
Increase/(decrease) in income tax due to non-deductible/(non-assessable):				
Loss utilisation – subsidiaries	(223,865)	-	(223,865)	(618,763)
Gross up of dividends	1,379,958	251,206	1,379,452	674,798
Depreciation of building	(258,042)	(258,288)	-	-
Inter entity dividends	-	-	(4,950,000)	-
Share of associates net (profit)/loss	633,034	(42,196)	-	-
Franking credits on dividend received	(4,599,861)	(822,140)	(4,598,178)	(2,249,326)
Impairment loss	-	(202,804)	-	-
Sale of shares	2,709,139	-	4,275,000	-
Acquisition of subsidiaries	1,338,329	-	-	-
Under/(over) provision of prior year	82,083	(180,570)	(465)	-
Other	3,162,453	(32,736)	496,895	77,819
Income tax expense attributable to operating profit	45,238,781	30,843,445	29,589,694	16,477,050

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
9. TAXATION (cont)				
(b) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
Balance at the beginning of period	13,362,736	9,985,105	15,773,057	9,972,693
Income tax paid	(28,824,028)	(16,617,122)	(28,628,587)	(13,762,773)
(Over)/under provision	245,972	2,648	245,660	2,101
Eliminate opening balance of associates	2,512,629	-	-	-
Income tax expense related to wholly-owned subsidiary transactions in a tax consolidated group	-	-	373,989	(416,359)
Losses utilised	(223,865)	(5,780,655)	(223,865)	(618,763)
Current year's income tax expense on Profit from ordinary activities	24,295,495	25,772,760	19,901,699	20,596,158
	11,368,939	13,362,736	7,441,953	15,773,057
(c) Deferred tax assets/(liabilities)				
Provision for deferred income tax assets/ (liabilities) comprises the estimated expense at the applicable rate of 30% on the following items:				
Provisions and accrued employee entitlements not currently deductible	496,452	451,485	92,895	106,998
Impairment losses	29,490	82,740	-	-
Tax losses	-	1,768,448	-	-
Deductions for unsettled sales and associated inventory costs	(471,804)	(16,039,125)	(162,325)	(308,172)
Sale of shares	-	4,275,000	-	4,275,000
Investments accounted for using the equity method	(7,097,522)	(687,774)	(5,836,669)	-
Unearned income	-	4,108,992	-	-
Other	717,143	(310,447)	250,532	163,609
	(6,326,241)	(6,350,681)	(5,655,567)	4,237,435
(d) Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Tax losses – subsidiaries	1,493,351	1,717,216	-	-
Capital losses	-	5,130	-	-
	1,493,351	1,722,346	-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from.

Notes to the Financial Statements

For the year ended 30 June 2007

10. 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
- Options outstanding, exercisable at \$3.14 per option with an expiry date of 25 August 2006
- Options outstanding, exercisable at \$4.00 per option with an expiry date of 30 June 2007

	Consolidated	
	2007	2006
	\$	\$
Profit attributable to ordinary shareholders		
Profit for the year	91,479,731	76,259,798
Net profit attributable to minority interests	(18,266,543)	(14,154,531)
Profit attributable to ordinary shareholders (basic)	73,213,188	62,105,267
After-tax effect of costs of options	-	-
Profit attributable to ordinary shareholders (diluted)	73,213,188	62,105,267
Weighted average number of shares		
Issued ordinary shares at 1 July	128,524,557	126,689,868
Effect of shares issued in relation to capital raising	7,211,666	-
Effect of shares issued in relation to acquisition of City Pacific Project Management Pty Ltd	680,590	-
Effect of shares issued pursuant employment contract	133,334	-
Effect of shares issued upon reinvestment of dividends	669,924	77,741
Effect of shares issued upon exercise of options	605,401	901,020
	137,825,472	127,668,629
Weighted average number of ordinary shares at 30 June	137,825,472	127,668,629
Effect of share options on issue	136,748	1,383,913
Weighted average number of ordinary shares (diluted) at 30 June	137,962,220	129,052,542
Earnings per share from continuing operations		
Basic earnings per share from continuing operations	53.12 cents	48.65 cents
Diluted earnings per share from continuing operations	53.07 cents	48.12 cents

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
11. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	1,584,596	10,731,646	166,578	6,343,067
Securitised cash and cash equivalents	23,158,304	72,499,725	-	-
	24,742,900	83,231,371	166,578	6,343,067
12. RECEIVABLES				
Trade debtors	22,805,597	26,383,972	22,275,443	12,995,892
Impairment losses	-	(275,799)	-	-
	22,805,597	26,108,173	22,275,443	12,995,892
Management fees	1,423,577	3,084,684	12,220,761	5,750,955
Interest receivable	17,980	473,621	10,064	1,020,476
Cash held in trust	1,197,308	173,745	-	-
Accrued income	1,651,493	1,324,533	-	-
Prepayments	868,016	1,007,854	251,210	53,922
Other loans – secured (i)	-	24,881,130	-	-
Other loans – secured by 2nd mortgage (ii)	19,856,991	3,941,277	19,856,991	3,941,277
Securitised receivables	31,590,254	15,194,263	-	-
	79,411,216	76,189,280	54,614,469	23,762,522

(i) Other loans include vendor finance provided on 12 month terms at an interest rate of 11.50% per annum and secured by 2nd mortgage.

(ii) Loans to related entities are secured by 2nd mortgage, with terms of repayments up to 12 months and bear interest of 12% per annum.

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
13. OTHER RECEIVABLES				
Deposits	2,162,948	39,102	2,142,202	36,602
Inter-company loan – tax consolidation	-	-	638,534	37,974
Loans to related entities – unsecured (i)	1,339,715	1,805,000	-	21,212,538
Other loans – secured by 2nd mortgage (ii)	89,003,484	10,352,141	94,538,736	10,352,141
Other receivables	1,535,608	257,612	-	-
	<u>94,041,755</u>	<u>12,453,855</u>	<u>97,319,472</u>	<u>31,639,255</u>

(i) Loans to related entities are unsecured, with no fixed term of repayment and bear no interest.

(ii) Other loans are secured by 2nd mortgage, with terms of repayments greater than 12 months and bear interest between 8% – 27% per annum.

14. INVENTORIES

Current

Raw materials and stores	75,250	242,960	-	-
Land held for development and resale	-	85,996,795	2,730,262	-
	<u>75,250</u>	<u>86,239,755</u>	<u>2,730,262</u>	<u>-</u>

During the year, the Company deconsolidated its investment in CP1 which indirectly holds investments in property developments through its investments in Marina Cove Pty Ltd and Danimel Pty Ltd.

Non-current

Land held for development and resale	26,804,965	148,254,819	-	-
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Land held for development and resale comprises:

Cost of land acquisition	22,785,145	112,581,718	-	-
Development costs capitalised	3,127,345	60,904,279	-	-
Other costs (borrowing costs, rates, taxes and other amounts) capitalised	892,475	60,765,617	-	-
	<u>26,804,965</u>	<u>234,251,614</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
15. INVESTMENTS				
Current				
Investments in managed investment scheme:				
- City Pacific Mortgage Trust – available for sale	-	-	-	4,076,186
- City Pacific Private Fund – available for sale	660,000	10,318,830	660,000	10,318,830
- Securitised investments	-	11,757,774	-	-
	660,000	22,076,604	660,000	14,395,016
Non-current				
Investment in controlled entities:				
- unlisted shares at recoverable amount	-	-	63,495,552	59,917,612
- listed shares at cost	-	-	-	8,551,000
- unlisted units in City Pacific Warehouse Trust	-	-	4,000,000	-
Investment in associates:				
- unlisted shares at cost	-	-	25,804,728	-
- listed shares at cost	-	-	37,676,976	1,716,177
Investments in other entities:				
- unlisted shares at fair value	669,710	671,726	665,000	665,000
- listed shares at fair value	-	126,771	-	-
	669,710	798,497	131,642,256	70,849,789

The investments in managed investment schemes are represented by investments in managed investment schemes for which the company is also responsible entity.

Investment in controlled entities

City Pacific Finance Services

The City Pacific Finance Services Pty Ltd consolidated entity is a cash generating unit within the residential and commercial finance segment, providing property and equipment financing and training activities.

During the year the company's investment in City Pacific Finance Services Pty Ltd of \$30,567,902 was tested for impairment. The estimates of recoverable amount were based on value in use, determined using a pre-tax discount rate of 14.71%, and key assumptions including achievement of improved trading results consistent with 2008 budgets and future revenue growth of 5% per annum.

No impairment losses were recognised as a result of this impairment test.

City Pacific Treasury

The City Pacific Treasury Pty Ltd consolidated entity (formerly Treasury Group of Companies Pty Ltd) is a cash generating unit within the residential and commercial finance segment, providing commercial financing services.

During the year the company's investment in City Pacific Treasury Pty Ltd of \$12,700,000 was tested for impairment. The estimates of recoverable amount were based on value in use, determined using a pre-tax discount rate of 14.71%, and key assumptions including achievement of improved trading results consistent with 2008 budgets and future revenue growth of 5% per annum.

No impairment losses were recognised as a result of this impairment test.

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD				
Associates	78,591,913	10,002,823	-	-

Investments in associates

In the financial statements of the company, investments in associates are accounted for at cost and included with investments. The consolidated entity accounts for associates using the equity method.

Details of investments in associates are as follows:

Name	Principal activities	Balance date	Ordinary share ownership interest Consolidated and Company		Investment carrying value Consolidated	
			2007 %	2007 \$	2006 %	2006 \$
Lake Views Estates Pty Ltd (i)	Property development	30 June 2007	-	-	50%	-
Indigo Pacific Ltd Capital Limited	Property development lending	30 June 2007	26.78%	12,254,802	26.18%	9,984,745
Grande Pacific Operations Pty Ltd	Property development	30 June 2007	50%	43,478	50%	18,078
Mirvac Pacific Pty Ltd	Property development and golf course operations	30 June 2007	50%	25,782,398	-	-
CP1 Limited (ii)	Property development	30 June 2007	30.60%	40,511,235	-	-
				<u>78,591,913</u>		<u>10,002,823</u>

(i) Lake Views Estates Pty Ltd is no longer an associate of the City Pacific consolidated entity as a result of the deconsolidation of CP1.

