Appendix 4E
Preliminary final report

PRELIMINARY FINAL REPORT

Name of entity

City Pacific Limited

ABN or equivalent company reference	Financial year ended ('current period')
90 079 453 955	30 June 2006

Results for announcement to the market

Revenues from ordinary activities (i)	up	81.59%	to	323,795,411
Profit (loss) from ordinary activities after tax (i)	up	214.97%	to	76,259,798
Net profit (loss) for the period attributable to members (i)	up	145.89%	to	62,105,267

(i) after adjustments in relation to Australian International Financial Reporting Standards (AIFRS)

Dividends (distributions)		Amount per security	Franked amount per security
Interim dividend	Paid: 31 March 2006	11.0¢	11.0¢
Previous corresponding period	(year ended 30 June 2005)		
Final dividend	Paid: 30 September 2005	30.0¢	30.0¢
Interim dividend	Paid: 28 February 2005	15.0¢	15.0¢

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security (i) (i) after adjustments in relation to Australian International Financial Reporting Standards (AIFRS)	93.11¢	70.54¢

ANNUAL MEETING

The annual meeting will be held as follows:

Place	Stamford Plaza Hotel Edward Street Brisbane
Date	18th October 2006
Time	10am
Approximate date the annual report will be available	14 September 2006

COMPLIANCE STATEMENT

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies.
(Cross one)

☒	The +accounts have been audited.	☐	The +accounts have been subject to review.
☐	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

5 The accounts are in the process of being audited, no audit report is attached.

6 The entity has a formally constituted audit committee.

Sign here: .... Date: August 2006
(Director/Company Secretary)

Print name: Phil Sullivan

City Pacific Limited ACN 079 453 955

Annual Financial Report

30 June 2006

City **Pacific** Limited ACN 079 453 955

CONTENTS

City **Pacific** Limited ACN 079 453 955

CORPORATE DIRECTORY

Company
City Pacific Limited
ACN 079 453 955

Registered Office and Brisbane 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 13 4769
Phone (02) 9238 0822
Fax (02) 9238 0833

Gold Coast Office
Santa Cruz House
56-60 Santa Cruz Boulevard
Clear Island Waters QLD 4226
National number 13 4769
Phone (07) 5572 8500
Fax (07) 5575 6366

Melbourne Office
Level 7, 50 Market Street
Melbourne VIC 3000
Phone (03) 9620 1777
Fax (03) 9629 1677

Postal Address
GPO Box 2456
Brisbane QLD 4001

Directors
Ian Donaldson
Thomas Swan
Shane Stone
Philip 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
Central Plaza One
345 Queen Street
Brisbane QLD 4000

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 2006 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 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, being current Chairman of CP1 Limited ("CP1"), a subsidiary of City Pacific, and having also been Chairman of Indigo Pacific Capital Limited ("Indigo Pacific Capital"), an associate of City Pacific, 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, and specialist knowledge in mortgage securitisation.

Thomas William Swan BBus, GradDipBusIP, MComLaw, FPNA, ACIS, MAICD
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 is also a director of CP1.

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 Guangdong Province, 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 Australian Healthcare Technologies Ltd (taken over by Medtech 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 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 on 16 September 2005.

DIRECTORS' REPORT

Philip Keith Sullivan
Managing Director and Chief Executive Officer

Mr Sullivan has been actively involved in property investment and development for approximately 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 the Chief Executive 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 on 16 September 2005 and is also a director of CP1.

Stuart Handley Kissick
Executive Director

Mr Kissick has 30 years experience in the banking and finance industry including operational and management responsibility for property and commercial lending transactions specifically in the areas of credit assessment, credit policy and procedure, settlement policy and procedure, loan administration, debt management and recovery, marketing and product distribution.

City Pacific accessed Mr Kissick's 'hands on' skills in these areas to direct the day to day running of City Pacific's lending activities. Mr Kissick retired as Lending Manager on 30 June 2005, however remained a director until retiring on 16 September 2005.

Michael Patrick Fowler
Executive Director

Mr Fowler has over 15 years experience in the financial services industry. He founded the Treasury Group of Companies in 1999 in conjunction with the Victor Smorgon Group. Prior to the establishment of Treasury, Mr Fowler was an Executive Director to the Board of a large private family investment group based in Melbourne. He spent the earlier part of his career as a manager in a Melbourne based Chartered Accounting practice specialising in corporate advisory. Mr Fowler is a Non Executive Director of Nexus Energy Limited

Mr Fowler was responsible for business development and brought a recognised expertise in identifying and converting new business opportunities.

Mr Fowler was appointed as a director of City Pacific on 16 September 2005 and resigned on 9 January 2006.

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DIRECTORS' REPORT

Company secretary

Mr Stephen Mackay BCom, MNIA, AFAIM has been company secretary since incorporation, resigning on 1 August 2006. Mr Mackay holds a degree in Accounting and Business Administration, is a member of the National Institute of Accountants and an Associate Fellow of the Australian Institute of Management. Prior to commencing with City Pacific Limited, Mr Mackay held senior executive roles with The Queensland Tourist and Travel Corporation and the Daikyo Group. He is a past Senior Vice President of the Urban Development Institute of Australia. Mr Mackay is also a director of CP1 and Indigo Pacific Capital.

Mr James Timothy Finucan LL.B., B.Bus (Acc) was appointed company secretary on 1 August 2006. Mr Finucan joined City Pacific Limited 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 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	14	14	2	2
Mr TW Swan	14	14	2	2
Mr SL Stone	11	11	1	1
Mr PK Sullivan	14	14	1	1
Mr PC Trathen	11	11	-	-
Mr SH Kissick	3	3	-	-
Mr MP Fowler	3	4	-	-

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.

DIRECTORS' REPORT

Board processes (cont)

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.

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.

DIRECTORS' REPORT

The board of directors (cont)

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 2006 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.

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 Equivalents to International Financial Reporting Standards ("AIFRS") and assessing whether the financial information is adequate for shareholder needs;

DIRECTORS' REPORT

Audit Committee (cont)

- reviewing the propriety of related party transactions;
- assessing corporate risk assessment processes;
- reviewing the Company's policies and procedures for convergence with Australian Equivalents to International Financial Reporting Standards for reporting periods beginning on 1 July 2005;
- 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.

DIRECTORS' REPORT

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.

Convergence with AIFRS has been a key current financial reporting project during the year ended 30 June 2006. Details of the impact of transition from previous Australian Generally Accepted Accounting Policies ("AGAAP") to AIFRS on the financial report for the financial year ended 30 June 2006 is included in note 33 to the financial statements.

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 all shareholders (unless a shareholder has specifically requested not to receive the document). 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.

DIRECTORS' REPORT

Shareholders (cont)

- 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 2005 or 2006 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. No payments have been made in the 2005 or 2006 financial years.

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.

	2006	**2005**	**2004**	**2003**	**2002**
Net profit	$62,105,267	$25,257,078(i)	$43,791,980(ii)	$12,469,131(ii)	$4,033,485(ii)
Dividends paid	$52,335,229	$43,325,791	$14,840,423	$5,691,402	$940,000
Change in share price	$0.00	($0.60)	$2.20	$0.57	$1.58
Total employee expenses	$19,972,409	$11,632,949	$1,564,812	$1,124,015	$778,967
Employee expenses as percentage of net profit	32.2%	46.1%	3.6%	9.0%	19.3%

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DIRECTORS' REPORT

Remuneration report (cont)

(i) Net profit after adjustments in relation to the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS"), refer note 33.
(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.

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:

Directors		Short term Salary & fees	Post employment Superann-uation benefits	Other long term Long service leave	Termination benefits	Other	Total
Non-executive		$	$	$	$	$	$
Mr IW Donaldson	2006	160,745	-	-	-	-	160,745
(Chairman)	2005	60,250	-	-	-	-	60,250
Mr TW Swan	2006	120,000	-	-	-	-	120,000
	2005	65,750	-	-	-	-	65,750
Mr SL Stone	2006 (i)	95,000	8,100	-	-	-	103,100
	2005	-	-	-	-	-	-
Executive							
Mr PK Sullivan *(Chief*	2006	375,000	33,750	32,414	-	-	441,164
(Executive Officer)	2005	271,675	24,375	26,065	-	-	322,115
Mr PC Trathen *(Group*	2006 (i)	188,298	15,481	2,858	-	-	206,637
Executive Property)	2005	-	-	-	-	-	-
Mr MP Fowler	2006 (ii)	83,334	7,500	-	148,732	-	239,566
	2005	-	-	-	-	-	-
Mr SH Kissick	2006 (iii)	10,797	-	-	-	-	10,797
	2005	106,484	9,450	6,416	-	-	122,350
Executives							
Mr SRM Mackay	2006	251,486	22,511	21,952	-	-	295,949
(Group Executive							
Administration)	2005	194,121	16,950	17,719	-	-	228,790
Mr C Sullivan *(Chief*	2006	253,534	22,500	21,609	-	-	297,643
(Information Officer)	2005	113,726	11,059	17,376	-	11,334	153,495
Mr M Iacobucci	2006	250,000	22,500	687	-	-	273,187
(Group Executive	2005 (iv)	32,946	13,518	-	-	-	46,464
Treasury Group)							
Mr K Dalton *(Group*	2006	250,912	22,500	4,940	-	-	278,352
Executive Finance)	2005 (v)	41,666	2,896	707	-	-	45,269
Mr AC Purss *(Chief*	2006	133,596	11,866	3,138	-	-	148,600
Financial Officer)	2005 (vi)	35,562	2,544	694	-	-	38,800
Mr JT Finucan	2006 (vii)	53,940	4,846	971	-	-	59,757
(Corporate Counsel)	2005	-	-	-	-	-	-
Mr W Milner	2006 (viii)	166,010	8,250	-	300,000	-	474,260
	2005 (ix)	112,903	10,161	-	-	-	123,064

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DIRECTORS' REPORT

Remuneration report (cont)

Key management personnel compensation (cont)

Executives		Short term Salary & fees $	Post employment Superannuation benefits $	Other long term Long service leave $	Termination benefits $	Other $	Total $
Mr PC Trathen	2006 (x)	57,340	5,161	2,606	-	-	65,107
	2005 (xi)	95,565	8,057	1,581	-	-	105,203
Mr MP Fowler	2006 (ii)	62,682	5,625	1,224	-	-	69,531
	2005 (iv)	24,618	4,186	-	-	10,982	39,786
Total compensation –	2006	2,512,674	190,590	92,399	448,732	-	3,244,395
Consolidated	2005	1,155,266	103,196	70,558	-	22,316	1,351,336
Total compensation –	2006	2,033,982	154,215	90,488	148,732	-	2,427,417
Company	2005	984,799	75,331	70,558	-	11,334	1,142,022

(i) Appointed director 16 September 2005 – excludes compensation paid as an executive when not a director
(ii) Appointed director 16 September 2005, resigned 9 January 2006 – excludes compensation paid as an executive when not a director
(iii) Resigned 16 September 2005
(iv) Appointed 18 February 2005
(v) Appointed 1 May 2005
(vi) Appointed 7 March 2005
(vii) Appointed 6 February 2006
(viii) Resigned 7 December 2005
(ix) Appointed 8 December 2004
(x) Appointed director on 16 September 2005 – excludes compensation paid when a director
(xi) Appointed 1 February 2005

There was no performance related remuneration and no equity based remuneration paid during the 2005 or 2006 years.

Principal activities

The principal activities of the company and 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 and property and equipment financing.

There were no other significant changes in the nature of the activities of the company and consolidated entity during the year.

Operating and financial review

The net profit after income tax and minority interests of the consolidated entity for the financial year was $62,105,267 (2005: $25,257,078).

Shareholder returns

	2006	2005	2004	2003	2002
Net profit	$62,105,267	$25,257,078 (i)	$43,791,980 (ii)	$12,469,131 (ii)	$4,033,485 (ii)
Basic EPS	48.65 cents	22.24 cents	57.64 cents	20.91 cents	6.87 cents
Dividends paid	$52,335,229	$43,325,791	$14,840,423	$5,691,402	$940,000
Dividends per share	41.0 cents	38.0 cents	19.0 cents	9.5 cents	8.0 cents
Change in share price	$0.00	($0.60)	$2.20	$0.57	$1.58

(i) Net profit after adjustments in relation to the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS"), refer note 33.
(ii) Net profit reported under previous Australian Accounting Standards.

Dividends for 2006 were fully franked and it is expected that dividends in future years will continue to be fully franked.

DIRECTORS' REPORT

Operating and financial review (cont)

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.

The consolidated entity operates in three primary segments, being funds management, property and residential and commercial finance.

Funds management consists of the company's Responsible Entity activities for which it receives management fees, together with the operations of the Treasury Group of Companies Pty Ltd consolidated entity, which was acquired during the 2005 financial year. Total funds under management by the company was $1,081,501,129 as at 30 June 2006. The result of the funds management segment before income tax and minority interests for the year ended 30 June 2006 was a net profit of $30,732,659.

Property comprises the property development activities of the following controlled entities and associates, held by the company's 55.2% investment in CP1 Limited, together with the operations of City Pacific Project Management Pty Ltd and the company's investment in associate, Indigo Pacific Capital Limited:

- Marina Cove Pty Ltd – CP1 Limited 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 Limited holds a 100% shareholding in Danimel Pty Ltd which acquired an amalgamated site in Surfers Paradise in Queensland 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 commencement of development works, which is expected to occur in the 2007 financial year; and
- Lake Views Estates Pty Ltd – CP1 Limited holds a 50% shareholding in Lake Views Estates Pty Ltd which owns and is in the process of developing land at Braeside in Victoria.

The result of the property segment before income tax and minority interests for the year ended 30 June 2006 was a net profit of $73,456,697.

Residential and commercial finance comprises the provision of property and equipment financing and training activities of the City Pacific Finance Services (formerly Terrain Australia Limited) consolidated entity, which was acquired during the 2005 financial year. The result of the residential and commercial finance segment before income tax and minority interests for the year ended 30 June 2006 was a net loss of $2,827,881. The net loss for the year ended 30 June 2006 resulted primarily from costs arising from the restructuring of operations including termination payments, together with costs arising from rebranding of franchised offices together with amortisation of intangible assets.

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:

- In February 2006, the company launched a new managed investment scheme for which it responsible entity, the City Pacific Income Fund; and
- In April 2006, unitholders in the City Pacific Mortgage Trust voted in favour of an amendment to the Trust's constitution. 97% of the vote was in favour of the amendment, which standardised withdrawal periods across all investment options offered by the Trust.

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DIRECTORS' REPORT

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 2005 ordinary	30.0	38,266,399	30 September 2005	Franked
Interim 2006 ordinary	11.0	14,068,830	31 March 2006	Franked
		52,335,229		

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

Events subsequent to balance date

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 and a listed controlled entity 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:

	City Pacific Limited	CP1 Limited
Directors	Ordinary shares	Ordinary shares
IW Donaldson		
- directly	-	-
- indirectly	500,000	940,000
TW Swan		
- directly	-	-
- indirectly	1,249,132	1,075,000
SL Stone		
- directly	-	-
- indirectly	-	-
PK Sullivan		
- directly	24,551	-
- indirectly	41,748,218	1,108,790
- indirectly - City Pacific	-	77,670,000 (i)
PC Trathen		
- directly	-	-
- indirectly	1,400,000	50,000

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

DIRECTORS' REPORT

Shares and Options

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

Unissued shares under option

At the date of this report unissued ordinary shares of the company under option were:

Expiry date	Exercise price	Number of shares
2 July 2006	$0.30	-
1 September 2006	$1.00	470,879
25 August 2006	$3.14	360,083
30 June 2007	$4.00	100,000

These options do not entitle the holder to participate in any share issue of the company or any other body corporate.