(ii) On 29 June 2007, City Pacific disposed of 19.9% of its shareholding in CP1, and has applied equity accounting from that date.

All associates are incorporated in Australia.

At 30 June 2007, the fair value of the consolidated entity's interest in CP1 and Indigo Pacific Capital, based on published price quotations, was \$47,810,591 and \$16,271,594 respectively.

The consolidated entity's interest in Indigo Pacific Capital increased to 26.78% during the year due to reinvestment of dividends in accordance with the company's Dividend Reinvestment Plan.

During the year, the consolidated entity acquired 50% of Mirvac Pacific Pty Ltd for consideration of \$47,102,792. Subsequent to acquisition, Mirvac Pacific Pty Ltd performed a share buy-back resulting in the consolidated entity's investment reducing by \$26,000,000. The entity's main operating activity is property development. The consolidated entity accounts for its investment in Mirvac Pacific Pty Ltd using the equity method as it has joint control over the entity.

2007	Revenues (100%) \$	Profit/(loss) (100%) \$	Share of associates net profit/(loss) recognised \$	Total assets (100%) \$	Total liabilities (100%) \$	Net assets as reported by associates (100%) \$	Share of associates net assets equity accounted \$
Lake Views Estates Pty Ltd	-	(19,813)	-	53,436,920	53,490,833	(53,913)	-
Indigo Pacific Capital Ltd	16,707,264	5,304,338	2,250,235	51,068,149	3,908,721	47,159,428	12,254,802
Grande Pacific Operations Pty Ltd	-	-	-	86,956	-	86,956	43,478
Mirvac Pacific Pty Ltd (i)	8,844,414	(40,785)	20,973	107,281,034	55,716,237	51,564,797	25,782,398
CP1 Limited (i)	-	-	-	355,396,311	210,424,833	144,971,478	40,511,235
	<u>25,551,678</u>	<u>5,243,740</u>	<u>2,271,208</u>	<u>567,269,370</u>	<u>323,540,624</u>	<u>243,728,746</u>	<u>78,591,913</u>

(i) Revenues, profit/(loss) and share of associates net profit/(loss) included from acquisition date

Notes to the Financial Statements

For the year ended 30 June 2007

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONT)

2006	Revenues (100%) \$	Profit/(loss) (100%) \$	Share of associates net profit/(loss) recognised \$	Total assets (100%) \$	Total liabilities (100%) \$	Net assets as reported by associates (100%) \$	Share of associates net assets equity accounted \$
Grande Pacific Operations Pty Ltd	1,920	(3,844)	(1,922)	13,847,962	13,811,806	36,156	18,078
Indigo Pacific Capital Ltd	12,868,357	4,005,537	222,819	51,009,495	7,650,321	43,359,174	9,984,745
Lake Views Estates Pty Ltd	6,526	(10,672)	-	38,841,495	38,875,595	(34,100)	-
	12,876,803	3,991,021	220,897	103,698,952	60,337,722	43,361,230	10,002,823

Consolidated

2007
\$

2006
\$

Results of associates

Share of associates profit/(loss) before income tax	2,062,537	1,089,092
Share of associates income tax expense	(639,152)	(42,196)
Share of associates net profit/(loss) - as disclosed by associates	1,423,385	1,046,896

Adjustments

Revenue – adjustment for dissimilar accounting policy	710,208	(825,999)
Other	137,615	-
Share of associates net profit/(loss) accounted for using the equity method	2,271,208	220,897

Commitments

As at 30 June 2007, Indigo Pacific Capital has capital commitments of \$7,000,000 in relation to funding of mortgage loans. The consolidated entity's share is \$1,874,600.

Consolidated

2007
\$

2006
\$

Company

2007
\$

2006
\$

17. PROPERTY, PLANT AND EQUIPMENT

Freehold land				
At cost	3,255,653	3,255,653	2,945,653	2,945,653
Buildings - at cost	1,407,202	1,341,692	167,202	101,692
Accumulated depreciation	(61,992)	(30,996)	-	-
	1,345,210	1,310,696	167,202	101,692
Property, plant and equipment - at cost	2,980,507	4,480,253	783,502	763,735
Accumulated depreciation	(1,885,771)	(2,225,385)	(470,336)	(369,376)
	1,094,736	2,254,868	313,166	394,359
Leased plant and equipment – at cost	17,033	102,033	-	-
Accumulated depreciation	(4,614)	(19,302)	-	-
	12,419	82,731	-	-
	5,708,018	6,903,948	3,426,021	3,441,704

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
17. PROPERTY, PLANT AND EQUIPMENT (cont)				
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at beginning of period	3,255,653	3,263,309	2,945,653	2,953,309
Additions	-	-	-	-
Disposals	-	(7,656)	-	(7,656)
Carrying amount at end of period	3,255,653	3,255,653	2,945,653	2,945,653
Buildings				
Carrying amount at beginning of period	1,310,696	1,240,000	101,692	-
Additions	65,510	101,692	65,509	101,692
Depreciation	(30,996)	(30,996)	-	-
Carrying amount at end of period	1,345,210	1,310,696	167,202	101,692
Property, plant and equipment				
Carrying amount at beginning of period	2,254,868	1,988,855	394,359	361,449
Acquisition of Breakwater Pacific Pty Ltd	-	93,436	-	-
Additions	632,609	912,361	101,076	165,295
Deconsolidation of CP1 Limited	(689,082)	-	-	-
Disposals	(152,908)	(184,546)	(11,772)	-
Depreciation	(950,751)	(555,238)	(170,497)	(132,385)
Carrying amount at end of period	1,094,736	2,254,868	313,166	394,359
Leased plant and equipment				
Carrying amount at beginning of period	82,731	98,827	-	-
Additions	21,377	-	-	-
Disposals	(86,409)	(14,718)	-	-
Amortisation	(5,280)	(1,378)	-	-
Carrying amount at end of period	12,419	82,731	-	-

Leased plant and equipment

The consolidated entity leases plant and equipment under finance lease agreements. At 30 June 2007, the net carrying amount of leased plant and equipment was \$12,419 (2006: \$82,731). The lease equipment secures lease obligations.

Property, plant and equipment under construction

During the 2005 financial year, the consolidated entity acquired land with the intention of constructing a new corporate office on the site. The cost of acquisition was \$2,945,653. The consolidated entity has commenced construction of the site which is expected to be completed in first half of the 2008 financial year.

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
18. INVESTMENT PROPERTY				
Balance as at 1 July	-	-	-	-
Acquisitions	-	-	-	-
Transfer from inventory	6,183,021	-	-	-
Change in fair value	10,493,952	-	-	-
Balance at 30 June	16,676,973	-	-	-

During the year, the consolidated entity transferred certain inventory to investment property. The asset was revalued immediately upon transfer, resulting in a gain of \$10,493,952.

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in similar locations to the consolidated entity's investment property.

19. INTANGIBLE ASSETS

Goodwill at recoverable amount	32,643,829	32,828,677	-	-
Goodwill at cost	4,377,950	-	-	-
	37,021,779	32,828,677	-	-
Brand names	1,500,000	1,500,000	-	-
Accumulated amortisation	(1,282,877)	(782,877)	-	-
	217,123	717,123	-	-
Loan books	1,920,000	1,920,000	-	-
Accumulated amortisation	(959,876)	(575,876)	-	-
	960,124	1,344,124	-	-
Business agreements and contracts	7,500,000	7,500,000	-	-
Accumulated amortisation	(2,065,432)	(1,260,432)	-	-
	5,434,568	6,239,568	-	-
Customer relationships	1,010,000	1,010,000	-	-
Accumulated amortisation	(238,803)	(137,803)	-	-
	771,197	872,197	-	-
Other intangible assets	20,000	20,000	-	-
Accumulated amortisation	(6,917)	(5,917)	-	-
	13,083	14,083	-	-
	44,417,874	42,015,772	-	-

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
19. INTANGIBLE ASSETS (cont)				
Reconciliations				
Reconciliations of the carrying amounts for each class of intangible asset are set out below:				
Goodwill				
Carrying amount at beginning of period	32,828,677	32,332,540	-	-
Acquisition adjustment in relation to City Pacific Finance Services	-	496,137	-	-
Acquisition of City Pacific Project Management Pty Ltd	4,377,950	-	-	-
Utilisation of pre-acquisition deferred tax asset in relation to City Pacific Finance Services	(184,848)	-	-	-
Carrying amount at end of period	37,021,779	32,828,677	-	-
Brand names				
Carrying amount at beginning of period	717,123	1,217,123	-	-
Amortisation	(500,000)	(500,000)	-	-
Carrying amount at end of period	217,123	717,123	-	-
Loan books				
Carrying amount at beginning of period	1,344,124	1,728,124	-	-
Amortisation	(384,000)	(384,000)	-	-
Carrying amount at end of period	960,124	1,344,124	-	-
Business agreements and contracts				
Carrying amount at beginning of period	6,239,568	7,044,568	-	-
Amortisation	(805,000)	(805,000)	-	-
Carrying amount at end of period	5,434,568	6,239,568	-	-
Customer relationships				
Carrying amount at beginning of period	872,197	973,197	-	-
Amortisation	(101,000)	(101,000)	-	-
Carrying amount at end of period	771,197	872,197	-	-
Other intangible assets				
Carrying amount at beginning of period	14,083	15,083	-	-
Amortisation	(1,000)	(1,000)	-	-
Carrying amount at end of period	13,083	14,083	-	-

Notes to the Financial Statements

For the year ended 30 June 2007

19. INTANGIBLE ASSETS (cont)

City Pacific Finance Services

The City Pacific Finance Services Pty Ltd consolidated entity is a cash generating unit within the residential and commercial finance segment, providing property and equipment financing and training activities. As at 30 June 2007, \$21,086,989 (2006: \$21,271,837) of goodwill related to this cash generating unit.

During the year, goodwill and intangible assets arising from the acquisition of City Pacific Finance Services Pty Ltd was tested for impairment due to results achieved being less than those originally expected. The estimates of recoverable amount were based on value in use, determined using a pre-tax discount rate of 14.71%, and key assumptions including achievement of improved trading results consistent with 2008 budgets and future revenue growth of 5% per annum.

No further impairment losses have been necessary as a result of impairment testing conducted at 30 June 2007.

City Pacific Treasury

The City Pacific Treasury Pty Ltd consolidated entity (formerly Treasury Group of Companies Pty Ltd) is a cash generating unit within the residential and commercial finance, providing commercial financing services. As at 30 June 2007, \$11,556,840 (2006: \$11,556,840) of goodwill related to this cash generating unit.

During the year, goodwill and intangible assets arising from the acquisition of City Pacific Treasury Pty Ltd was tested for impairment due to results achieved being less than those originally expected. The estimates of recoverable amount were based on value in use, determined using a pre-tax discount rate of 14.71%, and key assumptions including achievement of improved trading results consistent with 2008 budgets and future revenue growth of 5% per annum.

No further impairment losses have been necessary as a result of impairment testing conducted at 30 June 2007.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
20. TRADE AND OTHER PAYABLES				
Trade creditors	8,242,239	5,554,820	6,147,148	672,168
Other creditors and accruals	7,179,083	12,641,144	2,128,116	11,783,912
Unearned income	2,357,718	11,202,117	-	-
Securitised payables	14,964,477	12,768,237	-	-
	32,743,517	42,166,318	8,275,264	12,456,080
21. OTHER PAYABLES				
Interest payable	-	7,215,232	-	-

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
22. INTEREST BEARING LOANS				
Current				
Bank loans – secured	799,265	-	799,265	-
Lease liabilities	4,632	55,680	-	-
Securitised interest bearing loans	147,000,000	150,000,000	-	-
Prepaid borrowing costs	(293,464)	(185,510)	-	-
	<u>147,510,433</u>	<u>149,870,170</u>	<u>799,265</u>	<u>-</u>
Non-current				
Bank loans – secured	32,900,000	45,900,000	32,000,000	-
Loan – City Pacific Private Fund	-	17,557,140	-	-
Loan – City Pacific Finance Trust	3,712,867	-	-	-
Lease liabilities	1,621	6,253	-	-
	<u>36,614,488</u>	<u>63,463,393</u>	<u>32,000,000</u>	<u>-</u>
Financing arrangements				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank loans	204,900,000	195,714,490	54,000,000	-
City Pacific Private Fund	-	17,557,140	-	-
City Pacific Finance Trust	3,712,867	-	-	-
Lease liability	6,253	61,933	-	-
	<u>208,619,120</u>	<u>213,333,563</u>	<u>54,000,000</u>	<u>-</u>
Facilities utilised at reporting date:				
Bank loans	180,699,265	195,900,000	32,799,265	-
City Pacific Private Fund	-	17,557,140	-	-
City Pacific Finance Trust	3,712,867	-	-	-
Lease liability	6,253	61,933	-	-
	<u>184,418,385</u>	<u>213,519,073</u>	<u>32,799,265</u>	<u>-</u>
Facilities not utilised at reporting date:				
Bank loans	24,200,735	185,510	21,200,735	-
City Pacific Private Fund	-	-	-	-
City Pacific Finance Trust	-	-	-	-
Lease liability	-	-	-	-
	<u>24,200,735</u>	<u>185,510</u>	<u>21,200,735</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 30 June 2007

22. INTEREST BEARING LOANS (cont)

The consolidated entity's lease liabilities are secured by the leased assets of \$12,419 (2006: \$82,731), as in the event of default, the leased assets revert to the lessor.

Bank loans of a controlled entity are secured by mortgage loans with a carrying amount of \$1,143,277,676 (2006: \$915,284,127). Interest is charged at prevailing market rates.

The City Pacific Finance Trust facility of a controlled entity is secured by development properties with a carrying amount of \$21,885,145 (2006: nil).

The City Pacific Private Fund facility of a previously controlled entity was repaid during the year.

At 30 June 2007, a controlled entity was in technical breach of a financial covenant attached to a finance facility. The lender was aware of the technical breach and has acknowledged that no action will be taken.

Term and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Consolidated	Currency	Nominal interest rate	Year of maturity	30 June 2007		30 June 2006	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loans	AUD	6.27%	2008	900,000	900,000	-	-
Secured bank loans	AUD	Bank bills +0.65%	2007	147,000,000	147,000,000	150,000,000	150,000,000
Secured bank loans	AUD	Bank bills +0.90%	2007	32,799,265	32,799,265	-	-
Secured related party loans		11.25%-11.75%	2008	3,712,867	3,712,867	-	-
Finance lease liability	AUD	7.71%	2008	6,253	6,253	6,253	6,253
Total interest-bearing liabilities				184,418,385	184,418,385	150,006,253	150,006,253
Company							
Secured bank loans	AUD	Bank bills +0.90%	2007	32,799,265	32,799,265	-	-
Total interest-bearing liabilities				32,799,265	32,799,265	-	-
				Consolidated		Company	
				2007	2006	2007	2006
				\$	\$	\$	\$
23. EMPLOYEE BENEFITS							
Current							
Salaries and wages accrued				76,069	119,569	36,419	25,000
Liability for annual leave				730,027	944,605	173,488	204,542
Liability for long service leave				127,942	113,115	-	-
				934,038	1,177,289	209,907	229,542
Non-current							
Liability for long service leave				166,374	387,102	96,621	139,472
Number of employees at year end				105	312	38	29

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
24. PROVISIONS				
Dividends	157,476	139,319	157,476	139,319
Reconciliations				
Reconciliation of the amounts of each class of provision are set out below:				
Dividends				
Carrying amount at beginning of year	139,319	89,432	139,319	89,432
Final dividend 2006	44,109,324	-	44,109,324	-
Interim dividend 2007	22,498,041	-	22,498,041	-
Final dividend 2005	-	38,266,399	-	38,266,399
Interim dividend 2006	-	14,068,830	-	14,068,830
Dividends reinvested pursuant to Dividend Reinvestment Plan	(5,941,994)	(963,016)	(5,941,994)	(963,016)
Cash payments made during the year	(60,647,214)	(51,322,326)	(60,647,214)	(51,322,326)
Carrying amount at the end of the year	157,476	139,319	157,476	139,319

	Company and consolidated	
	2007 \$	2006 \$
25. ISSUED CAPITAL		
Issued and paid-up share capital 150,499,870 (2006: 128,524,557) ordinary shares, fully paid	211,918,038	116,432,142
(a) Ordinary shares		
Balance at the beginning of year	116,432,142	113,513,454
Shares issued:		
- 1,322,890 upon reinvestment of dividends pursuant to Dividend Reinvestment Plan	5,941,993	963,017
- 4,165 (30 June 2006: 487,377) upon exercise of \$0.30 options	1,250	146,213
- 611,168 (30 June 2006: 678,801) upon exercise of \$1.00 options	611,168	678,801
- 360,083 (30 June 2006: 360,082) upon exercise of \$3.14 options	1,130,661	1,130,657
- 100,000 (2006: nil) upon exercise of \$4.00 options	400,000	-
- 266,668 ordinary shares issued pursuant employment contract (30 June 2006: nil) (i)	1,328,007	-
- 1,030,769 shares issued pursuant to acquisition of City Pacific Project Management Pty Ltd (ii)	4,473,537	-
- 18,279,570 ordinary shares issued pursuant to a private placement at \$4.65 per share (iii)	81,599,280	-
Balance at end of year	211,918,038	116,432,142

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.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

Notes to the Financial Statements

For the year ended 30 June 2007

25. ISSUED CAPITAL (CONT)

- (i) During the year, the Company issued 266,668 shares to a director and employee, Mr Peter Trathen. The shares were issued as compensation in accordance with Mr Trathen's employment contract.

Grant date / employees entitled	Number of shares	Vesting conditions	Contractual life
Shares granted to key management -2007	266,668	None	None
Total	266,668		

- (ii) On 2 November 2006, the consolidated entity acquired 50% of shares in City Pacific Project Management Pty Ltd, bringing the consolidated entity's ownership interest to 100%. 1,030,769 shares were issued as consideration for the acquisition in accordance with Scrip for Scrip Offer documents, with total consideration being \$4,473,537.

An entity related to a director, Mr Peter Trathen, held 30% of the shares of City Pacific Project Management Pty Ltd prior to the acquisition. 618,461 shares were issued to this director related entity in relation to the acquisition, representing consideration of \$2,684,121.

- (iii) On 2 February 2007, the company raised \$85 million through the issue of 18,279,570 ordinary shares by way of an institutional placement. The funds were used to reduce debt and provide balance sheet capacity for future acquisitions. The share issue costs of \$3,400,720 were offset against the capital raised.

	Company and consolidated	
	2007 \$	2006 \$
(b) Options reserve		
Balance at the beginning of period	471,826	910,727
Transferred to retained earnings	(471,826)	(438,901)
Balance at end of period	-	471,826

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

(c) Translation reserve

Balance at the beginning of period	-	-
Foreign currency differences	28,642	-
Balance at end of period	28,642	-

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and the share of such reserves is equity accounted associates.