Shares issued on exercise of options

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

- 487,377 ordinary shares as a result of the exercise of $0.30 options;
- 678,801 ordinary shares as a result of the exercise of $1 options; and
- 360,082 ordinary shares as a result of the exercise of $3.14 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 2006. 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 2007. 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 *F1Professional 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.

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DIRECTORS' REPORT

Non-audit services (cont)

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	
	2006	2005
Statutory audit	$	$
Auditors of the company - KPMG		
Audit and review of financial reports	405,000	236,000
Other auditors - non-KPMG firms		
Audit and review of financial reports	-	19,500
	405,000	255,500
Services other than statutory audit		
Auditors of the company - KPMG		
- accounting and risk management assistance	34,725	20,500
- tax advice	160,689	16,500
- IFRS assistance	70,600	-
	266,014	37,000
Other auditors – non-KPMG firms		
- accounting advice	-	12,423
- tax advice	-	2,800
- IFRS assistance	-	5,835
	-	21,058
	266,014	58,058

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	57,000	51,000
Other regulatory audit services	9,000	16,500
	66,000	67,500

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

The lead auditor's independence declaration is set out on page 16 and forms part of the directors' report for the year ended 30 June 2006.

Dated at Brisbane this 16th day of August 2006.

Signed in accordance with a resolution of the directors:

P K Sullivan
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 2006 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

KPMG

S J Board
Partner

16 August 2006

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated		Company	
		2006	2005 (i)	2006	2005 (i)
	Note	$	$	$	$
Revenue from rendering of services – funds management		21,587,994	38,745,785	50,557,387	71,812,076
Revenue from property sales		146,699,176	13,737,135	-	-
Revenue from rendering of services – residential and commercial finance		21,972,258	14,120,208	-	-
Revenue from rendering of services – other		17,249,226	9,903,551	-	-
Interest received – 2nd mortgage loans		14,846,810	6,310,949	14,846,810	6,310,949
Interest income –other	5	2,579,978	1,270,556	2,561,671	1,325,248
Securitised interest income	2	98,859,969	94,224,598	-	-
		323,795,411	178,312,782	67,965,868	79,448,273
Other income	3	1,152,317	2,689,144	6,365,719	492,662
Advertising and promotion		(5,644,124)	(3,242,127)	(1,715,657)	(1,686,460)
Changes in inventories – property		143,969	(371,954)	-	-
Development expenditure – property		(68,274,588)	(6,532,854)	-	-
Changes in inventories – other		(36,827)	279,787	-	-
Raw materials and consumables used – other		(2,239,797)	(1,436,742)	-	-
Commissions and brokerage		(13,821,378)	(7,663,313)	(557,137)	(700,867)
Professional fees		(5,084,705)	(3,262,399)	(2,543,460)	(1,919,990)
Depreciation		(587,612)	(261,904)	(132,385)	(68,998)
Amortisation		(1,791,000)	(1,043,871)	-	-
Employee expenses		(19,972,409)	(11,632,949)	(4,607,359)	(2,318,420)
Impairment losses		676,013	(22,432,844)	943,138	(21,915,275)
Securitised distributions to unitholders	2	(80,163,034)	(72,482,393)	-	-
Securitised interest expense	2	(9,344,461)	(1,040,728)	-	-
Interest expense – other		(1,104,925)	(631,215)	(314,036)	(319,972)
Other expenses from ordinary activities	4	(10,820,504)	(6,856,767)	(3,429,618)	(1,897,146)
Results from operating activities		106,882,346	42,389,653	61,975,073	49,113,807
Share of profit/(loss) of associates	14	220,897	1,197,129	-	-
Profit before tax		107,103,243	43,586,782	61,975,073	49,113,807
Income tax expense	7(a)	(30,843,445)	(19,374,887)	(16,477,050)	(20,730,016)
Profit for the year		76,259,798	24,211,895	45,498,023	28,383,791
(Profit)/loss attributable to minority interests	24	(14,154,531)	1,045,183	-	-
Profit attributable to equity holders of the parent entity	23	62,105,267	25,257,078	45,498,023	28,383,791
Basic earnings per share attributable to ordinary equity holders	8	48.65 cents	22.24 cents		
Diluted earnings per share attributable to ordinary equity holders	8	48.12 cents	21.24 cents		

(i) After adjustments in relation to the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS"), refer note 33.

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

City **Pacific** Limited ACN 079 453 955

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Net income recognised directly in equity		-	-	-	-
Profit for the year		76,259,798	24,211,895	45,498,023	28,383,791
Total recognised income and expense for the year	23	76,259,798	24,211,895	45,498,023	28,383,791
Attributable to:					
Equity holders of the parent		62,105,267	25,257,078	45,498,023	28,383,791
Minority interest	24	14,154,531	(1,045,183)	-	-
Total recognised income and expense for the period		76,259,798	24,211,895	45,498,023	28,383,791

Other movements in equity arising from transactions with owners as owners are set out in note 22.

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

City **Pacific** Limited ACN 079 453 955

BALANCE SHEETS
AS AT 30 JUNE 2006

		Consolidated		Company	
		2006	2005 (i)	2006	2005 (i)
Current assets	Note	$	$	$	$
Securitised cash and cash equivalents	2	72,499,725	120,046,178	-	-
Cash and cash equivalents	9	10,731,646	9,076,488	6,343,067	4,032,806
Total cash and cash equivalents		83,231,371	129,122,666	6,343,067	4,032,806
Securitised receivables	2	15,379,773	19,196,425	-	-
Trade and other receivables	10	60,995,017	53,878,766	23,762,522	60,201,120
Total receivables		76,374,790	73,075,191	23,762,522	60,201,120
Securitised first mortgage loans	2	606,248,389	395,073,482	-	-
Inventories	12	86,239,755	43,310,301	-	-
Securitised investments	2	11,757,774	-	-	-
Investments	13	10,318,830	660,000	14,395,016	3,344,789
Total investments		22,076,604	660,000	14,395,016	3,344,789
Total current assets		874,170,909	641,241,640	44,500,605	67,578,715
Non-current assets					
Securitised first mortgage loans	2	309,035,738	375,184,326	-	-
Other receivables	11	12,453,855	33,736,775	31,639,255	14,187,361
Total receivables		321,489,593	408,921,101	31,639,255	14,187,361
Inventories	12	148,254,819	191,077,131	-	-
Property, plant and equipment	15	6,903,948	6,590,991	3,441,704	3,314,758
Investments accounted for using equity method	14	10,002,823	18,506,050	-	-
Intangible assets	16	42,015,772	43,310,635	-	-
Investments	13	798,497	804,827	70,849,789	58,806,398
Deferred tax assets	7(c)	-	3,873,859	4,237,435	794,327
Total non-current assets		529,465,452	673,084,594	110,168,183	77,102,844
Total assets		1,403,636,361	1,314,326,234	154,668,788	144,681,559
Current liabilities					
Securitised payables	2	12,768,237	12,984,688	-	-
Trade and other payables	17	29,398,081	54,940,245	12,456,080	4,479,598
Total payables		42,166,318	67,924,933	12,456,080	4,479,598
Securitised interest bearing loans	2	150,000,000	117,000,000	-	-
Interest bearing loans	19	55,680	38,940	-	-
Securitised unitholders funds	2	882,208,094	914,774,454	-	-
Total interest bearing loans		1,032,263,774	1,031,813,394	-	-
Current tax liabilities	7(b)	13,362,736	9,985,105	15,773,057	9,972,693
Employee benefits	20	1,177,289	783,499	229,542	180,000
Provisions	21	139,319	89,432	139,319	89,432
Total current liabilities		1,089,109,436	1,110,596,363	28,597,998	14,721,723

(i) After adjustments in relation to the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS"), refer note 33.

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

City **Pacific** Limited ACN 079 453 955

BALANCE SHEETS
AS AT 30 JUNE 2006

		Consolidated		Company	
		2006	2005 (i)	2006	2005 (i)
Non-current liabilities	Note	$	$	$	$
Other payables	18	7,215,232	2,891,090	-	-
Securitised unitholders funds	2	75,417,176	4,270,469	-	-
Interest bearing loans	19	63,463,393	63,462,277	-	-
Total interest bearing loans		146,095,801	70,623,836	-	-
Employee benefits	20	387,102	427,777	139,472	110,000
Deferred tax liabilities	7(c)	6,350,681	-	-	-
Total non-current liabilities		152,833,584	71,051,613	139,472	110,000
Total liabilities		1,241,943,020	1,181,647,976	28,737,470	14,831,723
Net assets		161,693,341	132,678,258	125,931,318	129,849,836
Equity					
Issued capital	22	116,432,142	113,513,454	116,432,142	113,513,454
Reserves	22	471,826	910,727	471,826	910,727
Retained earnings	23	20,023,097	9,814,158	9,027,350	15,425,655
Total parent entity interest		136,927,065	124,238,339	125,931,318	129,849,836
Minority interests	24	24,766,276	8,439,919	-	-
Total equity		161,693,341	132,678,258	125,931,318	129,849,836

(i) After adjustments in relation to the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS"), refer note 33.

City Pacific Limited ACN 079 453 955

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated		Company	
		2006	2005	2006	2005
Cash flows from operating activities	**Note**	**$**	**$**	**$**	**$**
Receipts from customers		202,549,778	63,603,404	73,722,662	49,339,928
Cash payments to suppliers and employees		(46,198,865)	(46,683,990)	(14,458,851)	(7,471,909)
Payments for inventories		(87,549,824)	(124,608,422)	-	-
Cash generated from operations		68,801,089	(107,689,008)	59,263,811	41,868,019
Interest received		17,723,716	8,491,092	16,478,209	9,590,715
Dividends received		35,496	118,774	163,964	400,000
Interest paid		(430,771)	(2,078,328)	(314,036)	(173,237)
Income tax paid		(16,617,122)	(20,889,659)	(13,762,773)	(20,095,981)
Securitised interest received		101,307,457	86,726,463	-	-
Securitised distributions paid		(80,508,651)	(69,257,922)	-	-
Securitised interest paid		(7,846,131)	(2,375,569)	-	-
Net cash from operating activities	29(b)	82,465,083	(106,954,156)	61,829,175	31,589,516
Cash flows from investing activities					
Loans to associated entities		(586,340)	(2,456,727)	(24,107,016)	(13,048,142)
Repayment of loan by associated entities		4,702,917	695,184	3,839,338	2,131,017
Loans to other entities		(46,544,900)	(43,863,227)	(42,198,938)	(43,863,227)
Repayment of loans by other entities		61,599,130	34,131,467	56,323,168	34,298,399
Securitised mortgage loans		(886,917,987)	(630,732,912)	-	-
Repayment of securitised mortgage loans		741,891,668	562,512,900	-	-
Deposit received on sale of shares		-	-	10,000,000	-
Proceeds on disposal of shares in unlisted companies		276,000	-	-	-
Proceeds on disposal of business		-	950,000	-	-
Proceeds on disposal of shares in associates		9,008,650	-	9,008,650	-
Proceeds on disposal of development land		10,000,000	-	-	-
Payments for property, plant and equipment		(1,107,489)	(3,375,945)	(259,330)	(3,204,255)
Payment for development site and hotel operations		-	(59,147,967)	-	-
Payment for investment in controlled entities		-	(24,604,940)	(11,707,905)	(6)
Payments for investment in associate		(20,000)	(9,008,650)	-	(9,008,650)
Payments for investment in unlisted entity		-	(665,000)	-	(665,000)
Managed investment schemes redeemed		5,436,321	103,929,032	15,801,603	97,881,018
Payments for investments in managed investment schemes		(26,851,830)	(81,807,279)	(26,851,830)	(67,358,999)
Net cash from investing activities		(129,113,860)	(153,444,064)	(10,152,260)	(2,837,845)

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

City **Pacific** Limited ACN 079 453 955

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated		Company	
		2006	2005	2006	2005
Cash flows from financing activities	**Note**	$	$	$	$
Proceeds from issue of shares		1,955,672	17,629,751	1,955,672	17,629,751
Proceeds from the issue of shares to minority interests		2,171,827	1,071,270	-	-
Dividends paid		(51,322,326)	(43,265,730)	(51,322,326)	(43,265,730)
Dividends paid to minority interests		(3,543,035)	(346,069)	-	-
Securitised unitholders funds received		518,025,908	831,570,716	-	-
Return of securitised unitholders funds		(479,445,561)	(637,810,820)	-	-
Securitised interest-bearing loans from other parties		102,000,000	127,000,000	-	-
Repayment of securitised interest-bearing loans from other parties		(69,000,000)	(10,000,000)	-	-
Loans from related parties		57,140	32,500,000	-	-
Repayment of loans from related parties		(15,000,000)	-	-	-
Loan from other parties		15,000,000	30,000,000	-	-
Payment from deferred consideration		(20,137,510)	-	-	-
Repayment of loans from other parties		(4,633)	(2,130,807)	-	-
Net cash from financing activities		757,482	346,218,311	(49,366,654)	(25,635,979)
Cash and cash equivalents at 1 July		129,122,666	43,302,575	4,032,806	917,114
Net increase/(decrease) in cash held		(45,891,295)	85,820,091	2,310,261	3,115,692
Cash and cash equivalents at 30 June	29 (a)	83,231,371	129,122,666	6,343,067	4,032,806

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 2006

1. SIGNIFICANT ACCOUNTING POLICIES

City Pacific Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates.

The financial report was authorised for issue by the directors on 16 August 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASB's") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from the previous Australian GAAP.

This is the consolidated entity's first financial report prepared in accordance with AIFRS, and AASB1 *First time adoption of Australian equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 33.

(b) Basis of preparation

The financial report is presented in Australian dollars. The consolidated entity has elected to early adopt the following accounting standards and amendments:

- AASB 119 *Employee Benefits* (December 2004)
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (either July or December 2004)
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004)
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*
- UIG 4 *Determining Whether an Arrangement Contains a Lease*
- UIG 8 *Scope of AASB 2*

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(b) Basis of preparation (cont)

- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *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.

The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the company and consolidated entity as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the company and consolidated entity as the amendment could result in liabilities being recognized for financial guarantee contracts that have been provided by the company and consolidated entity. However, the quantification of the impact is not known or reliably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the company and the consolidated entity to date.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as available-for-sale.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied to all periods presented in the financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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 or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Investments in associates are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in associates" and "Share of associates net profit" accounts.

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 as the contributed assets are consumed or sold by the associates or, if not consumed or sold by the associate, when the consolidated entity's interest in such entities is disposed of.

(d) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

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.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described in accounting policy (q).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(d) Property, plant and equipment (cont)

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

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

(e) Intangible assets

Business combinations since 1 July 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(f) Investments

Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such a debt securities. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as available for sale is their quoted bid price or redemption price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised/ derecognised by the consolidated entity on the date it commits to purchase/sell the investments.

(g) Trade and other receivables

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

(h) 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.

(i) Inventories

Inventories are stated 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 is stated at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. 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.

(j) Cash and cash equivalents

Cash and cash equivalents comprises 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.

(k) Impairment

The carrying amounts of the consolidated entity's assets, other than 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(k) Impairment (cont)

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 balance sheet 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.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Calculation of recoverable amount

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

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred.

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

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(l) Interest-bearing borrowings

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(m) Employee benefits

Long service leave

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the consolidated entity's obligations.

Wages, salaries, annual leave and, sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(n) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, 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.

(o) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on up to 60 day terms.

(p) Revenue

Rendering of services

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

Sales of goods

Revenue from the sale of goods is recognised in the income statements when the significant risks and rewards of ownership have been transferred to the buyer.

Property sales

Revenue from the sale of property is recognised when legal title is transferred, unless the risks and rewards of ownership is passed to the buyer before this date.

Interest income and securitised interest income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Dividends

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is ex-dividend date.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(q) Expenses

Operating lease payments

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

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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.

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 a 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(r) Income tax (cont)

Tax consolidation (cont)

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 assumed from subsidiaries are recognised by the head entity only.

The members of the tax-consolidated group have 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. The members of the tax-consolidated group have also entered into a valid Tax Sharing Agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated group.

(s) Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

(t) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

(u) Borrowing costs

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

(v) Options

Where options are issued as consideration for the acquisition of a business combination, the consideration relating to those options is based on the fair value of the options granted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(w) Accounting estimates and judgements (cont)

Management discussed with the Audit Committee the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and discussed below:

Impairment of goodwill and intangibles with indefinite useful lives

The consolidated entity assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated (refer note 16).

Non-consolidation of certain registered schemes for which the company is Responsible Entity

City Pacific is responsible entity of the registered managed investment schemes City Pacific Mortgage Trust, City Pacific Income Fund, City Pacific Managed Fund and City Pacific Private Fund. These registered managed investment schemes are entities established to offer managed investment products to investors. Based on an evaluation of the risks and rewards of these entities, City Pacific Mortgage Trust and City Pacific Income Fund are consolidated by the consolidated entity as City Pacific has exposure to the majority of risks and rewards of those entities. City Pacific Managed Fund and City Pacific Private Fund are not consolidated by the consolidated entity, although the consolidated entity provides responsible entity and management services to those entities, as City Pacific does not have exposure to the majority of risks and rewards of those entities (refer note 2).

2. 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, and accordingly is required to consolidate City Pacific Mortgage Trust and City Pacific Income Fund under AIFRS.

Consolidation of City Pacific Mortgage Trust and City Pacific Income Fund 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. There is no impact on equity.

The following table summaries the combined income statement and balance sheet of City Pacific Mortgage Trust and City Pacific Income Fund for the years ended 30 June 2005 and 30 June 2006 prior to consolidation adjustments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

2. CONSOLIDATION OF MANAGED INVESTMENT SCHEMES (CONT)

COMBINED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	$	$
Securitised interest income	117,534,526	105,575,599
Total revenue	117,534,526	105,575,599
Securitised distributions	(80,163,034)	(72,575,055)
Securitised interest expense	(9,344,461)	(1,040,728)
Securitised management fees (ii)	(28,027,031)	(31,959,816)
Profit attributable to unitholders	-	-

COMBINED BALANCE SHEET
AS AT 30 JUNE 2006

	2006	2005
	$	$
Assets		
Securitised cash and cash equivalents	72,499,725	120,046,178
Securitised receivables	15,379,773	19,196,425
Securitised mortgage loans (i)	1,027,628,075	921,698,982
Securitised investments (iv)	11,757,774	-
Total assets	1,127,265,347	1,060,941,585
Liabilities		
Securitised payables (ii)	15,551,541	22,200,618
Securitised interest bearing loans	150,000,000	117,000,000
Securitised unitholders' funds (iii)	961,713,806	921,740,967
Total liabilities	1,127,265,347	1,060,941,585
Net assets	-	-
Total Equity	-	-

(i) Includes loans from City Pacific Mortgage Trust or City Pacific Income Fund to the consolidated entity which are eliminated on consolidation
(ii) Includes management fees payable to City Pacific Limited, which are eliminated on consolidation
(iii) Includes investments made by the consolidated entity in City Pacific Mortgage Trust or City Pacific Income Fund which are eliminated on consolidation
(iv) Available for sale financial assets represented by investments in other managed investment schemes

City **Pacific** Limited ACN 079 453 955

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
3. OTHER OPERATING INCOME	$	$	$	$
Dividends received	35,496	76,778	5,248,427	400,000
Distributions received	-	523,784	-	92,662
Other	1,116,821	2,088,582	1,117,292	-
	1,152,317	2,689,144	6,365,719	492,662
4. OTHER EXPENSES				
Administration expenses	3,451,486	1,118,075	1,952,432	607,169
Management fees	67,318	173,167	-	-
Insurance	577,099	481,966	150,890	218,175
Occupancy expenses	2,245,311	804,045	468,409	338,696
Travel & accommodation	513,515	333,994	179,683	59,317
Entertainment	165,059	198,979	32,843	2,380
Other	3,800,716	3,746,541	645,361	671,409
	10,820,504	6,856,767	3,429,618	1,897,146
5. INTEREST INCOME – OTHER				
Interest income from related parties	777,245	306,976	1,328,972	535,675
Interest income from other parties	1,802,733	963,580	1,232,699	789,573
Total interest – other	2,579,978	1,270,556	2,561,671	1,325,248
6. AUDITORS REMUNERATION				
Audit services				
Auditors of the company - KPMG				
Audit and review of financial reports	405,000	236,000	135,000	55,000
Other auditors - (non-KPMG firms)				
Audit and review of financial reports	-	19,500	-	-
	405,000	255,500	135,000	55,000

City Pacific Limited ACN 079 453 955

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
6. AUDITORS REMUNERATION	**2006**	**2005**	**2006**	**2005**
Other services	**$**	**$**	**$**	**$**
Auditors of the company – KPMG				
- accounting and risk management assistance	34,725	20,500	31,725	20,500
- tax advice	160,689	16,500	92,768	-
- IFRS assistance	70,600	-	33,000	-
	266,014	37,000	157,493	20,500
Other auditors – (non KPMG firms)				
- accounting advice	-	12,423	-	-
- tax advice	-	2,800	-	-
- IFRS assistance	-	5,835	-	-
	-	21,058	-	-
	266,014	58,058	157,493	20,500

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

Audit services				
Auditors of the Schemes – KPMG				
Audit and review of financial reports	57,000	51,000	57,000	51,000
Other regulatory audit services	9,000	16,500	9,000	16,500
	66,000	67,500	66,000	67,500

7. TAXATION

(a) Income tax expense

Recognised in income statement				
Current income tax				
Current income tax charge	20,799,475	14,910,538	19,920,158	21,581,258
Adjustments in respect of current income tax of previous years	(180,570)	-	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	10,224,540	4,464,349	(3,443,108)	(851,242)
Total income tax expense	30,843,445	19,374,887	16,477,050	20,730,016

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
7. TAXATION (CONT)	**2006**	**2005**	**2006**	**2005**
(a) Income tax expense (cont)	**$**	**$**	**$**	**$**
Reconciliation between tax expense and pre-tax net profit				
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	32,130,973	13,076,035	18,592,522	14,734,142
Increase/(decrease) in income tax due to non-deductible/(non-assessable):				
Loss utilisation – subsidiaries	-	(177,502)	(618,763)	(177,502)
Gross up of dividends	251,206	66,700	674,798	51,429
Depreciation of building	(258,288)	(258,194)	-	-
Share of associate entities net (profit)/loss	(42,196)	(359,139)	-	-
Franking credits on dividend received	(822,140)	(156,158)	(2,249,326)	(171,429)
Impairment loss	(202,804)	6,488,203	-	6,291,641
Interest on purchase of investment	-	674,733	-	-
Under/(over) provision of prior year	(180,570)	-	-	-
Other	(32,736)	20,209	77,819	1,735
Income tax expense attributable to operating profit	30,843,445	19,374,887	16,477,050	20,730,016

(b) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
Balance at the beginning of period	9,985,105	8,361,872	9,972,693	8,216,156
Income tax paid	(16,617,122)	(20,889,659)	(13,762,773)	(20,095,981)
(Over)/under provision	2,648	102,999	2,101	-
Income tax expense related to wholly-owned subsidiary transactions in a tax consolidated group	-	-	(416,359)	619,838
Losses utilised	(5,780,655)	-	(618,763)	-
Current year's income tax expense on profit from ordinary activities	25,772,760	22,409,893	20,596,158	21,232,680
	13,362,736	9,985,105	15,773,057	9,972,693

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
7. TAXATION (CONT)	**2006**	**2005**	**2006**	**2005**
(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	451,485	300,425	106,998	93,842
Inter company balances under tax funding agreement	-	-	-	274,198
Impairment losses	82,740	282,942	-	282,942
Tax losses	1,768,448	6,819,510	-	-
Deductions for unsettled sales and associated inventory costs	(16,039,125)	(6,040,590)	(308,172)	-
Inter company balances under tax funding agreement	-	-	-	(216,959)
Sale of shares	4,275,000	-	4,275,000	-
Investments accounted for using the equity method	(687,774)	(2,242,000)	-	-
Unearned income	4,108,992	4,069,236	-	183,850
Other	(310,447)	684,336	163,609	176,454
	(6,350,681)	3,873,859	4,237,435	794,327

(d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
Tax losses – subsidiaries	1,717,216	2,761,147	-	-
Capital losses	5,130	5,130	-	-
	1,722,346	2,766,277	-	-

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.

8. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

8. EARNINGS PER SHARE (CONT)

	Consolidated	
	2006	**2005**
Profit attributable to ordinary shareholders	**$**	**$**
Profit for the year	76,259,798	24,211,895
Net profit attributable to minority interests	(14,154,531)	1,045,183
Profit attributable to ordinary shareholders (basic)	62,105,267	25,257,078
After-tax effect of costs of options	-	-
Profit attributable to ordinary shareholders (diluted)	62,105,267	25,257,078
Weighted average number of shares		
Issued ordinary shares at 1 July	126,689,868	90,637,684
Effect of shares issued in relation to takeover of Terrain Australia Limited	-	3,850,019
Effect of shares issued in relation to takeover of Treasury Group of Companies Pty Ltd	-	2,694,087
Effect of shares issued upon reinvestment of dividends	77,741	-
Effect of shares issued upon exercise of options	901,020	16,364,326
	127,668,629	113,546,116
Weighted average number of ordinary shares at 30 June	127,668,629	113,546,116
Effect of share options on issue	1,383,913	5,376,718
Weighted average number of ordinary shares (diluted) at 30 June	129,052,542	118,922,834
Earnings per share from continuing operations		
Basic earnings per share from continuing operations	48.65 cents	22.24 cents
Diluted earnings per share from continuing operations	48.12 cents	21.24 cents

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
9. CASH AND CASH EQUIVALENTS	**$**	**$**	**$**	**$**
Cash at bank and on hand	10,731,646	9,076,488	6,343,067	4,032,806

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
10. TRADE AND OTHER RECEIVABLES	$	$	$	$
Trade debtors	26,383,972	31,630,624	12,995,892	30,703,684
Impairment losses	(275,799)	(1,134,020)	-	(691,751)
	26,108,173	30,496,604	12,995,892	30,011,933
Management fees	3,084,684	974,320	5,750,955	10,091,146
Interest receivable	473,621	771,648	1,020,476	90,204
Cash held in trust	173,745	1,290,780	-	-
Accrued income	1,324,533	-	-	-
Prepayments	1,007,854	339,491	53,922	1,914
Other loans – secured (i)	24,881,130	-	-	-
Other loans – secured by 2nd mortgage	3,941,277	20,005,923	3,941,277	20,005,923
	60,995,017	53,878,766	23,762,522	60,201,120

(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.

In the 2005 financial year, impairment losses were recognised in relation to trade and other receivables as the directors considered that doubt existed as to the recoverability of certain receivables. The impairment losses resulted in certain receivables being written down to their recoverable amount, being nil. Certain impairment losses were reversed in the 2006 financial year as certain trade and other receivables to which the impairment losses reflected were collected during the year.

11. OTHER RECEIVABLES				
Deposits	39,102	1,550,496	36,602	246,387
Inter-company loan – tax consolidation	-	-	37,974	522,352
Loans to related entities – unsecured	1,805,000	2,456,727	21,212,538	6,900
Other loans – unsecured	-	1,396,934	-	300,000
Other loans – secured by 2nd mortgage	10,352,141	8,111,722	10,352,141	13,111,722
Other receivables (i)	257,612	20,220,896	-	-
	12,453,855	33,736,775	31,639,255	14,187,361

(i) Other receivables at 30 June 2005 year include deposits securing bank guarantees in relation to a property development being undertaken by Marina Cove Pty Ltd. These deposits were released during the year.

12. INVENTORIES				
Current				
Raw materials and stores	242,960	279,787	-	-
Land held for development and resale	85,996,795	43,030,514	-	-
	86,239,755	43,310,301	-	-
Non-current				
Land held for development and resale	148,254,819	191,077,131	-	-
Land held for development and resale comprises:				
Cost of land acquisition	112,581,718	95,548,497	-	-
Development costs capitalised	60,904,279	59,869,489	-	-
Other costs (borrowing costs, rates, taxes and other amounts) capitalised	60,765,617	78,689,659	-	-
	234,251,614	234,107,645	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

13. INVESTMENTS

	Consolidated		Company	
Current	**2006**	**2005**	**2006**	**2005**
Investments in managed investment scheme:	$	$	$	$
- City Pacific Mortgage Trust – available for sale	-	-	4,076,186	2,684,789
- City Pacific Private Fund – available for sale	10,318,830	660,000	10,318,830	660,000
	10,318,830	660,000	14,395,016	3,344,789
Non-current				
Investment in controlled entities:				
- unlisted shares at recoverable amount	-	-	68,468,612	48,782,748
- listed shares at cost	-	-	-	250,000
Investment in associates:				
- unlisted shares at cost	-	-	-	9,008,650
- listed shares at cost	-	-	1,716,177	100,000
Investments in other entities:				
- unlisted shares at fair value	671,726	678,056	665,000	665,000
- listed shares at fair value	126,771	126,771	-	-
	798,497	804,827	70,849,789	58,806,398

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

Impairment loss

Under AIFRS, in testing for impairment, the recoverable amount of investments is calculated as the present value of the estimated future cash flows, discounted using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to those assets.

Under previous GAAP, estimated future cash flows were not discounted in calculating recoverable amount.

Due to these differences between AIFRS and previous GAAP, the company assessed the recoverable amount of investments in controlled entities on transition to AIFRS, with impairment losses in relation to the following cash generating units being recognised during the 2005 financial year:

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.