	Company and consolidated			
	Options (1) #	Options (2) #	Options (3) #	Options (4) #
(d) Options				
Balance at the beginning of year	102,539	687,119	360,083	100,000
- options exercised during the financial year	(4,165)	(611,168)	(360,083)	(100,000)
- options expired during the financial year	(98,374)	(75,951)	-	-
Balance at end of year	-	-	-	-

(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 \$4.00 expiring 30 June 2007

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
26. RETAINED EARNINGS				
Retained earnings at the beginning of the year	20,023,097	9,814,158	9,027,350	15,425,655
Net profit/(loss) attributable to members of the parent entity	73,213,188	62,105,267	81,113,156	45,498,023
Dividends recognised during the year	(66,607,365)	(52,335,229)	(66,607,365)	(52,335,229)
Dilution gains/(losses)	4,967,996	-	-	-
Transferred from options reserve	471,826	438,901	471,826	438,901
Retained earnings at the end of the year	32,068,742	20,023,097	24,004,967	9,027,350

	Consolidated	
	2007 \$	2006 \$
27. MINORITY INTERESTS		
Minority interest in controlled entities comprise:		
Interest in retained profits at the beginning of the financial year	9,934,689	(676,807)
Interest in operating profit/(loss) after tax	18,266,543	14,154,531
	28,201,232	13,477,724
Interest in dividends provided for or paid	(13,960,130)	(3,543,035)
Interest in retained profits at the end of the financial year	14,241,102	9,934,689
Sale of shareholding in controlled entity	(14,241,102)	-
Interest in share capital	17,312	14,831,587
Total minority interests	17,312	24,766,276

28. DIVIDENDS

Dividends recognised in the current year by the company:

	Cents per Share	Total amount	Date of payment	Franked/unfranked
2007				
Final 2006 ordinary	34.0	44,109,324	31 October 2006	Franked
Interim 2007 ordinary	15.0	22,498,041	30 March 2007	Franked
Total amount		66,607,365		
2006				
Interim 2006 ordinary	11.0	14,068,830	31 March 2006	Franked
Final 2005 ordinary	30.0	38,266,399	30 September 2005	Franked
Total amount		52,335,229		

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

Notes to the Financial Statements

For the year ended 30 June 2007

	Company	
	2007 \$	2006 \$
28. DIVIDENDS (cont)		
Dividend franking account		
30% franking credits available to shareholders of City Pacific Limited for subsequent financial years	20,794,397	23,601,310

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

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking credits that will arise from the payment of dividends recognised as a liability at year-end
- franking credits that will arise from the receipt of dividends recognised as receivables at year-end
- 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.

29. FINANCIAL INSTRUMENTS

Exposure to credit and interest rate risk arises in the normal course of the Group's business.

(a) Fair values

The fair value of financial assets and liabilities of the consolidated entity approximates the carrying value of these items in the balance sheet. The majority of financial assets and liabilities are variable interest loans.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Securities

Fair value is based on quoted market prices at balance sheet date without any deduction for transaction costs.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

Fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value. All other receivables/payables are discounted to determine the fair value.

Securitised financial instruments

Fair value is based on quoted market prices at balance sheet date without any deduction for transaction costs.

(b) Credit risk exposures

Management has a policy in place and the exposure to credit risk is monitored on an ongoing basis. The consolidated entity generally requires collateral in respect of financial assets.

At the balance sheet date, a concentration of credit risk exists in respect of the consolidated entities securitised mortgaged loans as approximately 76.1% (2006: 64.7%) of total assets were represented by these loans. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(c) Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of interest bearing financial assets and financial liabilities is set out below. All other financial assets and liabilities are non-interest bearing. The consolidated entity does not hedge its exposure to interest rate risk.

Notes to the Financial Statements

For the year ended 30 June 2007

29. FINANCIAL INSTRUMENTS (cont)

(c) Interest rate risk (cont)

Interest rate risk exposures (cont)

	Effective interest rate %	Floating interest rate \$	Fixed interest maturing in:			Total \$
			1 year or less \$	1 to 5 years \$	More than 5 years \$	
2007 - Consolidated						
Financial assets						
Current						
Cash assets	4.39%	785,331	-	-	-	785,331
Securitised cash and cash equivalents	5.28%	23,158,304	-	-	-	23,158,304
Investments:						
City Pacific Private Fund	11.75%	660,000	-	-	-	660,000
Securitised mortgage loans	12.06%	704,117,301	-	-	-	704,117,301
Non-current						
Loan to related entities – secured by 2nd mortgage	12.00%	19,856,991	-	-	-	19,856,991
Other loans – secured by 2nd mortgage	21.55%	89,003,484	-	-	-	89,003,484
Securitised mortgage loans	12.06%	480,346,680	-	-	-	480,346,680
		1,317,928,091	-	-	-	1,317,928,091
Financial liabilities						
Current						
Securitised interest bearing loans	7.79%	147,000,000	-	-	-	147,000,000
Bank loans - secured	7.42%	799,265	-	-	-	799,265
Lease liabilities	7.71%	-	4,632	-	-	4,632
Securitised unitholders funds	8.84%	540,006,416	-	-	-	540,006,416
Non-current						
Interest bearing loans:						
Related party loans - secured	11.75%	3,712,867	-	-	-	3,712,867
Bank loans - secured	7.42%	32,900,000	-	-	-	32,900,000
Lease liabilities	7.71%	-	-	1,621	-	1,621
Securitised unitholders funds	8.84%	536,403,899	-	-	-	536,403,899
		1,260,822,447	4,632	1,621	-	1,260,828,700

Notes to the Financial Statements

For the year ended 30 June 2007

29. FINANCIAL INSTRUMENTS (cont)

(c) Interest rate risk (cont)

Interest rate risk exposures (cont)

	Effective interest rate %	Floating interest rate \$	Fixed interest maturing in:			Total \$
			1 year or less \$	1 to 5 years \$	More than 5 years \$	
2006 - Consolidated						
Financial assets						
Current						
Cash assets	2.33%	10,731,646	-	-	-	10,731,646
Investments:						
City Pacific Private Fund	7.16%	10,318,830	-	-	-	10,318,830
Other loans – secured	11.50%	-	24,881,130	-	-	24,881,130
Securitised cash and cash equivalents	0.43%	72,499,725	-	-	-	72,499,725
Securitised investments:						
City Pacific Managed Fund	11.00%	11,757,774	-	-	-	11,757,774
Securitised mortgage loans	11.64%	606,248,389	-	-	-	606,248,389
Other loans – secured by 2nd mortgage	16.05%	10,352,141	-	-	-	10,352,141
Non-current						
Loan to related entities – unsecured	9.50%	-	-	1,805,000	-	1,805,000
Other loans – secured by 2nd mortgage	16.05%	3,941,277	-	-	-	3,941,277
Securitised mortgage loans	11.64%	309,035,738	-	-	-	309,035,738
		1,034,885,520	24,881,130	1,805,000	-	1,061,571,650
Financial liabilities						
Current						
Securitised interest bearing loans	6.23%	150,000,000	-	-	-	150,000,000
Lease liabilities	6.88%	-	55,680	-	-	55,680
Securitised unitholders funds	8.37%	882,208,094	-	-	-	882,208,094
Non-current						
Interest bearing loans:						
Bank loans - secured	5.67%	45,900,000	-	-	-	45,900,000
City Pacific Private Fund	15.50%	17,557,140	-	-	-	17,557,140
Lease liabilities	6.88%	-	-	6,253	-	6,253
Securitised unitholders funds	8.37%	75,417,176	-	-	-	75,417,176
		1,171,082,410	55,680	6,253	-	1,171,144,343

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
30. COMMITMENTS				
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	774,426	596,419	294,674	197,022
One year or later and no later than five years	1,420,809	316,659	899,542	39,552
	<u>2,195,235</u>	<u>913,078</u>	<u>1,194,216</u>	<u>236,574</u>
The consolidated entity leases a number of office facilities under operating leases. During the financial year ended 30 June 2007, \$874,846 was recognised as an expense in the income statement in respect of operating leases (2006: \$957,526).				
Finance lease commitments				
Finance lease commitments are payable:				
Within one year	4,934	58,342	-	-
One year or later but not later than five years	1,645	6,579	-	-
	<u>6,579</u>	<u>64,921</u>	<u>-</u>	<u>-</u>
Less: future lease finance charges	(326)	(2,988)	-	-
	<u>6,253</u>	<u>61,933</u>	<u>-</u>	<u>-</u>
Lease liabilities provided for in the financial statements:				
Current	4,632	55,680	-	-
Non-current	1,621	6,253	-	-
Total lease liability	<u>6,253</u>	<u>61,933</u>	<u>-</u>	<u>-</u>
Capital commitments in relation to land acquisitions:				
Within one year	17,200,000	40,532,263	-	-
Capital commitments relate to land and property acquisitions, for which unconditional agreements have been entered into and deposit paid. The consolidated entity's share of commitment is disclosed above.				
Capital commitments in relation to investments:				
Within one year	4,200,000	8,200,000	4,200,000	8,200,000
Capital commitments relate to an agreement entered into by City Pacific to acquire an additional interest in City Pacific Warehouse Trust ("CPWT") (formerly Treasury Commercial Property Finance Trust No 1) for up to \$4,200,000. CPWT is a commercial loan warehouse Trust administered and managed by City Pacific Treasury Finance Pty Ltd, a wholly owned subsidiary of City Pacific.				
Capital commitments in relation to funding of mortgage loans:				
Within one year	207,581,459	177,900,347	-	-
Capital commitments relate to obligations of the City Pacific Mortgage Trust to fund mortgage loans, being the difference between the total of loan facility commitments and total loans drawn.				
Capital commitments in relation to funding of mortgage loans:				
Within one year	1,874,600	2,356,200	-	-
Capital commitments relate to obligations of associate, Indigo Pacific Capital Limited to fund mortgage loans. The consolidated entity's share of commitments is disclosed above.				

Notes to the Financial Statements

For the year ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
31. CONTINGENCIES				
Bank guarantees	14,084,694	22,826,795	-	-

Bank guarantees have been provided to contractors in relation to property development being undertaken by the consolidated entity. The consolidated entity's share of contingent liabilities is disclosed above. No liability is expected to arise from these guarantees.

Litigation

The company is defending an action regarding the under payment of brokerage on loans introduced to the City Pacific Mortgage Trust. The company has a counterclaim in relation to excess brokerage paid on loans introduced to the City Pacific Mortgage Trust.

Based on legal advice, the directors do not expect the outcome of the actions to have a material effect on the consolidated entity's financial position. In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the consolidated entity.