On transition to AIFRS the company's investment in City Pacific Finance Services Pty Ltd was tested for impairment, which resulted in the carrying amount of the company's investment in City Pacific Finance Services Pty Ltd being written down by $6,517,752 in the 2005 financial year. The estimates of recoverable amount were based on value in use, determined using a pre-tax discount rate of 13.24%, and key assumptions including achievement of results consistent with 2007 budgets and future revenue growth of 5% per annum.

No further impairment losses have been necessary.

Treasury Group of Companies

The Treasury Group of Companies Pty Ltd consolidated entity is a cash generating unit within the funds management segment, providing funds management services.

On transition to AIFRS the company's investment in Treasury Group of Companies Pty Ltd was tested for impairment, which resulted in the carrying amount of the company's investment in Treasury Group of Companies Pty Ltd being written down by $14,454,385 in the 2005 financial year. The estimates of recoverable amount were based on value in use, determined using a pre-tax discount rate of 13.57%, and key assumptions including achievement of results consistent with 2007 budgets and future revenue growth of 5% per annum.

No further impairment losses have been necessary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Associates	10,002,823	18,506,050	-	-

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	Ordinary share ownership interest Consolidated and Company Principal activities	Balance date	2006 %	Investment carrying value Consolidated 2006 $	2005 %	2005 $
Lake Views Estates Pty Ltd	Property development	30 June 2006	50%	-	50%	-
Indigo Pacific Capital Limited	Property development lending	30 June 2006	26.18%	9,984,745	25%	9,761,925
Sunleisure Group Pty Ltd	Management rights	30 June 2006	-	-	49%	8,744,125
Grande Pacific Operations Pty Ltd	Property development	30 June 2006	50%	18,078	-	-
				10,002,823		18,506,050

All associates are incorporated in Australia.

The consolidated entity's interest in Indigo Pacific Capital Limited increased to 26.18% during the year due to reinvestment of dividends in accordance with the company's Dividend Reinvestment Plan.

During the year the consolidated entity disposed of its 49% of Sunleisure Group Pty Ltd.

During the year the consolidated entity acquired 50% of Grande Pacific Operations Pty Ltd. The entity's main operating activity is property development.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont)

2005	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	-	(1,256)	(100)	1,479,567	1,378,785	100,782	-
Indigo Pacific Capital Ltd	13,991,493	10,039,426	1,461,754	48,724,421	4,102,848	44,621,573	9,761,925
Sunleisure Group Pty Ltd	380,911	(539,847)	(264,525)	69,709,044	63,345,813	6,363,230	8,744,125
Lake Views Estates Pty Ltd	-	(12,094)	-	21,288,662	21,312,090	(23,428)	-
	14,372,404	9,486,229	1,197,129	141,201,694	90,139,536	51,062,157	18,506,050

Results of associates	Consolidated 2006 $	Consolidated 2005 $
Share of associates profit/(loss) before income tax	1,089,092	3,311,728
Share of associates income tax expense	(42,196)	(1,073,062)
Share of associates net profit/(loss) - as disclosed by associates	1,046,896	2,238,666
Adjustments		
Revenue – adjustment for dissimilar accounting policy	(825,999)	(1,080,483)
Other	-	38,946
Share of associates net profit/(loss) accounted for using the equity method	220,897	1,197,129

Commitments

As at 30 June 2006, Grande Pacific Operations Pty Ltd has capital commitments of $7,750,000 in relation to a property acquisition, for future development and resale, on which unconditional contracts have been made and deposits have been paid. These commitments will be debt funded. The consolidated entity's share is $3,875,000.

As at 30 June 2006, Lake Views Estates Pty Ltd has capital commitments of $4,723,560 in relation to a property acquisition, for future development and resale, on which unconditional contracts have been made and deposits have been paid. These commitments will be debt funded. The consolidated entity's share is $1,303,703.

As at 30 June 2006, Indigo Pacific Capital Limited has capital commitments of $9,000,000 in relation to funding of mortgage loans. The consolidated entity's share is $2,356,200.

Contingent liabilities

As at 30 June 2006, Indigo Pacific Capital Limited has contingent liabilities of $1,780,000 in relation to a bank guarantee. The consolidated entity's share is $466,004.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
	2006	2005	2006	2005
15. PROPERTY, PLANT AND EQUIPMENT	**$**	**$**	**$**	**$**
Freehold land				
At cost	3,255,653	3,263,309	2,945,653	2,953,309
Buildings - at cost	1,341,692	1,240,000	101,692	-
Accumulated depreciation	(30,996)	-	-	-
	1,310,696	1,240,000	101,692	-
Property, plant and equipment - at cost	4,480,253	3,437,953	763,735	598,440
Accumulated depreciation	(2,225,385)	(1,449,098)	(369,376)	(236,991)
	2,254,868	1,988,855	394,359	361,449
Leased plant and equipment – at cost	102,033	137,358	-	-
Accumulated depreciation	(19,302)	(38,531)	-	-
	82,731	98,827	-	-
	6,903,948	6,590,991	3,441,704	3,314,758

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
Freehold land				
Carrying amount at beginning of period	3,263,309	-	2,953,309	-
Acquisition of Treasury Group	-	310,000	-	-
Additions	-	2,953,309	-	2,953,309
Disposals	(7,656)	-	(7,656)	-
Carrying amount at end of period	3,255,653	3,263,309	2,945,653	2,953,309
Buildings				
Carrying amount at beginning of period	1,240,000	-	-	-
Acquisition of Treasury Group	-	1,240,000	-	-
Additions	101,692	-	101,692	-
Depreciation	(30,996)	-	-	-
Carrying amount at end of period	1,310,696	1,240,000	101,692	-
Property, plant and equipment				
Carrying amount at beginning of period	1,988,855	180,346	361,449	179,501
Acquisition of Terrain Group	-	1,149,188	-	-
Acquisition of Treasury Group	-	82,208	-	-
Acquisition of Paradise Resort	-	354,241	-	-
Acquisition of Marina Cove Pty Ltd	-	45,809	-	-
Acquisition of Breakwater Pacific Pty Ltd	93,436	-	-	-
Additions	912,361	463,423	165,295	250,946
Sales of Weston Insurance Services business	-	(33,087)	-	-
Disposals	(184,546)	(6,788)	-	-
Depreciation	(555,238)	(246,485)	(132,385)	(68,998)
Carrying amount at end of period	2,254,868	1,988,855	394,359	361,449

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

15. PROPERTY, PLANT AND EQUIPMENT (CONT)	Consolidated		Company	
Reconciliations (cont)	**2006 $**	**2005 $**	**2006 $**	**2005 $**
Leased plant and equipment				
Carrying amount at beginning of period	98,827	-	-	-
Acquisition of Terrain Group	-	131,328	-	-
Acquisition of Treasury Group	-	17,033	-	-
Disposals	(14,718)	(34,115)	-	-
Amortisation	(1,378)	(15,419)	-	-
Carrying amount at end of period	82,731	98,827	-	-

Security

At 30 June 2006, properties with a carrying amount of $1,519,004 (2005: $1,550,000) are subject to a registered mortgage to secure bank loans.

Leased plant and equipment

The consolidated entity leases plant and equipment under finance lease agreements. At 30 June 2006, the net carrying amount of leased plant and equipment was $82,731 (2005: $98,827). 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 is in the planning stages of the development, with construction to commence during the 2007 financial year.

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
16. INTANGIBLE ASSETS				
Goodwill at recoverable amount	32,828,677	32,332,540	-	-
Brand names	1,500,000	1,500,000	-	-
Accumulated amortisation	(782,877)	(282,877)	-	-
	717,123	1,217,123	-	-
Loan books	1,920,000	1,920,000	-	-
Accumulated amortisation	(575,876)	(191,876)	-	-
	1,344,124	1,728,124	-	-
Business agreements and contracts	7,500,000	7,500,000	-	-
Accumulated amortisation	(1,260,432)	(455,432)	-	-
	6,239,568	7,044,568	-	-
Customer relationships	1,010,000	1,010,000	-	-
Accumulated amortisation	(137,803)	(36,803)	-	-
	872,197	973,197	-	-
Other intangible assets	20,000	20,000	-	-
Accumulated amortisation	(5,917)	(4,917)	-	-
	14,083	15,083	-	-
	42,015,772	43,310,635	-	-

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FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
16. INTANGIBLE ASSETS (CONT)	**2006**	**2005**	**2006**	**2005**
Reconciliations	**$**	**$**	**$**	**$**
Reconciliations of the carrying amounts for each class of intangible asset are set out below:				
Goodwill				
Carrying amount at beginning of period	32,332,540	-	-	-
Acquisition of Terrain Group	496,137	30,154,353	-	-
Acquisition of Treasury Group	-	23,805,529	-	-
Impairment loss	-	(21,627,342)	-	-
Carrying amount at end of period	32,828,677	32,332,540	-	-
Brand names				
Carrying amount at beginning of period	1,217,123	-	-	-
Acquisition of Terrain Group	-	1,500,000	-	-
Amortisation	(500,000)	(282,877)	-	-
Carrying amount at end of period	717,123	1,217,123	-	-
Loan books				
Carrying amount at beginning of period	1,728,124	-	-	-
Acquisition of Terrain Group	-	1,290,000	-	-
Acquisition of Treasury Group	-	630,000	-	-
Amortisation	(384,000)	(191,876)	-	-
Carrying amount at end of period	1,344,124	1,728,124	-	-
Business agreements and contracts				
Carrying amount at beginning of period	7,044,568	-	-	-
Acquisition of Terrain Group	-	7,500,000	-	-
Impairment loss	(805,000)	(455,432)	-	-
Carrying amount at end of period	6,239,568	7,044,568	-	-
Customer relationships				
Carrying amount at beginning of period	973,197	-	-	-
Acquisition of Treasury Group	-	1,010,000	-	-
Amortisation	(101,000)	(36,803)	-	
Carrying amount at end of period	872,197	973,197	-	-
Other intangible assets				
Carrying amount at beginning of period	15,083	-	-	-
Acquisition of Treasury Group	-	20,000	-	-
Amortisation	(1,000)	(4,917)	-	-
Carrying amount at end of period	14,083	15,083	-	-

Impairment loss

Under AIFRS, in testing for impairment, the recoverable amount of goodwill and intangible assets is calculated as the present value of the estimated future cash flows, discounted using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to those assets.

Under previous GAAP, estimated future cash flows were not discounted in calculating recoverable amount.

Due to these differences between AIFRS and previous GAAP, the consolidated entity assessed the recoverable amount of goodwill and intangible assets on transition to AIFRS, with impairment losses in relation to the following cash generating units being recognised during the 2005 financial year:

16. INTANGIBLE ASSETS (CONT)

Impairment loss (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 2006, $21,271,837 (2005: $20,775,700) of goodwill related to this cash generating unit.

On transition to AIFRS, 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, which resulted in the carrying amount of goodwill and intangible assets being written down by $8,964,527 in the 2005 financial year. The estimates of recoverable amount were based on value in use, determined using a pre-tax discount rate of 13.24%, and key assumptions including achievement of results consistent with 2007 budgets and future revenue growth of 5% per annum.

No further impairment losses have been necessary based on impairment testing conducted at 30 June 2006.

Treasury Group of Companies

The Treasury Group of Companies Pty Ltd consolidated entity is a cash generating unit within the funds management segment, providing funds management services. As at 30 June 2006, $11,556,840 (2005: $11,556,840) of goodwill related to this cash generating unit.

On transition to AIFRS, goodwill and intangible assets arising from the acquisition of Treasury Group of Companies Pty Ltd was tested for impairment due to results achieved being less than those originally expected, which resulted in the carrying amount of goodwill and intangible assets being written down by $12,662,814 in the 2005 financial year. The estimates of recoverable amount were based on value in use, determined using a pre-tax discount rate of 13.57%, and key assumptions including achievement of results consistent with 2007 budgets and future revenue growth of 5% per annum.

No further impairment losses have been necessary on impairment testing conducted at 30 June 2006.

	Consolidated		Company	
	2006	2005	2006	2005
17. TRADE AND OTHER PAYABLES	$	$	$	$
Trade creditors	5,554,820	12,901,432	672,168	694,866
Other creditors and accruals	12,641,144	11,916,198	1,783,912	3,784,732
Unearned income	11,202,117	9,985,105	10,000,000	-
Purchase consideration payable	-	20,137,510	-	-
	29,398,081	54,940,245	12,456,080	4,479,598
18. OTHER PAYABLES				
Interest payable	7,215,232	2,891,090	-	-
19. INTEREST BEARING LOANS				
Current				
Lease liabilities	55,680	38,940	-	-
Non-current				
Bank loans – secured	45,900,000	30,900,000	-	-
Loan – City Pacific Private Fund	17,557,140	32,500,000	-	-
Lease liabilities	6,253	62,277	-	-
	63,463,393	63,462,277	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		Company	
19. INTEREST BEARING LOANS (CONT)	**2006**	**2005**	**2006**	**2005**
Financing arrangements	**$**	**$**	**$**	**$**
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank loans	195,900,000	230,900,000	-	-
City Pacific Private Fund	17,557,140	32,500,000	-	-
	213,457,140	263,400,000	-	-
Facilities utilised at reporting date:				
Bank loans	195,900,000	147,900,000	-	-
City Pacific Private Fund	17,557,140	32,500,000	-	-
	213,457,140	180,400,000	-	-
Facilities not utilised at reporting date:				
Bank loans	-	83,000,000	-	-
City Pacific Private Fund	-	-	-	-
	-	83,000,000	-	-

Bank loans of controlled entities are secured by development or commercial properties with a carrying amount of $77,074,087 (2005: $69,435,934). Interest is charged at prevailing market rates.

The City Pacific Private Fund facility of a controlled entity is secured by a development property with a carrying amount of $75,555,083 (2005: $67,885,934). Interest is charged at prevailing market rates.

The consolidated entity's lease liabilities are secured by the leased assets of $82,731 (2005: $98,827), as in the event of default, the leased assets revert to the lessor.

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
20. EMPLOYEE BENEFITS	**$**	**$**	**$**	**$**
Current				
Salaries and wages accrued	119,569	-	25,000	-
Liability for annual leave	944,605	783,499	204,542	180,000
Liability for long service leave	113,115	-	-	-
	1,177,289	783,499	229,542	180,000
Non-current				
Liability for long service leave	387,102	427,777	139,472	110,000
Number of employees at year end	312	306	29	24
21. PROVISIONS				
Dividends	139,319	89,432	139,319	89,432

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

21. PROVISIONS (CONT)	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
Reconciliations	$	$	$	$
Reconciliation of the amounts of each class of provision are set out below:				
Dividends				
Carrying amount at beginning of year	89,432	29,371	89,432	29,371
Final dividend 2005	38,266,399	-	38,266,399	-
Interim dividend 2006	14,068,830	-	14,068,830	-
Final dividend 2004	-	25,448,693	-	25,448,693
Interim dividend 2005	-	17,877,098	-	17,887,098
Dividends reinvested pursuant to Dividend Reinvestment Plan	(963,016)	-	(963,016)	-
Cash payments made during the year	(51,322,326)	(43,265,730)	(51,322,326)	(43,275,730)
Carrying amount at the end of the year	139,319	89,432	139,319	89,432

22. ISSUED CAPITAL	Company and consolidated 2006	Company and consolidated 2005
Issued and paid-up share capital	$	$
128,524,557 (2005: 126,689,868) ordinary shares, fully paid	116,432,142	113,513,454

(a) **Ordinary shares**	2006	2005
Balance at the beginning of year	113,513,454	34,773,902
Shares issued:		
- 308,429 upon reinvestment of dividends pursuant to Dividend Reinvestment Plan	963,017	-
- 487,377 (30 June 2005: 18,993,249) upon exercise of $0.30 options	146,213	5,697,975
- 678,801 (30 June 2005: 2,114,257) upon exercise of $1.00 options	678,801	2,114,257
- 360,082 (30 June 2005: nil) upon exercise of $3.14 options	1,130,657	-
- nil (2005: 29,167) upon exercise of $2.90 options	-	84,584
- nil ordinary shares issued for services rendered (30 June 2005: 29,342 at $4.32)	-	126,842
Shares and options issued pursuant to takeover of Terrain Australia Limited in accordance with Bidders Statement dated 12 November 2005:		
- 7,166,213 ordinary shares at an issue price of $4.47	-	32,032,972
- 326,410 ordinary shares at an issue price of $4.83	-	1,576,560
Shares issued pursuant to takeover of Treasury Group of Companies Pty Ltd in accordance with Share Sale Agreement dated 18 February 2006:		
- 5,243,010 ordinary shares at an issue price of $5.17	-	27,106,362
2,150,537 ordinary shares issued pursuant to a private placement at $4.65 per share	-	10,000,000
Balance at end of year	116,432,142	113,513,454

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 2006

22. ISSUED CAPITAL (CONT)

(b) Options reserve

	Company and consolidated 2006 $	Company and consolidated 2005 $
Balance at the beginning of period	910,727	-
Transferred to retained earnings	(438,901)	-
Options issued:		
- 720,165 options at fair value of $1.127	-	811,845
- 29,167 options at fair value of $1.131	-	32,979
- 100,000 options at fair value of $0.65	-	65,903
Balance at end of period	471,826	910,727

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

Options issued during the prior year were issued as part consideration for the acquisition of Terrain Australia Limited.

(c) Options

	Company and consolidated			
	Options (1) #	Options (2) #	Options (3) #	Options (4) #
Balance at the beginning of year	589,916	1,365,920	720,165	100,000
- options exercised during the financial year	(487,377)	(678,801)	(360,082)	-
Balance at end of year	102,539	687,119	360,083	100,000

(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

23. RETAINED EARNINGS

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Retained earnings at the beginning of the year	9,814,158	27,882,871	15,425,655	30,367,655
Net profit/(loss) attributable to members of the parent entity	62,105,267	25,257,078	45,498,023	28,383,791
Dividends recognised during the year	(52,335,229)	(43,325,791)	(52,335,229)	(43,325,791)
Transferred from options reserve	438,901	-	438,901	-
Retained earnings at the end of the year	20,023,097	9,814,158	9,027,350	15,425,655

24. MINORITY INTERESTS

Minority interest in controlled entities comprise:	Consolidated 2006 $	Consolidated 2005 $
Interest in retained profits at the beginning of the financial year	(676,807)	714,445
Interest in operating profit/(loss) after tax	14,154,531	(1,045,183)
	13,477,724	(330,738)
Interest in dividends provided for or paid	(3,543,035)	(346,069)
Interest in retained profits at the end of the financial year	9,934,689	(676,807)
Interest in share capital	14,831,587	9,116,726
Total minority interests	24,766,276	8,439,919

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

25. DIVIDENDS

Dividends recognised in the current year by the company:

	Cents per Share	Total amount	Date of payment	Franked/ unfranked
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		
2005				
Interim 2005 ordinary	15.0	17,877,098	28 February 2005	Franked
Final 2004 ordinary	23.0	25,448,693	30 September 2004	Franked
Total amount		43,325,791		

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

	Company 2006	2005
Dividend franking account	**$**	**$**
30% franking credits available to shareholders of City Pacific Limited for subsequent financial years	23,601,310	23,728,516

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

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

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

26. FINANCIAL INSTRUMENTS

Exposure to credit and interest rate risk arises in the normal course of the consolidated entity'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, at 7% for receivable and 11.25% for payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

26. FINANCIAL INSTRUMENTS (CONT)

(a) Fair values (cont)

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 exits in respect of the consolidated entities securitised mortgaged loans as approximately 64.7% (2005: 58.3%) 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.

2006 - Consolidated	Effective interest rate	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	More than 5 years	Total
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 2006

26. FINANCIAL INSTRUMENTS (CONT)

(c) Interest rate risk (cont)

Interest rate risk exposures (cont)

	Weighted average interest rate	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	More than 5 years	Total
2005 – Consolidated						
Financial assets		$	$		$	$
Current						
Cash and cash equivalents	1.10%	9,076,488	-	-	-	9,076,488
Investments:						
City Pacific Private Fund	12.50%	-	660,000	-	-	660,000
Other loans – secured by 2nd mortgage	10.50%	-	20,005,923	-	-	20,005,923
Securitised mortgage loans	13.60%	395,073,482	-	-	-	395,073,482
Securitised cash and cash equivalents	0.66%	120,046,178	-	-	-	120,046,178
Non-current						
Other loans – secured by 2nd mortgage	10.50%	8,111,722	-	-	-	8,111,722
Other receivables	5.50%	20,220,896	-	-	-	20,220,896
Loan to related entities - unsecured	9.50%	-	-	2,456,727	-	2,456,727
Other loans – unsecured	10.50%	-	-	1,396,934	-	1,396,934
Securitised mortgage loans	13.60%	375,184,326	-	-	-	375,184,326
		927,713,092	20,665,923	3,853,661	-	952,232,676
Financial liabilities						
Current						
Lease liabilities	8.38%	-	38,940	-	-	38,940
Securitised interest bearing loans	5.86%	117,000,000	-	-	-	117,000,000
Securitised unitholders funds	7.89%	914,774,454	-	-	-	914,774,454
Non-current						
Interest bearing loans:						
Bank loans - secured	5.98%	30,900,000	-	-	-	30,900,000
City Pacific Private Fund	15.25%	32,500,000	-	-	-	32,500,000
Lease liabilities	8.38%	-	-	62,277	-	62,277
Securitised unitholders funds	7.89%	4,270,469	-	-	-	4,270,469
		1,099,444,923	38,940	62,277	-	1,099,546,140

27. COMMITMENTS

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
	$	$	$	$
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	596,419	818,759	197,022	310,805
One year or later and no later than five years	316,659	1,008,374	39,552	143,687
	913,078	1,827,133	236,574	454,492

The consolidated entity leases a number of office facilities under operating leases. During the financial year ended 30 June 2006, $957,526 was recognised as an expense in the income statement in respect of operating leases (2005: $578,821).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

27. COMMITMENTS (CONT)	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Finance lease commitments				
Finance lease commitments are payable:				
Within one year	58,342	44,771	-	-
One year or later but not later than five years	6,579	64,926	-	-
	64,921	109,697	-	-
Less: future lease finance charges	(2,988)	(8,480)	-	-
	61,933	101,217	-	-
Lease liabilities provided for in the financial statements:				
Current	55,680	38,940	-	-
Non-current	6,253	62,277	-	-
Total lease liability	61,933	101,217	-	-
Capital commitments in relation to land acquisitions:				
Within one year	40,532,263	35,800,000	-	-

Capital commitments relate to land and property acquisitions, for future development and resale, on which contracts have been entered into and deposits have been paid by a controlled entity, Marina Cove Pty Ltd and associates, Lake Views Estates Pty Ltd and Grande Pacific Operations Pty Ltd. These settlements will be partly debt funded. The consolidated entity's share of commitments is disclosed above.

Capital commitments in relation to investments:				
Within one year	8,200,000	-	8,200,000	-

Capital commitments relate to an agreement entered into by City Pacific to acquire an interest in Treasury Commercial Property Finance Trust No 1 ("TCPFT") for up to $8,200,000. TCPFT is a commercial loan warehouse Trust administered by Treasury Property Finance Pty Ltd, a wholly owned subsidiary of City Pacific. TCPFT is managed by Treasury Property Finance Pty Ltd.

Capital commitments in relation to funding of mortgage loans:				
Within one year	2,356,200	2,924,189	-	-

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.

28. CONTINGENT LIABILITIES

Bank guarantees	22,826,795	17,360,730	-	-

Bank guarantees have been provided to contractors for the property development being undertaken by Marina Cove Pty Ltd at Martha Cove in Victoria together with bank guarantees in relation to other transactions involving the consolidated entity. No liability is expected to arise from these guarantees.

Bank guarantee	466,004	-	-	-

Relates to a bank guarantee provided by associate, Indigo Pacific Capital Limited. The consolidated entity's share of the contingent liability is disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

29. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

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

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Cash and cash equivalents	83,231,371	129,122,666	6,343,067	4,032,806

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

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Operating profit/(loss) after income tax	76,259,798	24,211,895	45,498,023	28,383,791
Add/(less) non-cash items:				
Loss on sale of non current assets	206,920	7,738	-	-
Loss on sale of business	-	220,909	-	-
Shares of associates' net (profit)/loss	(220,897)	(1,197,129)	-	-
Dividend from associate	-	41,996	(5,084,463)	-
Impairment losses	(676,013)	22,432,844	(943,138)	21,915,275
Value of shares issued for services rendered	-	126,842	-	126,842
Depreciation and amortisation	2,378,612	1,233,809	132,385	68,998
Amounts transferred to provisions:				
- employee entitlements	183,070	109,402	54,014	104,674
(Decrease)/increase in income taxes payable	3,377,631	1,380,047	5,800,364	1,756,537
(Increase)/decrease in deferred tax benefit	10,224,540	38,389	(3,443,108)	(1,239,550)
Net cash provided by operating activities before changes in assets and liabilities	91,733,661	48,606,742	42,014,077	51,116,567
(Increase)/decrease in receivables and inventory	27,820,825	(47,885,610)	21,117,711	(20,868,030)
Increase/(decrease) in creditors and accruals	(37,089,403)	(107,675,288)	(1,302,613)	1,340,979
Net cash from operating activities	82,465,083	(106,954,156)	61,829,175	31,589,516

City **Pacific** Limited ACN 079 453 955

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL

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 SL Stone (appointed 16 September 2005)
Mr TW Swan

Executive directors

Mr PK Sullivan *(Chief Executive Officer)*
Mr PC Trathen (*Group Executive Property*, appointed director 16 September 2005)
Mr MP Fowler (appointed director 16 September 2005, resigned 9 January 2006)
Mr SH Kissick (resigned 16 September 2005)

Executives

Mr SRM Mackay *(Group Executive Administration)*
Mr C Sullivan *(Chief Information Officer)*
Mr M Iacobucci *(Group Executive Treasury Group)*
Mr K Dalton *(Group Executive Finance)*
Mr AC Purss *(Chief Financial Officer)*
Mr JT Finucan (*Corporate Counsel*, appointed 6 February 2006)
Mr PC Trathen (*Group Executive Property*, appointed director 16 September 2005)
Mr MP Fowler (appointed director 16 September 2005, resigned 9 January 2006)
Mr W Milner (resigned 7 December 2005)

Key management personnel compensation

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

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Short-term employee benefits	2,512,674	1,155,266	2,033,982	984,799
Other long term benefits	92,399	70,558	90,488	70,558
Post employment benefits	190,590	103,196	154,215	75,331
Termination payments	448,732	-	148,732	-
Non monetary benefits	-	22,316	-	11,334
	3,244,395	1,351,336	2,427,417	1,142,022

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:

Directors		Short term Salary & fees	Post employment Superannuation benefits	Other long term Long service leave	Termination benefits	Other	Total
Non-executive		$	$	$	$	$	$
Mr IW Donaldson	2006	160,745	-	-	-	-	160,745
(Chairman)	2005	60,250	-	-	-	-	60,250
Mr TW Swan	2006	120,000	-	-	-	-	120,000
	2005	65,750	-	-	-	-	65,750
Mr SL Stone	2006 (i)	95,000	8,100	-	-	-	103,100
	2005	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Individual directors and executives compensation disclosures (cont)

Directors		Short term Salary & fees	Post employment Superannuation benefits	Other long term Long service leave	Termination benefits	Other	Total
Executive		$	$	$	$	$	$
Mr PK Sullivan *(Chief*	2006	375,000	33,750	32,414	-	-	441,164
(Executive Officer)	2005	271,675	24,375	26,065	-	-	322,115
Mr PC Trathen *(Group*	2006 (i)	188,298	15,481	2,858	-	-	206,637
Executive Property)	2005	-	-	-	-	-	-
Mr MP Fowler	2006 (ii)	83,334	7,500	-	148,732	-	239,566
	2005	-	-	-	-	-	-
Mr SH Kissick	2006 (iii)	10,797	-	-	-	-	10,797
	2005	106,484	9,450	6,416	-	-	122,350
Executives							
Mr SRM Mackay	2006	251,486	22,511	21,952	-	-	295,949
(Group Executive Administration)	2005	194,121	16,950	17,719	-	-	228,790
Mr C Sullivan *(Chief*	2006	253,534	22,500	21,609	-	-	297,643
(Information Officer)	2005	113,726	11,059	17,376	-	11,334	153,495
Mr M Iacobucci	2006	250,000	22,500	687	-	-	273,187
(Group Executive Treasury Group)	2005 (iv)	32,946	13,518	-	-	-	46,464
Mr K Dalton *(Group*	2006	250,912	22,500	4,940	-	-	278,352
Executive Finance)	2005 (v)	41,666	2,896	707	-	-	45,269
Mr AC Purss *(Chief*	2006	133,596	11,866	3,138	-	-	148,600
Financial Officer)	2005 (vi)	35,562	2,544	694	-	-	38,800
Mr JT Finucan	2006 (vii)	53,940	4,846	971	-	-	59,757
(Corporate Counsel)	2005	-	-	-	-	-	-
Mr W Milner	2006 (viii)	166,010	8,250	-	300,000	-	474,260
	2005 (ix)	112,903	10,161	-	-	-	123,064
Mr PC Trathen	2006 (x)	57,340	5,161	2,606	-	-	65,107
	2005 (xi)	95,565	8,057	1,581	-	-	105,203
Mr MP Fowler	2006 (ii)	62,682	5,625	1,224	-	-	69,531
	2005 (iv)	24,618	4,186	-	-	10,982	39,786
Total compensation –	2006	2,512,674	190,590	92,399	448,732	-	3,244,395
Consolidated	2005	1,155,266	103,196	70,558	-	22,316	1,351,336
Total compensation –	2006	2,033,982	154,215	90,488	148,732	-	2,427,417
Company	2005	984,799	75,331	70,558	-	11,334	1,142,022

(i) Appointed director 16 September 2005 – excludes compensation paid as an executive when not a director
(ii) Appointed director 16 September 2005, resigned 9 January 2006 – excludes compensation paid as an executive when not a director
(iii) Resigned 16 September 2005
(iv) Appointed 18 February 2005
(v) Appointed 1 May 2005
(vi) Appointed 7 March 2005
(vii) Appointed 6 February 2006
(viii) Resigned 7 December 2005
(ix) Appointed 8 December 2004
(x) Appointed director on 16 September 2005 – excludes compensation paid when a director
(xi) Appointed 1 February 2005

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Individual directors and executives compensation disclosures (cont)

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 (2005: $12,000) during the financial year to Sangillo Pty Ltd, an entity associated with Mr PK Sullivan.