32. 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, net of any overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled in the balance sheets as follows:

Note	Consolidated		Company		
	2007 \$	2006 \$	2007 \$	2006 \$	
Cash and cash equivalents	11	24,742,900	83,231,371	166,578	6,343,067

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

Operating profit after income tax	91,479,731	76,259,798	81,113,153	45,498,023
Add/(less) non-cash items:				
Loss on sale of non current assets	184,971	206,920	11,773	-
Profit on sale of investments	(30,958,825)	-	(30,958,825)	-
Shares of associates' net (profit)/loss	(2,271,208)	(220,897)	-	-
Dividend from controlled entities	-	-	(27,209,980)	-
Dividend from associates	-	-	(2,010,111)	(5,084,463)
Impairment losses	-	(676,013)	-	(943,138)
Depreciation and amortisation	2,778,027	2,378,612	170,497	132,385
Amounts transferred to provisions:				
- employee entitlements	224,841	183,070	(37,485)	54,014
(Decrease)/increase in income taxes payable	(1,885,695)	3,377,631	(8,331,104)	5,800,364
(Increase)/decrease in deferred tax benefit	(22,440)	10,224,540	9,292,442	(3,443,108)
Net cash provided by operating activities before changes in assets and liabilities	59,529,402	91,733,661	22,040,360	42,014,077
(Increase)/decrease in receivables and inventory	(78,645,903)	27,820,825	(15,094,128)	21,117,711
Increase/(decrease) in creditors and accruals	(29,659,940)	(37,089,403)	(7,462)	(1,302,613)
Net cash from operating activities	(48,776,441)	82,465,083	6,938,770	61,829,175

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless indicated were key management personnel for the entire period:

Non-executive directors

Mr IW Donaldson (Chairman)
Mr TW Swan (Deputy Chairman)
Mr SL Stone (i)

Executive directors

Mr PK Sullivan (Chief Executive Officer)
Mr PC Trathen (Group Executive Property) (i)

Executives - current

Mr G Sladden (Group Executive Operations) (ii)
Mr JT Finucan (Corporate Counsel)
Mr C Sullivan (Chief Information Officer)
Mr S McCormick (Group Executive Lending) (iii)
Mr K Dalton (Group Executive Finance) (iv)
Mr AC Purss (Chief Financial Officer)

Executives - former

Mr SRM Mackay (Group Executive Administration) (v)
Mr M Iacobucci (Group Executive Treasury Group) (vi)

- (i) appointed 16 September 2005
- (ii) appointed 2 April 2007
- (iii) appointed 1 July 2006
- (iv) Resigned effective 14 September 2007
- (v) Resigned 25 January 2007
- (vi) Resigned 2 March 2007

Key management personnel compensation

Key management personnel compensation included in employee expenses are as follows:

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Short-term employee benefits	2,350,731	2,512,674	2,350,731	2,033,982
Other long term benefits	104,580	92,399	104,580	90,488
Post employment benefits	184,157	190,590	184,157	154,215
Share based payments	1,328,001	-	1,328,001	-
Termination payments	44,456	448,732	44,456	148,732
	4,011,925	3,244,395	4,011,925	2,427,417

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

Individual directors and executives compensation disclosures

Details of the nature and amount of each major element of remuneration of each key management personnel of the Company and consolidated entity are:

		Short term Salary & fees \$	Post employment Super- annuation benefits \$	Other long term Long service leave \$	Termination benefits \$	Share based payments \$	Total \$
Directors							
Non-executive							
Mr IW Donaldson	2007	154,988	-	-	-	-	154,988
(Chairman)	2006	160,745	-	-	-	-	160,745
Mr TW Swan	2007	140,000	-	-	-	-	140,000
(Deputy Chairman)	2006	120,000	-	-	-	-	120,000
Mr SL Stone	2007	120,000	10,800	-	-	-	130,800
	2006	95,000	8,100	-	-	-	103,100
Executive							
Mr PK Sullivan	2007	375,007	33,570	41,557	-	-	450,134
(Chief Executive Officer)	2006	375,000	33,750	32,414	-	-	441,164
Mr PC Trathen	2007	229,358	20,642	9,925	-	1,328,001	1,587,926
(Group Executive Property)	2006	245,638	20,642	2,858	-	-	269,138
Executives							
Mr G Sladden	2007	100,000	9,000	-	-	-	109,000
(Group Executive Operations)	2006	-	-	-	-	-	-
Mr C Sullivan	2007	250,000	22,500	27,704	-	-	300,204
(Chief Information Officer)	2006	253,534	22,500	21,609	-	-	297,643
Mr K Dalton	2007	250,004	22,500	9,723	-	-	282,227
(Group Executive Finance)	2006	250,912	22,500	4,940	-	-	278,352
Mr AC Purss	2007	151,615	13,645	6,240	-	-	171,500
(Chief Financial Officer)	2006	133,596	11,866	3,138	-	-	148,600
Mr JT Finucan	2007	151,808	13,663	3,759	-	-	169,230
(Corporate Counsel)	2006	53,940	4,846	971	-	-	59,757
Mr S McCormick	2007	141,375	12,724	5,672	-	-	159,771
(Group Executive Lending)	2006	-	-	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

		Short term Salary & fees \$	Post employment Super- annuation benefits \$	Other long term Long service leave \$	Termination benefits \$	Share based payments \$	Total \$
Individual directors and executives compensation disclosures (cont)							
Former executive directors and executives							
Mr M Iacobucci	2007	166,666	23,134	-	17,915	-	207,715
(Group Executive Treasury Group)	2006	250,000	22,500	687	-	-	273,187
Mr SRM Mackay	2007	141,990	12,779	-	26,541	-	181,310
(Group Executive Administration)	2006	251,486	22,511	21,952	-	-	295,949
Mr MP Fowler	2007	-	-	-	-	-	-
(Executive Director)	2006	146,016	13,125	-	148,732	-	309,097
Mr SH Kissick	2007	-	-	-	-	-	-
(Executive Director)	2006	10,797	-	-	-	-	10,797
Mr W Milner	2007	-	-	-	-	-	-
	2006	166,010	8,250	-	300,000	-	474,260
Total compensation –	2007	2,372,811	194,957	104,580	44,456	1,328,001	4,044,805
Consolidated	2006	2,512,674	190,590	89,793	448,732	-	3,241,789
Total compensation –	2007	2,372,811	194,957	104,580	44,456	1,328,001	4,044,805
Company	2006	2,346,664	182,340	89,793	148,732	-	2,767,529

Apart from the details disclosed in this note, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors interests existing at year end.

Key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Key management personnel transactions with the Company or its controlled entities during the year were as follows:

- The consolidated entity paid rent of \$12,000 (2006: \$12,000) during the financial year to Sangillo Pty Ltd, an entity associated with Mr PK Sullivan.
- The consolidated entity received fees of \$30,000 (2006: \$60,000) for the provision of management services to Maldon Pty Ltd, an entity associated with Mr PK Sullivan.
- The consolidated entity paid accounting and consultation fees of \$30,000 (2006: \$43,250) to an entity associated with director Mr TW Swan for accounting and consulting services rendered during the year.
- Sandkent Investments Pty Ltd, an entity associated with director Mr PK Sullivan, advanced funds to a third party to acquire shares in CP1 from City Pacific. The advance is for a term of 12 months at an interest rate of 8% per annum and is secured by a charge over the CP1 shares acquired.

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

Movement in shares and options

The movement during the reporting period in the number of ordinary shares and options of the company held directly, indirectly or beneficially by each key management person, including their personally related entities is as follows:

	Held at 1 July 2006	Purchases	Received due to participation in DRP (i)	Share-based compensation	Disposals	Held at 30 June 2007
City Pacific Limited						
Shares						
Directors						
Mr IW Donaldson	500,000	-	-	-	-	500,000
Mr TW Swan	1,249,132	1,800	24,068	-	-	1,275,000
Mr SL Stone	-	10,000	-	-	-	10,000
Mr PK Sullivan	41,772,769	114,833	-	-	-	41,887,602
Mr PC Trathen	1,400,000	618,461 (ii)	-	266,668	-	2,285,129
Executives - Current						
Mr C Sullivan	995,876	726,560	-	-	-	1,722,436
Mr S McCormick	-	384,000	-	-	384,000	-
Executives - Former						
Mr SRM Mackay	1,973,955	-	-	-	217,590	1,756,365
Mr M Iacobucci	1,484,365	-	-	-	1,484,365	-

No other key management personnel held shares in City Pacific directly, indirectly or beneficially, including their personally related entities during the reporting period.

No key management personnel held options in City Pacific as at 1 July 2006 and there was no trading in City Pacific options by key management personnel during the year ended 30 June 2007.

	Held at 1 July 2005	Purchases	Received due to participation in DRP (i)	Disposals	Held at 30 June 2006
Shares					
Directors					
Mr IW Donaldson	500,000	-	-	-	500,000
Mr TW Swan	1,222,000	-	27,132	-	1,249,132
Mr SL Stone	-	-	-	-	-
Mr PK Sullivan	41,772,769	-	-	-	41,772,769
Mr PC Trathen	1,400,000	-	-	-	1,400,000
Mr SH Kissick	3,515,014	-	-	-	3,515,014
Mr M Fowler	1,484,365	21,698	-	380,451	1,125,612
Executives - Current					
Mr C Sullivan	389,409	606,467	-	-	995,876
Executives - Former					
Mr SRM Mackay	1,971,630	2,325	-	-	1,973,955
Mr M Iacobucci	1,484,365	-	-	-	1,484,365

(i) City Pacific established a dividend reinvestment plan ("DRP") in March 2006.

(ii) Paid as consideration for shares in City Pacific Project Management Pty Ltd.

No other key management personnel held shares or options in City Pacific directly, indirectly or beneficially, including their personally related entities during the 2006 reporting period.

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

	Held at 1 July 2006	Options exercised	Purchases/ (Sales)	Held at 30 June 2007
Movement in shares and options (cont)				
CP1 Limited				
Shares				
Directors				
Mr IW Donaldson	940,000	100,000	-	1,040,000
Mr TW Swan	1,075,000	225,000	-	1,300,000
Mr SL Stone	-	-	-	-
Mr PK Sullivan (i)	78,778,790	63,057,532	(67,365,710)	74,470,612
Mr PC Trathen	50,000	-	-	50,000
Executives - Current				
Mr C Sullivan	1,391,535	-	1,276,353	2,667,888
Executives - Former				
Mr SRM Mackay	1,060,000	128,000	-	1,188,000

(i) Includes shares in which director has an indirect holding through a significant interest in City Pacific. City Pacific holds 72,440,290 shares in CP1 at year end.

No other key management personnel held shares in CP1 directly, indirectly or beneficially, including their personally related entities during the reporting period.