The consolidated entity received fees of $60,000 (2005: $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 $43,250 (2005: $51,600) to an entity associated with director Mr TW Swan for accounting and consulting services rendered during the year.

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:

City Pacific Limited

Shares	Held at 1 July 2005	Purchases	Received due to participation in DRP (i)	Disposals	Held at 30 June 2006
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 (ii)	3,515,014	-	-	-	3,515,014
Mr M Fowler (ii)	1,484,365	21,698	-	380,451	1,125,612
Executives					
Mr SRM Mackay	1,971,630	2,325	-	-	1,973,955
Mr C Sullivan	389,409	606,467	-	-	995,876
Mr M Iacobucci	1,484,365	-	-	-	1,484,365

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

(ii) Resigned during the year

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Movement in shares and options (cont)

No other key management personnel held shares in City Pacific Limited 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 2005 and there was no trading in City Pacific options by key management personnel during the year ended 30 June 2006.

Shares Directors	Held at 1 July 2004	Issued in relation to acquisition	Purchases	Received on exercise of options	Disposals	Held at 30 June 2005
Mr IW Donaldson	496,000	-	4,000	-	-	500,000
Mr PK Sullivan	43,669,127	-	973,863	15,394	2,885,615(i)	41,772,769
Mr TW Swan	750,000	-	22,000	450,000	-	1,222,000
Mr SH Kissick	3,658,514	-	4,000	22,500	170,000	3,515,014
Executives						
Mr SRM Mackay	2,323,755	1,000(ii)	622	8,330	362,077	1,971,630
Mr M Fowler	-	1,484,365(iii)	-	-	-	1,484,365
Mr M Iacobucci	-	1,484,365(iii)	-	-	-	1,484,365
Mr W Milner	-	968,748(ii)	-	-	-	968,748
Mr PC Trathen	-	-	1,400,000(i)	-	-	1,400,000
Mr C Sullivan	609,549	125,747(ii)	398,113	6,000	750,000	389,409

(i) Includes transfer of 1,400,000 shares from indirect holding of Mr PK Sullivan to indirect holding of Mr PC Trathen.
(ii) Acquired as part of the takeover of Terrain Australia Limited.
(iii) Acquired as part of the takeover of Treasury Group of Companies Pty Ltd.

Options (i) Directors	Held at 1 July 2004	Issued in relation to acquisition	Purchases	Sold during the year (ii)	Exercised	Held at 30 June 2005
Mr TW Swan	230,000	-	-	-	230,000	-
Mr SH Kissick	22,500	-	-	22,500	-	-
Options (iii)						
Directors						
Mr IW Donaldson	100,000	-	-	100,000	-	-
Mr PK Sullivan	11,923,150	-	-	11,907,756	15,394	-
Mr TW Swan	220,000	-	-	-	220,000	-
Mr SH Kissick	970,830	-	-	970,830	-	-
Executives						
Mr SRM Mackay	641,665	-	-	633,335	8,330	-
Mr C Sullivan	6,000	-	-	-	6,000	-

(i) Options exercisable at $1.00 each expiring on 1 September 2006.
(ii) Options sold in option placement dated 10 September 2004.
(iii) Options exercisable at $0.30 each expiring on 2 July 2006.

No other key management personnel held shares or options in City Pacific Limited directly, indirectly or beneficially, including their personally related entities during the 2005 reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Movement in shares and options (cont)

CP1 Limited

Shares	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
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 (ii)	50,000	130,000	720,000	-	900,000
Executives					
Mr SRM Mackay	70,000	142,000	848,000	-	1,060,000
Mr C Sullivan	180,000	67,070	1,113,228	31,237	1,391,535

(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 Limited.
(ii) Resigned during the year

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

Options (i)	Held at 1 July 2005	Purchases/ (Sales)	Options exercised	Options expired 3 April 2006	Held at 30 June 2006
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					
Mr SRM Mackay	142,000	-	142,000	-	-
Mr C Sullivan	67,070	-	67,070	-	-

(i) Options exercisable at $1.50 each. These options 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 Limited 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 reporting period.

Shares	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Directors					
Mr IW Donaldson	55,000	-	-	-	55,000
Mr PK Sullivan (i)	10,076,099	-	-	-	10,076,099
Mr TW Swan	70,000	-	-	-	70,000
Mr SH Kissick	50,000	-	-	-	50,000
Mr SRM Mackay	70,000	-	-	-	70,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Movement in shares and options (cont)

CP1 Limited (cont)

Options (ii) **Directors**	**Held at 1 July 2004**	**Purchases**	**Sold during the year**	**Exercised**	**Held at 30 June 2005**
Mr IW Donaldson	133,000	-	-	-	133,000
Mr PK Sullivan (iii)	6,145,659	-	-	-	6,145,659
Mr TW Swan	142,000	3,000	-	-	145,000
Mr SH Kissick	130,000	-	-	-	130,000
Mr SRM Mackay	142,000	-	-	-	142,000

(i) Includes shares in which director has an indirect holding through a significant interest in City Pacific. City Pacific holds 10,000,000 shares in CP1 Limited.

(ii) Options exercisable at $1.50 each expiring on 3 April 2006, of which each director has 130,000 options which were subject to escrow until 20 February 2005.

(iii) Includes options in which director has an indirect holding through a significant interest in City Pacific. City Pacific holds 6,000,000 options in CP1 Limited.

No other key management personnel held options in CP1 Limited directly, indirectly or beneficially, including their personally related entities during the 2005 reporting period.

Indigo Pacific Capital Limited

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

(i) Options exercisable at $1.50 each expiring 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 17,500,000 shares and 10,500,000 options in Indigo Pacific Capital Limited.

(iii)Indigo Pacific Capital Limited established a dividend reinvestment plan (DRP) during the 2006 financial year.

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

Shares

Directors	**Held at 1 July 2004**	**Purchases**	**Reduction in indirect holding**	**Exercised**	**Held at 30 June 2005**
Mr PK Sullivan (ii)	18,204,550	-	704,550(iii)	-	17,500,000
Mr S Mackay	30,000	-	-	-	30,000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Indigo Pacific Capital Limited (cont)

Options (i)

Directors	Held at 1 July 2004	Purchases	Reduction in indirect holding	Exercised	Held at 30 June 2005
Mr IW Donaldson	50,000	-	-	-	50,000
Mr PK Sullivan (ii)	10,616,600	-	66,600(iii)	-	10,550,000
Mr S Mackay	65,000	-	-	-	65,000

(i) Options exercisable at $1.50 each expiring on 27 March 2007, each director has 50,000 options subject to escrow until 18 May 2006.

(ii) Includes shares and options in which director has an indirect holding through a significant interest in City Pacific. City Pacific holds 17,500,000 shares and 10,500,000 options in Indigo Pacific Capital Limited of which 17,450,000 shares and 10,470,000 options are subject to escrow until 18 May 2006.

(iii) Reduction in indirect holding in private company.

No other key management personnel held shares or options in Indigo Pacific Capital Limited directly, indirectly or beneficially, including their personally related entities during the 2005 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:

City Pacific Mortgage Trust	Investment held at 30 June	Investments during the year	Redemptions during the year	Distributions paid/payable
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
Capeglen 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
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Holding of units (cont)

City Pacific Mortgage Trust	**Investment held at 30 June**	**Investments during the year**	**Redemptions during the year**	**Distributions paid/payable**
2005	**$**	**$**	**$**	**$**
City Pacific Limited	2,688,430	70,378,513	79,786,188	767,714
CP1 Limited	-	1,700,844	4,696,653	109,726
Contra Proferentem Pty Ltd	-	-	152,000	788
Donaldson Superannuation Fund	5,930	2,534	108,000	2,534
Equititour Pty Ltd ATF Equititour Hotel Trust	2,700,523	2,696,558	135,561	170,557
Hallwick Pty Ltd ATF The Donaldson Family Trust	235,854	655,854	420,000	23,854
Indigo Pacific Capital Limited	1,263,927	4,089,526	33,785,153	774,185
Maldon Pty Ltd	4,040,172	62,643,747	58,603,576	1,104,032
Marina Cove Pty Ltd	11,466	11,466	-	820
MCS Services Pty Ltd ATF MCS Services Pty Ltd Executive Superannuation Fund	150,000	150,000	-	8,607
Phil Sullivan	79,854	79,854	-	6,580
Ronglen Pty Ltd	392,827	350,778	-	27,196
Sangillo Pty Ltd ATF Maldon Pty Ltd Executive Superannuation	84,421	36,196	-	6,061
Sangillo Super Investment Trust	9,380,905	8,551,761	-	695,877
Sangillo Pty Ltd	619,960	57,264	-	77,647
Sankyo Developments Pty Ltd	887,161	1,284,744	400,000	48,000
Shanda Investments Pty Ltd	260,000	4,000,000	3,740,000	106,723
Stuart Kissick	204,862	204,862	-	16,524
	23,006,290	156,894,501	181,827,131	3,947,425
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
Capeglen Pty Ltd	3,279	3,279	-	89
Contra Proferentem Pty Ltd	-	225,000	225,000	6,020
Equititour Pty Ltd ATF Equititour 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 Develpoments 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Holding of units (cont)

2005	Investment held at 30 June $	Investments during the year $	Redemptions during the year $	Distributions paid/payable $
City Pacific Limited	660,000	300,000	21,410,702	-
CP1 Limited	-	-	1,000,000	75,478
Maldon Pty Ltd	33,600,000	34,500,000	900,000	45,986
Sankyo Developments Pty Ltd	-	-	4,750,000	796,988
	34,260,000	34,800,000	28,060,702	918,452

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.

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	
	2006 $	2005 $	2006 $	2005 $
City Pacific Mortgage Trust (i)	27,099,393	30,805,698	27,099,393	30,805,698
City Pacific Income Fund (i)	(21,812)	-	(21,812)	-
City Pacific Managed Fund	(64,563)	-	(64,563)	-
City Pacific Private Fund	2,176,954	3,203,030	2,176,954	3,203,030
	29,189,972	34,008,728	29,189,972	34,008,728

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

In addition to the above the consolidated entity earns establishment fees and early redemption fees from non-related parties.

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	66,000	67,500	66,000	67,500
Custodial fees	920,656	789,977	920,656	789,977
Prospectus costs	-	35,981	-	35,981
	986,656	893,458	986,656	893,458

The company paid custodial fees of $920,656 (2005: $789,977) during the financial year to the Public Trustee of Queensland, the Custodian for the City Pacific Mortgage Trust and City Pacific Income Fund.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Transactions with related parties (cont)

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

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Eastcoast Capital Pty Ltd	25,000	60,000	25,000	60,000
City Pacific Project Management Pty Ltd	120,000	50,000	120,000	50,000
CP1 Limited	120,000	-	120,000	-
Indigo Pacific Capital Limited	95,000	120,000	95,000	120,000
	360,000	230,000	360,000	230,000

The company has the following loans to controlled or associated entities at 30 June 2006:

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
CP1 Limited	-	-	21,212,538	5,000,000
Lake Views Estates Pty Ltd	1,805,000	2,445,827	-	-
Grande Pacific Operations Pty Ltd	3,061,389	-	3,061,389	-
	4,866,389	2,445,827	24,273,927	5,000,000

During the year the company earned interest of $948,625 (2005: $228,700) on the loan to CP1 Limited. This loan was made to facilitate the purchase of the remaining 50% of Marina Cove Pty Ltd. This loan has no fixed term of repayment, is unsecured and bears an interest rate of 9.5% per annum.

During the year the consolidated entity earned interest of $141,425 (2005: nil) on the loan to Grande Pacific Operations Pty Ltd. This loan is repayable over a term of 30 months, is secured by 2nd mortgage and bears interest at 11.25% per annum.

During the year the consolidated entity earned interest of $366,693 (2005: nil) on the loan to Lake Views Estates Pty Ltd. This loan has no fixed term of repayment, is unsecured and bears an interest rate of 9.5% per annum.

Investments in related entities

City Pacific Limited has investments in City Pacific Mortgage Trust and 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 $170,984 (2005: $767,714) were received during the financial year from City Pacific Mortgage Trust and $208,643 (2005: $77,478) from City Pacific Private Fund.

City Pacific Mortgage Trust an investment of $9,226,558 (2005: nil) in City Pacific Managed Fund. Distributions of $231,211 were received from City Pacific Managed Fund during the financial year.

Controlled entities

During the year the company received fully franked dividends of $3,330,100 (2005: $400,000) from it's shareholding in CP1 Limited.

During the year the company received fully franked dividends of $302,150 (2005: nil) from it's shareholding in City Pacific Project Management Pty Ltd.

City Pacific Private Fund advanced loan funds of $32,500,000 to Danimel Pty Ltd during the prior year. During the year a further $57,140 was advanced and a total of $15,000,000 was repaid on the loan. The loan balance at year end was $17,557,140 (2005: $32,500,000). The loan is secured by a registered second mortgage over an investment property in South East Queensland. The loan has no fixed term and carries an interest rate of 15.25%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

30. KEY MANAGEMENT PERSONNEL (CONT)

Transactions with related parties (cont)

Controlled entities (cont)

During the year the consolidated entity charged Marina Cove Pty Ltd administration fees, loan facilitation fees and project management fees of $6,989,439 (2005: $3,112,110).

Marina Cove Pty Ltd has a loan of $112,343,948 (2005: $146,027,605) from City Pacific Mortgage Trust. This loan is secured by a registered first mortgage over the company's development property. The loan has a term of 25 months and is charged interest at 11.25% per annum.

Associates

During the year the company received fully franked dividends of $1,616,176 (2005: nil) from it's shareholding in Indigo Pacific Capital Limited.

CP1 Limited advanced funds of $5,000 (2005: $1,750,642) to Lake Views Estates Pty Ltd to acquire properties for future development on the Mornington Peninsula. The loan balance at year end was $1,805,000 (2005: $2,445,826). During the year Lake Views Estates paid loan facilitation fees of $57,750 (2005: $358,473) to the consolidated entity. The loan has a term of 2 years and bears interest at 9.5% per annum.

Lake Views Estates Pty Ltd has loans of $33,285,169 (2005: $18,465,957) from City Pacific Mortgage Trust and $1,626,003 (2005: $1,600,000) from City Pacific Private Fund. These loans are secured by registered first and second mortgages over the company's development property. The City Pacific Mortgage Trust loan has a term of 12 months and is charged interest at 11.75% per annum. The City Pacific Private Fund loan no fixed term and is charged interest 11.5% per annum.

Grande Pacific Operations Pty Ltd has loans of $6,800,000 and $6,000,000 (2005: nil) from City Pacific Mortgage Trust. These loans are secured by registered first mortgages over the company's development properties. The loans have terms of 30 months and 12 months respectively and interest is charged at 11.25% and 11.75% per annum respectively.