	Held at 1 July 2005	Options exercised	Received due to subdivision of shares on a 5 for 1 basis	Purchases/ (Sales)	Held at 30 June 2006
Shares					
Directors					
Mr IW Donaldson	55,000	133,000	752,000	-	940,000
Mr TW Swan	70,000	145,000	860,000	-	1,075,000
Mr SL Stone	-	-	-	-	-
Mr PK Sullivan (i)	10,076,099	5,679,659	63,023,032	-	78,778,790
Mr PC Trathen	-	-	40,000	10,000	50,000
Mr SH Kissick	50,000	130,000	720,000	-	900,000
Executives - Current					
Mr C Sullivan	180,000	67,070	1,113,228	31,237	1,391,535
Executives - Former					
Mr SRM Mackay	70,000	142,000	848,000	-	1,060,000

(i) Includes shares in which director has an indirect holding through a significant interest in City Pacific. City Pacific holds 77,670,000 shares in CP1 at year end.

No other key management personnel held shares in CP1 directly, indirectly or beneficially, including their personally related entities during the reporting period.

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

	Held at 1 July 2005	Purchases/ (Sales)	Options exercised	Options expired 3 April 2006	Held at 30 June 2006
Movement in shares and options (cont)					
CP1 Limited (cont)					
Options (i)					
Directors					
Mr IW Donaldson	133,000	-	133,000	-	-
Mr TW Swan	145,000	-	145,000	-	-
Mr SL Stone	-	-	-	-	-
Mr PK Sullivan (ii)	6,145,659	-	5,679,659	466,000	-
Mr PC Trathen	-	-	-	-	-
Mr SH Kissick	130,000	-	130,000	-	-
Executives - Current					
Mr C Sullivan	67,070	-	67,070	-	-
Executives - Former					
Mr SRM Mackay	142,000	-	142,000	-	-

(i) Options exercisable at \$1.50 each, expired on 3 April 2006.

(ii) Includes options in which director had an indirect holding through a significant interest in City Pacific. City Pacific held 6,000,000 options in CP1 and exercised 5,534,000 of these options before their expiry on 3 April 2006.

No other key management personnel held options in CP1 Limited directly, indirectly or beneficially, including their personally related entities during the 2006 reporting period.

	Held at 1 July 2006	Purchases	Received due to participation in DRP	Options expired	Held at 30 June 2007
Indigo Pacific Capital Limited					
Shares					
Directors					
Mr IW Donaldson	16,000	-	-	-	16,000
Mr PK Sullivan (ii)	19,491,981	-	2,496,659	-	21,988,640
Executives - Current					
Mr C Sullivan	1,160,500	-	-	-	1,160,500
Executives - Former					
Mr SRM Mackay	31,560	10,000	4,662	-	46,222
Options (i)					
Directors					
Mr IW Donaldson	59,600	-	-	59,600	-
Mr PK Sullivan (ii)	10,550,000	-	-	10,550,000	-
Executives - Current					
Mr C Sullivan	223,900	-	-	223,900	-
Executives - Former					
Mr SRM Mackay	65,000	-	-	65,000	-

(i) Options exercisable at \$1.50 each, expired on 27 March 2007.

(ii) Includes shares and options in which director has an indirect holding through a significant interest in City Pacific. City Pacific holds 21,988,640 shares in Indigo Pacific Capital at year end.

No other key management personnel held shares or options in Indigo Pacific Capital directly, indirectly or beneficially, including their personally related entities during the reporting period.

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

	Held at 1 July 2005	Purchases	Received due to participation in DRP	Options exercised	Held at 30 June 2006
Movement in shares and options (cont)					
Indigo Pacific Capital Limited (cont)					
Shares					
Directors					
Mr IW Donaldson	16,000	-	-	-	16,000
Mr PK Sullivan (ii)	17,500,000	-	1,991,981	-	19,491,981
Executives - Current					
Mr C Sullivan	1,090,500	70,000	-	-	1,160,500
Executives - Former					
Mr SRM Mackay	30,000	-	1,560	-	31,560
Options (i)					
Directors					
Mr IW Donaldson	59,600	-	-	-	59,600
Mr PK Sullivan (ii)	10,550,000	-	-	-	10,550,000
Executives - Current					
Mr C Sullivan	223,900	-	-	-	223,900
Executives - Former					
Mr SRM Mackay	65,000	-	-	-	65,000

(i) Options exercisable at \$1.50 each, expired on 27 March 2007.

(ii) Includes shares and options in which director has an indirect holding through a significant interest in City Pacific. City Pacific holds 19,491,981 shares and 10,500,000 options in Indigo Pacific Capital at year end.

No other key management personnel held shares or options in Indigo Pacific Capital directly, indirectly or beneficially, including their personally related entities during the 2006 reporting period.

Holding of units

The movement during the reporting period in the number of units held directly, indirectly or beneficially by each key management person, including their personally related entities in the City Pacific Mortgage Trust and City Pacific Private Fund is as follows:

	Investment held at 30 June \$	Investments during the year \$	Redemptions during the year \$	Distributions paid/payable \$
City Pacific Mortgage Trust				
2007				
Adam Purss	9,305	9,305	-	540
City Pacific Limited	-	1,821	4,078,007	1,821
City Pacific Finance Trust	-	107,501	2,928,312	82,708
City Pacific Income Fund	5,044,296	8,013,080	5,500,000	406,154
Capeglan Pty Ltd	23,776	1,895	-	1,895
Donaldson Superannuation Fund	122,575	116,188	-	6,188
Equitour Pty Ltd ATF Equitour Hotel Trust	281,191	166,095	2,700,000	16,095
Indigo Pacific Capital Limited	3,704,822	22,088,782	18,427,417	210,794
James Finucan	-	10,771	10,771	698
Maldon Pty Ltd	47,083	14,542,029	14,522,611	69,858
Maldon Pty Ltd Super	75,139	5,989	-	5,989
Marina Cove Pty Ltd	13,310	14,018	13,058	960
MCS Services Pty Ltd ATF MCS Services Pty Ltd Executive Super Fund	75,592	75,592	151,064	11,733

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

	Investment held at 30 June \$	Investments during the year \$	Redemptions during the year \$	Distributions paid/payable \$
Holding of units (cont)				
City Pacific Mortgage Trust (cont)				
2007				
Peter Trathen	-	8,487	461,473	13,000
Phil Sullivan	187,015	100,630	-	8,170
Ronglen Pty Ltd	130,158	146,004	440,800	18,298
Sandkent Investments Pty Ltd	2,325,475	4,308,965	4,063,614	216,580
Sandkent Pty Ltd	249,581	649,581	400,000	7,546
Sandkent Development Pty Ltd	74,999	5,978	-	5,978
Sangillo Pty Ltd ATF Maldon Pty Ltd Executive Superannuation	145,178	11,494	-	11,494
RP26 Pty Ltd	-	35,313	35,313	32
Sangillo Super Investment Trust	1,378,109	256,532	-	116,532
Sangillo Pty Ltd	1,484,393	118,308	-	118,308
Sankyo Developments Pty Ltd	74,999	5,978	-	5,978
	15,446,996	50,800,336	53,732,440	1,337,349
City Pacific Private Fund				
2007				
City Pacific Limited	660,000	11,196,653	20,909,967	381,160
City Pacific Finance Trust	246,505	246,558	5,858	4,199
Caepglen Pty Ltd	-	30	3,309	30
Equititour P/L ATF Equititour Hotel Trust	-	379	42,087	379
Maldon Pty Ltd	-	151,030	28,557,665	151,030
Phil Sullivan	-	25	2,801	25
Ronglen Pty Ltd	-	9,808	104,513	864
Sandkent Investments Pty Ltd	12,476,634	22,884,049	35,021,850	1,079,770
Sangillo Pty Ltd ATF Maldon Pty Ltd Executive Superannuation	-	26	2,889	26
Sangillo Super Investment Trust	-	874	24,062	874
Sangillo Pty Ltd	-	16,769	1,949,088	16,769
Sankyo Developments Pty Ltd	-	25	2,739	25
	13,383,139	34,506,226	86,626,828	1,635,151
City Pacific Mortgage Trust				
2006				
City Pacific Limited	4,076,186	4,080,850	2,693,094	93,482
City Pacific Finance Trust	2,820,811	2,820,811	-	57,443
Caepglen Pty Ltd	21,881	21,881	-	1,229
Donaldson Superannuation Fund	6,387	457	-	457
Equititour Pty Ltd ATF Equititour Hotel Trust	2,815,097	249,244	134,670	249,243
Hallwick Pty Ltd ATF The Donaldson Family Trust	-	208,548	444,402	8,548
Indigo Pacific Capital Limited	43,457	12,931,565	14,152,035	184,977
Maldon Pty Ltd	27,667	11,113,382	15,125,887	157,111
Maldon Pty Ltd Super	69,150	69,150	-	4,994
Marina Cove Pty Ltd	12,350	884	-	884

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

	Investment held at 30 June \$	Investments during the year \$	Redemptions during the year \$	Distributions paid/payable \$
Holding of units (cont)				
City Pacific Mortgage Trust (cont)				
2006				
MCS Services Pty Ltd ATF MCS Services Pty Ltd Executive Super Fund	150,000	150,000	150,000	13,223
Peter Trathen	452,986	452,986	-	2,986
Phil Sullivan	86,385	6,531	-	6,531
Ronglen Pty Ltd	424,954	32,127	-	32,127
Sandkent Investments Pty Ltd	2,080,123	2,580,123	500,000	192,457
Sangillo Pty Ltd ATF Maldon Pty Ltd Executive Superannuation	133,684	49,263	-	9,264
Sangillo Super Investment Trust	1,121,577	280,672	8,540,000	150,672
Sangillo Pty Ltd	1,366,086	746,126	-	78,736
Sankyo Developments Pty Ltd	69,021	47,885	866,025	47,885
Shanda Investments Pty Ltd	260,000	-	-	20,540
Stuart Kissick	-	-	204,862	7,582
	16,037,802	35,842,485	42,810,975	1,320,371
City Pacific Private Fund				
2006				
City Pacific Limited	10,373,314	11,074,298	1,360,984	263,126
City Pacific Finance Trust	5,805	5,805	-	158
Capeplen Pty Ltd	3,279	3,279	-	89
Contra Proferentem Pty Ltd	-	225,000	225,000	6,020
Equitour Pty Ltd ATF Equitour Hotel Trust	41,708	41,708	-	1,137
Maldon Pty Ltd	28,406,635	28,063,875	33,257,240	1,310,108
Phil Sullivan	2,776	2,776	-	76
Ronglen Pty Ltd	94,705	94,705	-	6,919
Sandkent Investments Pty Ltd	24,614,435	24,655,864	41,429	5,173,430
Sangillo Pty Ltd ATF Maldon Pty Ltd Executive Superannuation	2,863	2,863	-	78
Sangillo Super Investment Trust	23,188	23,188	-	-
Sangillo Pty Ltd	1,932,319	2,630,808	698,489	129,630
Sankyo Developments Pty Ltd	2,714	2,714	-	74
Shanda Investments Pty Ltd	532,794	539,410	6,616	39,410
	66,036,535	67,366,293	35,589,758	6,930,255

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries, associates and with its key management personnel, as well as managed investment schemes for which it is responsible entity.

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

City Pacific Limited as Responsible Entity and Manager of City Pacific Mortgage Trust, City Pacific Income Fund, 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	
	2007 \$	2006 \$	2007 \$	2006 \$
City Pacific Mortgage Trust (i)	35,714,370	27,099,393	35,714,370	27,099,393
City Pacific Income Fund (i)	13,348	(21,812)	13,348	(21,812)
City Pacific Managed Fund	101,420	(64,563)	101,420	(64,563)
City Pacific Private Fund	738,964	2,176,954	738,964	2,176,954
	<u>36,568,102</u>	<u>29,189,972</u>	<u>36,568,102</u>	<u>29,189,972</u>

(i) Management fees are paid to City Pacific Limited and are eliminated on consolidation, as these schemes are controlled entities.

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

Expenses

Audit fees	99,500	66,000	99,500	66,000
Custodial fees	883,770	920,656	883,770	920,656
	<u>983,270</u>	<u>986,656</u>	<u>983,270</u>	<u>986,656</u>

The company paid custodial fees of \$883,770 (2006: \$920,656) during the financial year to the Public Trustee of Queensland, the Custodian for the City Pacific Mortgage Trust, City Pacific Income Fund and City Pacific Managed Fund.

The company has the following loans to controlled or associated entities at 30 June 2007:

Marina Cove Pty Ltd	19,856,991	-	19,856,991	-
CIRA International Pty Ltd	15,804,211	-	15,804,211	-
CP1 Limited	-	-	-	21,212,538
Lake Views Estates Pty Ltd	-	1,805,000	-	-
Grande Pacific Limited	5,535,253	3,061,389	5,535,253	3,061,389
	<u>41,196,455</u>	<u>4,866,389</u>	<u>41,196,455</u>	<u>24,273,927</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:

Eastcoast Capital Pty Ltd	-	25,000	-	25,000
City Pacific Project Management Pty Ltd	60,000	120,000	60,000	120,000
CP1 Limited	120,000	120,000	120,000	120,000
Indigo Pacific Capital Limited	114,000	95,000	114,000	95,000
	<u>294,000</u>	<u>360,000</u>	<u>294,000</u>	<u>360,000</u>

During the year the consolidated entity earned interest of \$326,387 (2006: nil) on the loan to Marina Cove Pty Ltd. This loan has no fixed term of repayment, is secured by 2nd mortgage and bears an interest rate of 12% per annum.

Notes to the Financial Statements

For the year ended 30 June 2007

33. RELATED PARTIES (cont)

Transactions with related parties (cont)

During the year the consolidated entity earned interest of \$346,497 (2006: \$141,425) on the loans to Grande Pacific Limited. These loans are repayable over a term of 30 months, are secured by 2nd mortgage and bear interest at 12% per annum.

During the year the consolidated entity earned interest of \$537,998 (2006: nil) on the loan to CIRA International Pty Ltd. This loan is repayable over a term of 20 months, is secured by 2nd mortgage and bears an interest rate of 12% per annum.

The consolidated entity charged CIRA International Pty Ltd loan facilitation fees of \$500,000 during the year.

During the prior year the company had a loan of \$21,212,538 to CP1 Limited. This loan was made to facilitate the purchase of the remaining 50% of Marina Cove Pty Ltd. This loan was repaid during the year.

Investments in related entities

City Pacific Limited has investments in the City Pacific Private Fund for which it is also responsible entity (refer note 13). These investments are on normal commercial terms and conditions.

Distributions of \$287,921 (2006: \$208,643) were received during the financial year from the City Pacific Private Fund.

City Pacific Income Fund has investments of \$5,044,297 (2006: \$2,531,216) in the City Pacific Mortgage Trust. Distributions of \$382,284 (2006: \$23,120) were received from the City Pacific Mortgage Trust during the financial year.

Controlled entities

During the year the company received fully franked dividends of \$750,461 (2006: \$302,150) from its shareholding in City Pacific Project Management Pty Ltd.

During the year the company received fully franked dividends of \$16,100,000 (2006: nil) from its shareholding in Breakwater Pacific Pty Ltd.

Associates and other related parties

During the year the consolidated entity charged Marina Cove Pty Ltd administration fees and project management fees of \$2,448,321 (2006: \$6,989,439).

Marina Cove Pty Ltd has loans of \$140,583,398 (2006: \$112,343,948) from City Pacific Mortgage Trust. This loan is secured by a registered first mortgage over the company's development property. The loan has no fixed term and is charged interest at 12% per annum.

During the year the company received dividends of \$10,759,518 (2006: \$3,330,100) from its shareholding in CP1.

During the year the company received fully franked dividends of \$2,010,110 (2006: \$1,616,176) from its shareholding in Indigo Pacific Capital.

Lake Views Estates Pty Ltd has loans of \$45,213,042 (2006: \$33,285,169) from City Pacific Mortgage Trust. These loans are secured by registered first mortgages over the company's development property. The City Pacific Mortgage Trust loan has a term of 12 months and is charged interest at 12% per annum.

During the year the consolidated entity charged Lake Views Estates Pty Ltd administration fees, establishment fees and project management fees of \$188,056.

Grande Pacific Limited has loans of \$14,097,759 (2006: \$12,800,000) from City Pacific Mortgage Trust. These loans are secured by registered first mortgages over the company's development properties. The loans have terms between 12 and 30 months and interest is charged at 12% per annum.

During the year the consolidated entity charged Grande Pacific Limited administration fees and establishment fees of \$182,980.

During the year the consolidated entity charged Danimel Pty Ltd project management fees of \$60,000.

The company provided administrative services to Indigo Pacific Capital Ltd for which service charges of \$120,123 (2006: \$100,102) were made during the year.

Marina Cove Pty Ltd paid interest to City Pacific Mortgage Trust on behalf of borrowers to which it has provided vendor finance of \$7,426,366 during the financial year. These payments were capitalised to secured loan facilities provided by Marina Cove Pty Ltd to the borrowers.

Notes to the Financial Statements

For the year ended 30 June 2007

34. SEGMENT REPORTING

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

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.

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, including managed investment schemes
Property	property development and project management
Residential and commercial finance	property and equipment financing and marina operations
Investment/trading	investment and/or trading of the group's assets
Other	non-core activities including hotel, marina and golf course operations

The consolidated entity's management reporting system is based on non-consolidation of the registered managed investment schemes for which City Pacific is responsible entity, being City Pacific Mortgage Trust, City Pacific Income Fund and City Pacific Warehouse Trust (the "schemes"). As consolidation of the schemes results in a gross up of assets and liabilities in the balance sheet together with a gross up of revenue and expenses in the income statement, the directors consider presentation of segment results based on non-consolidation of the schemes to be more reflective of the consolidated entity's operations.

	Funds management \$	Property \$	Investment/ trading \$	Residential & commercial finance \$	Other \$	Consolidated \$
2007						
Revenues	65,982,399	120,945,158	-	24,737,759	21,398,727	233,064,043
Other income:						
- investment/trading profits	-	-	24,961,595	-	-	24,961,595
- revaluation of investment property	-	10,493,952	-	-	-	10,493,952
- share of profit of associates	-	2,094,924	-	-	176,284	2,271,208
Depreciation and amortisation	85,249	128,308	-	2,257,958	306,513	2,778,027
Reportable segment profit	58,858,236	46,786,967	24,961,595	(1,391,870)	4,201,809	133,416,737
Reportable segment assets	159,413,741	126,426,295	-	49,507,875	1,759,793	337,107,704
Reportable segment liabilities	40,744,269	19,617,668	-	5,635,068	1,504,462	67,501,467
2006						
Revenues	63,558,452	131,121,895	-	24,952,886	17,339,838	236,973,071
Other income:						
- investment/trading profits	-	-	13,609,091	-	-	13,609,091
- share of profit of associates	-	220,897	-	-	-	220,897
Depreciation and amortisation	66,193	89,787	-	2,154,395	68,237	2,378,612
Reportable segment profit	57,777,212	34,313,460	13,609,091	(4,572,121)	3,508,065	104,635,707
Reportable segment assets	58,996,051	270,744,517	-	48,757,256	855,811	379,353,635
Reportable segment liabilities	2,964,412	201,144,931	-	4,480,022	866,540	209,455,905

Notes to the Financial Statements

For the year ended 30 June 2007

	2007 \$	2006 \$
34. SEGMENT REPORTING (cont)		
Reconciliation of reportable segment revenues, profit before tax, assets and liabilities		
Revenues		
Total revenues	330,595,186	310,186,320
Elimination of intersegment and managed investment schemes revenue	(97,531,143)	(73,213,249)
Reportable segment revenue	233,064,043	236,973,071
Profit before tax		
Profit before tax	136,718,512	107,103,243
Elimination of intersegment profits and unallocated amounts	(3,301,775)	(2,467,536)
Reportable segment profit	133,416,737	104,635,707
Assets		
Total assets	1,556,264,555	1,403,450,851
Elimination of managed investment scheme and unallocated assets	(1,219,156,851)	(1,024,097,216)
Reportable segment assets	337,107,704	379,353,635
Liabilities		
Total liabilities	1,312,231,821	1,241,757,510
Elimination of managed investment scheme and unallocated liabilities	(1,244,730,354)	(1,032,301,605)
Reportable segment liabilities	67,501,467	209,455,905