Indigo Pacific Capital Limited has a loan of $8,906,190 (2005: $13,153,190) to a related party, Village Centre at Kelvin Grove Pty Ltd. This loan has a term of 26 months and an effective interest rate of 27.64% per annum. The loan is secured by a registered mortgage over development lease with the Queensland Housing Commission and a guarantee of indemnity by the directors of Village Centre at Kelvin Grove Pty Ltd.

Indigo Pacific Capital Limited has a loan of $10,624,965 (2005: $14,012,236) to a related party, Indigo (Palm Cove) Pty Ltd. This loan has a term of 26 months and an effective interest rate of 22.76% per annum. The loan is secured by a 2nd registered mortgage over a property and a guarantee of indemnity by the directors of Indigo (Palm Cove) Pty Ltd.

Indigo Pacific Capital Limited has a loan of $3,816,000 (2005: $3,600,000) to a related party, Indigo (Novotel Palm Cove) Pty Ltd. This loan has a term of 23 months and an effective interest rate of 15.00% per annum. The loan is secured by a guarantee of indemnity by the directors of Indigo (Novotel Palm Cove) Pty Ltd.

Indigo Pacific Capital Limited has a loan of $5,732,713 (2005: $695,444) to a related party, Indigo (Martha Cove Land Owner) Pty Ltd. This loan has a term of 18 months and an effective interest rate of 29.76% per annum. The loan is secured by a 3rd registered mortgage over a property and a registered company charge over Indigo (Martha Cove Land Owner) Pty Ltd.

Indigo Pacific Capital Limited has a loan of $4,000,096 (2005: nil) to a related party, Indigo (Ann Street) Land Owner Pty Ltd. This loan has a term of 12 months and an effective interest rate of 37.73% per annum. The loan is secured by a registered company charge over Indigo (Ann Street) Land Owner Pty Ltd.

31. 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. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

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

Funds management	management of funds, including managed investment schemes
Property	property development and project management
Residential and commercial finance	property and equipment financing and training services
Other	non-core activities including hotel operations

Geographical segments

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

31. SEGMENT REPORTING (CONT)

2006	Funds Management	Property	Residential & commercial finance	Others	Consolidated
Business segments	**$**	**$**	**$**	**$**	**$**
Revenue from rendering of services – funds management	21,587,994	-	-	-	21,587,994
Revenue from property sales	-	146,699,176	-	-	146,699,176
Revenue from rendering services – other	-	-	-	17,249,226	17,249,226
Revenue from rendering of services – residential and commercial finance	-	-	21,972,258	-	21,972,258
Interest received -2nd mortgage loans	14,846,810	-	-	-	14,846,810
Securitised interest income	98,859,969	-	-	-	98,859,969
Total segment revenue	135,294,773	146,699,176	21,972,258	17,249,226	321,215,433
Other unallocated revenue					3,732,295
Total					324,947,728
Segment result	30,732,659	73,456,697	(2,827,881)	6,953,892	108,315,367
Share of profit/(loss) of associates					220,897
Unallocated corporate (expenses)/profit					(1,433,021)
Operating profit					107,103,243
Income tax expense					(30,843,445)
Profit for the period					76,259,798
Assets					
Segment assets	1,157,075,247	150,927,337	2,979,834	10,387,245	1,321,369,663
Equity accounted investments	10,002,823	-	-	-	10,002,823
Unallocated corporate assets					72,263,875
Consolidated total assets					1,403,636,361
Liabilities					
Segment liabilities	1,140,481,525	81,828,290	2,318,809	2,081,267	1,226,709,891
Unallocated corporate liabilities					15,233,129
Consolidated total liabilities					1,241,943,020
Depreciation and amortisation	406,268	58,744	1,880,512	33,088	2,378,612
Capital expenditure	271,110	102,192	239,282	487,250	1,099,834
Impairment losses	(943,138)	-	271,533	(4,408)	(676,013)

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

31. SEGMENT REPORTING (CONT)

2005 Business segments	Funds Management $	Property $	Residential & commercial finance $	Others $	Consolidated $
Revenue from rendering of services – funds management	38,745,785	-	-	-	38,745,785
Revenue from property sales	-	13,737,135	-	-	13,737,135
Revenue from rendering services – other	-	-	-	9,903,551	9,903,551
Revenue from rendering of services – residential and commercial finance	-	-	14,120,208	-	14,120,208
Interest received -2nd mortgage loans	6,310,949	-	-	-	6,310,949
Securitised interest income	94,224,598	-	-	-	94,224,598
Total segment revenue	139,281,332	13,737,135	14,120,208	9,903,551	177,042,226
Other unallocated revenue					3,959,700
Total					181,001,926
Segment result	56,913,777	5,536,007	(1,995,802)	3,259,264	63,713,246
Share of profit of associates					1,197,129
Unallocated corporate (expenses)/profit					(21,323,593)
Operating profit					43,586,782
Income tax expense					(19,374,887)
Profit for the period					24,211,895
Assets					
Segment assets	979,120,939	258,722,339	4,158,732	5,158,897	1,247,160,907
Equity accounted investments	18,506,050	-	-	-	18,506,050
Unallocated corporate assets					48,659,277
Consolidated total assets					1,314,326,234
Liabilities					
Segment liabilities	1,077,450,465	33,282,864	3,077,787	4,299,403	1,118,110,519
Unallocated corporate liabilities					63,537,457
Consolidated total liabilities					1,181,647,976
Depreciation and amortisation	(782,505)	38,923	2,049,096	261	1,305,775
Capital expenditure	4,833,479	166,879	1,391,941	354,241	6,746,540
Impairment losses	13,660,202	102,707	8,669,935	-	22,432,844

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

32. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Parent entity

City Pacific Limited

	Ordinary shares consolidated entity interest	
Controlled entities – City Pacific Limited	**2006**	**2005**
Pacific Collections Limited (i)	100%	100%
CP1 Limited (i)	55.20%	52.56%
Citypac Home Loans Pty Ltd (i)	100%	100%
City Pacific Training Pty Ltd (i)	100%	100%
City Pacific Project Management Pty Ltd (i)	50%	50%
Grande Pacific Ltd (i)	100%	100%
City Pacific Securities Pty Ltd (i)	100%	100%
City Pacific Marina Management Pty Ltd (i)	100%	-
Breakwater Pacific Pty Ltd (i)	100%	-
City Pacific Capital Pty Ltd (i)	100%	-
Citypac Capital Pty Ltd (i)	100%	-
City Pacific Treasury Pty Ltd (i)	100%	-
Pacific Treasury Pty Ltd (i)	100%	-
Terrain Australia Pty Ltd (i)	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) (iii)	100%	100%
City Pacific Property Finance Ltd (formerly Terrain Property Finance Ltd) (i) (iii)	100%	100%
The Money Store Pty Ltd (i) (iii)	100%	100%
Northern City Finance Pty Ltd (i) (iii)	100%	-
City Pacific Transport Finance Pty Ltd (formerly Terrain Finance Queensland Pty Ltd) (i) (iii)	100%	100%
Transport Finance Pty Ltd (i) (iii)	100%	100%
Allied Business Finance Corporation Pty Ltd (i) (iii)	100%	100%
City Pacific Business and Equipment Finance Pty Ltd (formerly Terrain Finance Pty Ltd) (i) (iii)	100%	100%
City Pacific Insurance Services Pty Ltd (formerly Weston Insurance Services Pty Ltd) (i) (iii)	- (v)	100%
Mawson Developments Pty Ltd (i) (iii)	- (vi)	100%
Terrain Australia Management Ltd (i) (iii)	100%	100%
095 468 296 Pty Ltd (in administration) (i) (iii)	100%	100%
008 082 157 Pty Ltd (in administration) (i) (iii)	100%	100%
TEN Nominees Pty Ltd (i) (iii)	- (vi)	100%
TAL Nominees Pty Ltd (i) (iii)	- (vi)	100%
Drummond Finance Pty Ltd (i) (iii)	- (vi)	100%
H&H Advisors Pty Ltd (i) (iii)	- (vi)	100%
IFR Home Loan Solutions Pty Ltd (i) (iii)	- (vi)	100%
Terrain Asset Management Ltd (i) (iii)	- (vi)	100%
Terrain Infrastructure Ltd (i) (iii)	- (vi)	100%
TIL Agwater Pty Ltd (i) (iii)	- (vi)	100%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

32. CONTROLLED ENTITIES (CONT)

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

	Ordinary shares consolidated entity interest 2006	Ordinary shares consolidated entity interest 2005
Treasury Group of Companies Pty Ltd (i)	100%	100%
MVM Pty Ltd (i)	- (vi)	100%
Treasury Funds Management Ltd (i) (iv)	100%	100%
Treasury Property Finance Pty Ltd (i) (iv)	100%	100%
Treasury Management Services Pty Ltd (i) (iv)	100%	100%
Treasury Custodians Pty Ltd (i) (iv)	100%	100%
Treasury Investments Pty Ltd (i) (iv)	100%	100%
Managed investment schemes		
City Pacific Mortgage Trust	100%	100%
City Pacific Income Fund	100%	100%
Controlled entities – CP1 Limited		
Danimel Pty Ltd (i) (ii)	100%	100%
Marina Cove Pty Ltd (i) (ii)	100%	100%
CP2 Pty Ltd (i) (ii)	100%	100%
Leminad Pty Ltd (i) (ii)	100%	100%
Martha Cove Sales Pty Ltd (i) (ii)	100%	-

(i) Incorporated in Australia
(ii) Controlled entity of CP1 Limited
(iii) Controlled entity of City Pacific Finance Services Pty Ltd (formerly Terrain Australia Limited)
(iv) Controlled entity of Treasury Group of Companies Pty Ltd
(v) Sold during the year
(vi) Deregistered during the year

During the year ended 30 June 2006 City Pacific's interest in CP1 Limited increased to 55.2% (2005: 52.56%) as a result of exercising of options.

City Pacific Marina Management Pty Ltd was established for the purposes of providing marina management services in relation to the marina operations acquired by Breakwater Pacific Pty Ltd.

City Pacific Capital Pty Ltd, Citypac Capital Pty Ltd, City Pacific Treasury Pty Ltd, Pacific Treasury Pty Ltd, Terrain Australia Pty Ltd and Northern City Finance Pty Ltd were established to secure the name of the relevant entity. The companies have not yet commenced operations.

Martha Cove Sales Pty Ltd was established for the purposes of selling property developed by Marina Cove Pty Ltd.

City Pacific Project Management Pty Ltd, which is 50% owned by the consolidated entity is consolidated by the consolidated entity as the directors of the consolidated entity consider that it has control over the company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

32. CONTROLLED ENTITIES (CONT)

(b) Acquisition of controlled entities

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

Entities acquired consists of 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.

(b) Acquisition of controlled entities (cont)

2005	**CPFS** (i) **$**	**Treasury** (ii) **$**	**Marina Cove** (iii) **$**	**Other** (iv) **$**
Details of acquisitions during the financial year are as follows:				
Consideration (cash) – prior years	2,192,353	-	-	-
Consideration (cash) – current year	-	-	27,613,390	7
Consideration (shares and options)	34,520,259	27,106,362	-	-
Consideration payable	-	-	20,137,510	-
Transaction costs	219,042	48,023	-	-
Total consideration	36,931,654	27,154,385	47,750,900	7
Cash acquired	(1,844,587)	(919,093)	(511,835)	(7)
Net cash outflow/(inflow)	(1,625,545)	(871,070)	27,101,555	-
Fair value of net assets of entity acquired:				
Cash assets	1,844,587	919,093	511,835	7
Receivables	2,305,657	504,151	3,449,862	-
Inventories	-	-	143,976,513	-
Other financial assets	-	463,290	11,051	-
Property, plant and equipment	1,280,516	1,649,241	45,809	-
Identifiable intangible assets	10,290,000	1,640,000	-	-
Payables	(6,008,587)	(131,222)	(4,703,201)	-
Interest-bearing liabilities	(2,573,273)	(948,692)	(95,147,379)	-
Deferred tax liability	-	(208,284)	(393,590)	-
Employee entitlements	(604,374)	(52,760)	-	-
Current tax asset / (liability)	242,775	(485,961)	-	-
	6,777,301	3,348,856	47,750,900	7
Goodwill on acquisition	30,154,353	23,805,529	-	-
Consideration	36,931,654	27,154,385	47,750,900	7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

32. CONTROLLED ENTITIES (CONT)

(b) Acquisition of controlled entities (cont)

(i) City Pacific Finance Services Pty Ltd (formerly Terrain Australia Limited) was acquired on 8 December 2005.
(ii) Treasury Group of Companies Pty Ltd was acquired on 18 February.
(iii) Marina Cove Pty Ltd was acquired on 4 January 2006. Marina Cove Pty Ltd was previously accounted for as an investment in an associate.
(iv) Other entities acquired consists of City Pacific Training Pty Ltd, City Pacific Project Management Pty Ltd, Grande Pacific Ltd, City Pacific Securities Pty Ltd, CP2 Pty Ltd, Leminad Pty Ltd, and MVM Pty Ltd.

During the 2005 financial year, the consolidated entity acquired 100% of City Pacific Finance Services Pty Ltd, 100% of Treasury Group of Companies Pty Ltd and the remaining 50% of Marina Cove Pty Ltd. If the acquisitions had occurred on 1 July 2004, consolidated entity revenue would have been $198,588,449 and net profit after tax would have been $20,924,124 for the year ended 30 June 2005. In 2006, there would be no difference had the acquisitions occurred at 1 July 2005.

Goodwill has arisen on the acquisitions of City Pacific Finance Services Pty Ltd and Treasury Group of Companies Pty Ltd because of benefits identified by the directors that did not met the criteria for recognition as an intangible asset at the date of acquisition.

33. EXPLANATION OF TRANSITION TO AIFRS

As stated in note 1(a), these are the company's and consolidated entity's first annual consolidated financial statements prepared in accordance with Australian Accounting Standards ("AIFRSs").

The accounting policies in note 1 have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the date of transition).