Notes to the Financial Statements

For the year ended 30 June 2007

35. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Parent entity

City Pacific Limited

Controlled entities	Ordinary shares consolidated entity interest	
	2007	2006
Pacific Collections Limited (i)	100%	100%
CP1 Limited (i)	- (v)	55.20%
Citypac Home Loans Pty Ltd (i)	100%	100%
City Pacific Training Pty Ltd (i)	100%	100%
City Pacific Project Management Pty Ltd (i)	100%	50%
Grande Pacific Ltd (i)	100%	100%
City Pacific Securities Pty Ltd (i)	100%	100%
City Pacific Marina Management Pty Ltd (i)	100%	100%
Breakwater Pacific Pty Ltd (i)	100%	100%
City Pacific Capital Pty Ltd (i)	100%	100%
Citypac Capital Pty Ltd (i)	100%	100%
ACN 113434861 Pty Ltd (formerly City Pacific Treasury Pty Ltd) (i)	100%	100%
Pacific Treasury Pty Ltd (i)	100%	100%
Terrain Australia Pty Ltd (i)	100%	100%
City Pacific Finance Services Pty Ltd (formerly Terrain Australia Pty Ltd) (i)	100%	100%
City Pacific Finance Pty Ltd (formerly Northern City Finance Pty Ltd) (i) (ii)	100%	100%
City Pacific Property Finance Ltd (formerly Terrain Property Finance Ltd) (i) (ii)	100%	100%
The Money Store Pty Ltd (i) (ii)	100%	100%
Northern City Finance Pty Ltd (i) (ii)	100%	100%
City Pacific Transport Finance Pty Ltd (formerly Terrain Finance Queensland Pty Ltd) (i) (ii)	100%	100%
Transport Finance Pty Ltd (i) (ii)	100%	100%
Allied Business Finance Corporation Pty Ltd (i) (ii)	100%	100%
City Pacific Business and Equipment Finance Pty Ltd (formerly Terrain Finance Pty Ltd) (i) (ii)	100%	100%
Terrain Australia Management Ltd (i) (ii)	100%	100%
095 468 296 Pty Ltd (i) (ii)	100%	100%
008 082 157 Pty Ltd (in administration) (i) (ii)	100%	100%
City Pacific Treasury Pty Ltd (formerly Treasury Group of Companies Pty Ltd) (i)	100%	100%
City Pacific Funds Management Pty Ltd (formerly Treasury Funds Management Ltd) (i) (iii)	100%	100%
City Pacific Treasury Finance Pty Ltd (formerly Treasury Property Finance Pty Ltd) (i) (iii)	100%	100%
Treasury Management Services Pty Ltd (i) (iii) (iv)	-	100%
City Pacific Custodians Pty Ltd (formerly Treasury Custodians Pty Ltd) (i) (iii)	100%	100%
City Pacific Reserves Pty Ltd (formerly Treasury Investments Pty Ltd) (i) (iii)	100%	100%
City Pacific Marina Finance Pty Ltd (i)	100%	-
City Pacific Hong Kong Ltd (vi)	100%	-
Pacific Collections Limited (i)	100%	100%

Notes to the Financial Statements

For the year ended 30 June 2007

35. CONTROLLED ENTITIES (cont)

(a) Particulars in relation to controlled entities (cont)

Managed investment schemes	Ordinary shares consolidated entity interest	
	2007	2006
City Pacific Mortgage Trust	100%	100%
City Pacific Income Fund	100%	100%
City Pacific Warehouse Trust	100%	-

(i) Incorporated in Australia

(ii) Controlled entity of City Pacific Finance Services Pty Ltd (formerly Terrain Australia Limited)

(iii) Controlled entity of Treasury Group of Companies Pty Ltd

(iv) Deregistered during the year

(v) City Pacific reduced its shareholding in CP1 to 30.6% during the year. City Pacific's investment in CP1 is equity accounted as at 30 June 2007.

(vi) Incorporated in Hong Kong on 6 June 2007.

(b) Acquisition of controlled entities

	2007	2006
	\$	\$
Details of acquisitions during the financial year are as follows:		
Consideration (cash)	100	11,500,107
Total consideration	100	11,500,107
Cash acquired	(100)	(11,500,107)
Net cash outflow/(inflow)	-	-
Fair value of net assets of entity acquired:		
Cash assets	100	11,500,107
Goodwill on acquisition	-	-
Consideration	100	11,500,107

Entities acquired consists of City Pacific Marina Finance Pty Ltd and City Pacific Hong Kong Ltd (2006: Breakwater Pacific Pty Ltd, City Pacific Marina Management Pty Ltd, City Pacific Capital Pty Ltd, Citypac Capital Pty Ltd, City Pacific Treasury Pty Ltd, Pacific Treasury Pty Ltd, Terrain Australia Pty Ltd, Northern City Finance Pty Ltd and Martha Cove Sales Pty Ltd).

(c) Disposal of controlled entities

On 28 June 2007, CP1 sold 49% of its shareholding in Danimel Pty Ltd for consideration of \$22,950,000. CP1 deconsolidated Danimel Pty Ltd as a result of the transaction, however continues to equity account its investment in Danimel Pty Ltd as CP1 has joint control in accordance with a shareholders' agreement;

On 29 June 2007, the company sold a 19.9% interest in CP1 for consideration of \$37,687,936, reducing its shareholding in the company to 30.6%. City Pacific deconsolidated CP1 as a result of the transaction, however continues to equity account its investment in CP1.

36. SUBSEQUENT EVENTS

On 2 July 2007, the company acquired Australian Beneficial Finance Pty Ltd ("ABF"), a mortgage manager specialising in residential mortgage origination and management, and commercial and development funding. ABF brings to City Pacific a residential loan book of \$115 million and will add a further 89 brokers to City Pacific Finance's current broker and franchise network. The total cost of the acquisition was \$800,000, which was settled through the issue of City Pacific shares at an issue price of \$3.97 per share, together with variable deferred consideration contingent on certain performance hurdles being met.

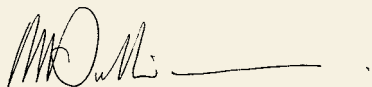
Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company or consolidated entity, the results of those operations, or the state of affairs of the company or consolidated entity, in the future financial years.

Directors' Declaration

1. In the opinion of the directors of City Pacific Limited ('the Company'):
 - (a) the financial statements and notes, set out on pages 32 to 84 are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2;
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2007.

Dated at Brisbane this 16th day of August 2007

Signed in accordance with a resolution of the directors:



PK Sullivan

Managing Director

Independent Auditor's Report

To the Members of City Pacific Limited

Report on the financial report

We have audited the accompanying financial report of City Pacific Limited ("the Company") which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense, and statements of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 36 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards, but that financial report of the Company does not comply.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors opinion on the financial report

In our opinion:

- a) the financial report of City Pacific Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2.

KPMG

S J Board

Partner

16 August 2007

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Shareholdings as at 10 August 2007

Substantial shareholders

The number of shares held by substantial shareholders as at 10 August 2007 were:

Ordinary
28,812,470

Class of shares and voting rights

At 10 August 2007, there were 8,942 holders of the ordinary shares of the company. Refer note 25 for details of classes of shares and voting rights.

Options carry no voting rights.

Distribution of shareholders as at 10 August 2007

Category	Number of holders Ordinary
0-1,000	1,859
1,001 – 5,000	4,369
5,001 – 10,000	1,297
10,001 – 100,000	1,298
100,001 and over	119
	8,942

The number of shareholders holding less than a marketable parcel of ordinary shares is 99.

Twenty largest shareholders as at 10 August 2007

Name	Number of shares held	Percentage of capital held %
1) Maldon Pty Ltd	28,812,470	19.12
2) Sangillo Pty Ltd	5,626,960	3.73
3) Sandkent Investments Pty Ltd	5,217,987	3.46
4) National Nominees Limited	3,588,671	2.38
5) Shanda Investments Pty Ltd	3,454,514	2.29
6) Le Grand Pty Ltd	2,869,437	1.90
7) ANZ Nominees Limited	2,549,351	1.69
8) Thorney Investments Pty Ltd	2,517,590	1.67
9) CIM Dividend Income Fund Limited	2,100,000	1.39
10) Jocelyn Trathen	1,768,461	1.17
11) Mr Franklin Carrick Hadley	1,390,944	0.92
12) Sandkent Pty Ltd	1,385,440	0.92
13) JP Morgan Nominees Australia Limited	1,337,503	0.89
14) David Arrowsmith	1,278,209	0.85
15) Citicorp Nominees Pty Ltd	974,224	0.65
16) Mr Neville Frank East & Mrs Pamela East	966,670	0.64
17) Contra Proferentem Pty Ltd	800,000	0.53
18) UBS Wealth Management Australia Nominees Pty Ltd	730,027	0.48
19) Peakfinn Pty Ltd	721,783	0.48
20) Mr David John Watkins & Mrs Christine Iris Watkins	705,520	0.47
	68,795,761	45.63

There are no current on-market buy backs or other unlisted securities.

Offices and Officers

Company Secretary

Mr Stephen Mackay, resigned 1 August 2006

Mr James Finucan, appointed 1 August 2006

Principal Registered Office

Level 12, 300 Queen Street

Brisbane QLD 4000

National number 13 4769

Phone (07) 3229 7129

Fax (07) 3229 5796

Sydney Office

Level 12, 32 Martin Place

Sydney NSW 2000

National number 134769

Phone (02) 9238 0822

Fax (02) 9238 0833

Gold Coast Office

City Pacific House

2 Miami Key

Broadbeach Waters QLD 4226

National number 13 4769

Phone (07) 5554 0200

Fax (07) 5575 6366

Melbourne Office

Level 7, 50 Market Street

Melbourne VIC 3000

Phone (03) 9629 1777

Fax (03) 9629 1677

Postal Address

GPO Box 2456

Brisbane QLD 4001

Share Registry

Link Market Services Limited

Level 12, 300 Queen Street

Brisbane QLD 4000

Stock Exchange

The consolidated entity is listed on the Australian Stock Exchange. The Home Exchange is Brisbane.

Other information

City Pacific Limited, incorporated and domiciled in Australia, is a publicly listed consolidated entity limited by shares.