In preparing its opening AIFRS balance sheet and comparative information for the year ended 30 June 2005, the company and consolidated entity have adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

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

The company and consolidated entity has elected not to apply the exemption from restating financial instrument comparative information available under AASB1 *First time adoption of Australian equivalents to International Financial Reporting Standards.*

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Reconciliation of equity

Consolidated entity	Note	Previous GAAP	Effect of transition to AIFRSs 1 July 2004	AIFRSs	Previous GAAP	Effect of transition to AIFRSs 30 June 2005	AIFRSs
Current assets							
Cash and cash equivalents		1,316,541	-	1,316,541	9,076,488	-	9,076,488
Securitised cash and cash equivalents	a	-	41,986,034	41,986,034	-	120,046,178	120,046,178
Trade and other receivables	a,b	36,626,757	(3,408,980)	33,217,777	62,577,220	(8,698,454)	53,878,766
Securitised receivables	a	-	10,143,616	10,143,616	-	19,196,425	19,196,425
Securitised mortgage loans	a	-	407,831,063	407,831,063	-	395,073,482	395,073,482
Inventories		-	-	-	43,310,301	-	43,310,301
Investments	g	16,091,915	(15,091,915)	1,000,000	3,356,044	(2,696,044)	660,000
Total current assets		54,035,213	441,459,818	495,495,031	118,320,053	522,921,587	641,241,640
Non-current assets							
Other receivables	b	6,670,986	148,000	6,818,986	33,526,956	209,819	33,736,775
Securitised mortgage loans	a	-	294,206,733	294,206,733	-	375,184,326	375,184,326
Inventories	a,c	-	-	-	223,096,237	(32,019,106)	191,077,131
Property, plant and equipment		180,346	-	180,346	6,590,991	-	6,590,991
Investments accounted for using the equity method	d	8,897,281	(555,115)	8,342,166	19,398,046	(891,996)	18,506,050
Intangible assets	g	-	-	-	58,092,065	(14,781,430)	43,310,635
Investments	d,j	24,090,492	525,496	24,615,988	959,291	(154,464)	804,827
Total non-current assets		39,839,105	294,325,114	334,164,219	341,663,586	327,547,149	669,210,735
Total assets		93,874,318	735,784,932	829,659,250	459,983,639	850,468,736	1,310,452,375

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Reconciliation of equity (cont)

Consolidated entity	Note	Previous GAAP	Effect of transition to AIFRSs 1 July 2004	AIFRSs	Previous GAAP	Effect of transition to AIFRSs 30 June 2005	AIFRSs
Current liabilities							
Trade and other payables	h	2,818,915	12,916,601	15,735,516	42,424,681	12,515,564	54,940,245
Securitised payables	a	-	9,540,383	9,540,383	-	12,984,688	12,984,688
Interest-bearing loans	a	-	-	-	43,069,454	(43,030,514)	38,940
Securitised interest-bearing loans	a	-	-	-	-	117,000,000	117,000,000
Securitised unitholders funds	a	-	725,079,680	725,079,680	-	914,774,454	914,774,454
Current tax liabilities		8,361,872	-	8,361,872	9,985,105	-	9,985,105
Employee benefits		214,697	-	214,697	783,499	-	783,499
Provisions		-	-	-	89,432	-	89,432
Total current liabilities		11,395,484	747,536,664	758,932,148	96,352,171	1,014,244,192	1,110,596,363
Non-current liabilities							
Other payables		-	-	-	2,891,090	-	2,891,090
Interest-bearing loans	a	-	-	-	171,872,937	(108,410,660)	63,462,277
Securitised unitholders funds	a	-	205,347	205,347	-	4,270,469	4,270,469
Employee benefits		-	-	-	427,777	-	427,777
Deferred tax liabilities	m	(285,931)	(962,077)	(1,248,008)	7,267,934	(11,141,793)	(3,873,859)
Total non-current liabilities		(285,931)	(756,730)	(1,042,661)	182,459,738	(115,281,984)	67,177,754
Total liabilities		11,109,553	746,779,934	757,889,487	278,811,909	898,962,208	1,177,774,117
Net assets		82,764,765	(10,995,002)	71,769,763	181,171,730	(48,493,472)	132,678,258
Equity							
Issued capital	e	34,773,902	-	34,773,902	107,148,052	6,365,402	113,513,454
Reserves	j	-	367,847	367,847	910,727	-	910,727
Retained earnings	o	39,009,115	(11,126,246)	27,882,869	54,016,685	(44,202,527)	9,814,158
Total parent entity interest		73,783,017	(10,758,399)	63,024,618	162,075,464	(37,837,125)	124,238,339
Minority interests	d	8,981,748	(236,603)	8,745,145	19,096,266	(10,656,347)	8,439,919
Total equity		82,764,765	(10,995,002)	71,769,763	181,171,730	(48,493,472)	132,678,258

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NOTES TO THE FINANCIAL STATEMENTS
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33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Reconciliation of equity (cont)

Company	Note	Previous GAAP	Effect of transition to AIFRSs 1 July 2004	AIFRSs	Previous GAAP	Effect of transition to AIFRSs 30 June 2005	AIFRSs
Current assets							
Cash and cash equivalents		917,114	-	917,114	4,032,806	-	4,032,806
Trade and other receivables	b	36,133,179	841,141	36,974,320	59,683,644	517,476	60,201,120
Investments		12,096,106	-	12,096,106	3,344,789	-	3,344,789
Total current assets		49,146,399	841,141	49,987,540	67,061,239	517,476	67,578,715
Non-current assets							
Other receivables	b,l	1,995,802	148,000	2,143,802	19,636,380	(5,449,019)	14,187,361
Property, plant and equipment		179,501	-	179,501	3,314,758	-	3,314,758
Investments	e,g,j,l	24,323,057	525,496	24,848,553	67,754,295	(8,947,897)	58,806,398
Deferred tax assets	m	384,642	(307,513)	77,129	828,666	(34,339)	794,327
Total non-current assets		26,883,002	365,983	27,248,985	91,534,099	(14,431,255)	77,102,844
Total assets		76,029,401	1,207,124	77,236,525	158,595,338	(13,913,779)	144,681,559
Current liabilities							
Trade and other payables	h	2,806,675	489,592	3,296,267	3,866,765	612,833	4,479,598
Current tax liabilities		8,216,156	-	8,216,156	9,972,693	-	9,972,693
Employee benefits		185,326	-	185,326	180,000	-	180,000
Provisions		29,371	-	29,371	89,432	-	89,432
Total current liabilities		11,237,528	489,592	11,727,120	14,108,890	612,833	14,721,723
Non-current liabilities							
Employee benefits		-	-	-	110,000	-	110,000
Total non-current liabilities		-	-	-	110,000	-	110,000
Total liabilities		11,237,528	489,592	11,727,120	14,218,890	612,833	14,831,723
Net assets		64,791,873	717,532	65,509,405	144,376,448	(14,526,612)	129,849,836
Equity							
Issued capital	e	34,773,902	-	34,773,902	107,148,052	6,365,402	113,513,454
Reserves	j	-	367,847	367,847	910,727	-	910,727
Retained earnings	o	30,017,971	349,685	30,367,656	36,317,669	(20,892,014)	15,425,655
Total equity		64,791,873	717,532	65,509,405	144,376,448	(14,526,612)	129,849,836

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Reconciliation of profit for the year ended 30 June 2005	Note	Consolidated Previous GAAP	Consolidated Effect of transition to AIFRSs	Consolidated AIFRSs	Company Previous GAAP	Company Effect of transition to AIFRSs	Company AIFRSs
Revenue from rendering of services – funds management	a,h	70,304,567	(31,558,782)	38,745,785	71,935,317	(123,241)	71,812,076
Revenue from property sales	c	61,630,974	(47,893,839)	13,737,135	-	-	-
Revenue from rendering of services – residential and commercial finance		14,120,208	-	14,120,208	-	-	-
Revenue from rendering of services – other		9,903,551	-	9,903,551	-	-	-
Interest received – 2nd mortgage loans		6,310,949	-	6,310,949	6,310,949	-	6,310,949
Interest income – other		1,270,556	-	1,270,556	1,325,248	-	1,325,248
Securitised interest income	a	-	94,224,598	94,224,598	-	-	-
		163,540,805	14,771,977	178,312,782	79,571,514	(123,241)	79,448,273
Other income		2,689,144	-	2,689,144	492,662	-	492,662
Advertising and promotion		(3,242,127)	-	(3,242,127)	(1,686,460)	-	(1,686,460)
Changes in inventories – property		42,682,513	-	42,682,513	-	-	-
Changes in inventories – other		279,787	-	279,787	-	-	-
Development expenditure – property	a,c	(76,895,839)	27,588,305	(49,307,534)	-	-	-
Raw materials and consumables – other		(1,716,529)	-	(1,716,529)	-	-	-
Commissions and brokerage		(7,663,313)	-	(7,663,313)	(700,867)	-	(700,867)
Professional fees		(3,262,399)	-	(3,262,399)	(1,919,990)	-	(1,919,990)
Depreciation and amortisation	f	(1,786,285)	480,510	(1,305,775)	(68,998)	-	(68,998)
Employee expenses		(11,632,949)	-	(11,632,949)	(2,318,420)	-	(2,318,420)
Impairment losses	b,g	(543,656)	(21,889,188)	(22,432,844)	(681,292)	(21,233,983)	(21,915,275)
Securitised distributions to unitholders	a	-	(72,482,393)	(72,482,393)	-	-	-
Securitised interest expense	a	-	(1,040,728)	(1,040,728)	-	-	-
Interest expense – other		(631,215)	-	(631,215)	(319,972)	-	(319,972)
Other expenses from ordinary activities		(6,856,767)	-	(6,856,767)	(1,897,146)	-	(1,897,146)
Results from operating activities		94,961,170	(52,571,517)	42,389,653	70,471,031	(21,357,224)	49,113,807
Share of profit/(loss) of associates	d	2,143,707	(946,578)	1,197,129	-	-	-
Profit before tax		97,104,877	(53,518,095)	43,586,782	70,471,031	(21,357,224)	49,113,807
Income tax expense	n	(29,396,955)	10,022,068	(19,374,887)	(20,845,542)	115,526	(20,730,016)
Profit for the year		67,707,922	(43,496,027)	24,211,895	49,625,489	(21,241,698)	28,383,791
(Profit) / loss attributable to minority interests		(9,374,561)	8,329,378	1,045,183	-	-	-
Profit attributable to equity holders of the parent entity		58,333,361	(33,076,283)	25,257,078	49,625,489	(21,241,698)	28,383,791
Basic earnings per share		51.37 cents	(29.13) cents	22.24 cents			
Diluted earnings per share		49.05 cents	(27.81) cents	21.24 cents			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Notes to the reconciliation of equity and profit

(a) Under AIFRS, managed investment schemes operated by the consolidated entity, in which the consolidated entity has exposure to the significant risks and rewards of the managed investment scheme are required to be consolidated. Under previous GAAP, such managed investment schemes were not consolidated.

The effect on the consolidated entity is as follows:

- Increase securitised cash and cash equivalents by $41,986,034 as at 1 July 2004 and $120,046,178 as at 30 June 2005;
- Increase securitised loans by $702,037,796 as at 1 July 2004 and $770,257,808 as at 30 June 2005;
- Increase securitised receivables by $10,143,616 as at 1 July 2004 and $19,196,425 as at 30 June 2005;
- Increase securitised payables by $9,540,383 as at 1 July 2004 and $12,984,688 as at 30 June 2005;
- Increase securitised interest bearing loans by $117,000,000 as at 30 June 2005;
- Increase securitised unitholders funds by $725,285,027 as at 1 July 2004 and $919,044,923 as at 30 June 2005;
- Decrease investments by $15,091,915 as at 1 July 2004 and $2,696,044 as at 30 June 2005;
- Decrease trade and other receivables by $4,250,121 as at 1 July 2004 and $9,215,930 as at 30 June 2005;
- Decrease property development inventories by $10,362,771
- Decrease interest bearing loans by $108,410,660 as at 30 June 2005;
- Increase securitised interest income by $94,224,598 for the year ended 30 June 2005;
- Increase securitised distributions by $72,482,393 for the year ended 30 June 2005;
- Increase securitised interest expense by $1,040,778 for the year ended 30 June 2005;
- Decrease development expenditure – property by $895,568;
- Decrease minority interest by $3,441,269;
- Decrease interest bearing loans by $43,030,514;
- Decrease revenue from rendering of services – funds management by $31,959,782 for the year ended 30 June 2005; and
- Decrease income tax expense and deferred tax assets by $3,108,830.

There is no effect on the company.

(b) Under AIFRS, general provisions for doubtful debts are no longer recognised, while under previous GAAP, general provisions for doubtful debts were permitted. As a result general provisions which were calculated as a percentage of total loans have been reversed on transition to AIFRS.

The effect on the consolidated entity is as follows:

- Increase trade and other receivables by $841,141 as at 1 July 2004 and $517,476 as at 30 June 2005;
- Increase other receivables by $148,000 as at 1 July 2004 and $209,819 as at 30 June 2005;
- Increase deferred tax liabilities by $296,742 as at 1 July 2004 $218,188 as at 30 June 2005;
- Increase impairment loss by $261,846 for the year ended 30 June 2005;
- Decrease income tax expense by $78,554 for the year ended 30 June 2005; and
- Increase retained earnings by $692,399 as at 1 July 2004 and $509,107 as at 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Notes to the reconciliation of equity and profit (cont)

The effect on the company is as follows:

- Increase trade and other receivables by $841,141 as at 1 July 2004 and $517,476 as at 30 June 2005;
- Increase other receivables by $148,000 as at 1 July 2004 and $209,819 as at 30 June 2005;
- Decrease deferred tax assets by $296,742 as at 1 July 2004 and $218,188 as at 30 June 2005;
- Increase impairment loss by $261,846 for the year ended 30 June 2005;
- Decrease income tax expense by $78,554 for the year ended 30 June 2005; and
- Increase retained earnings by $692,399 as at 1 July 2004 and $509,107 as at 30 June 2005.

(c) Under previous GAAP in accordance with UIG 53 *Pre-Completion Sales Contracts for the Sale of Residential Development Properties*, sales of land held for resale was recognised when unconditional contracts were exchanged and a non-refundable deposit was received using the percentage of completion method when the stage of contract completion could be reliably determined, costs to date could be clearly identified and total contract revenue and costs to complete could be reliably estimated.

Under AIFRS revenue from the sale of real estate is not recognised until legal title is transferred, unless the risks and rewards of ownership is passed to the buyer before this date.

The effect on the consolidated entity is as follows:

- Decrease revenue from sales of property by $47,893,839, decrease cost of sales – property by $26,692,737 and decrease income tax expense by $6,420,885 for the year ended 30 June 2005;
- Decrease inventories by $21,656,335 and decrease deferred tax liability by $6,420,885 as at 30 June 2005; and
- Decrease retained earnings by $14,780,218 as at 30 June 2005.

There is no effect on the company.

(d) The consolidated entity has investments in associates accounted for using the equity method. As a result of the transition to AIFRS, associates have made adjustments to their financial records for matters including accounting for financial instruments and property sales.

As a result of the above adjustments, the consolidated entity was impacted as follows:

- Reduce investments accounted for using the equity method by $555,115 as at 1 July 2004 and $891,996 as at 30 June 2005;
- Reduce share of profits of associates by $946,578 for the year ended 30 June 2005; and
- Decrease retained earnings by $555,155 as at 1 July 2004 and $1,501,733 as at 30 June 2005.

The consolidated entity ceased equity accounting certain associates as at 1 January 2005, with the effect on the consolidated entity as follows:

- Reduce investments by $154,464 as at 30 June 2005.

In addition, the above adjustments have the following impacts on the consolidated entity in relation to minority interests:

- Decrease minority interests by $236,603 as at 1 July 2004 and $10,656,347 as at 30 June 2005; and
- Increase retained earnings by $251,750 as at 1 July 2004 and $7,230,224 as at 30 June 2005.

There is no effect on the company.

(e) Under AIFRS, shares issued as consideration for acquisition must be recorded at fair value.

Under previous GAAP, shares issued as considerations for acquisitions were able to be recorded at fair value less an appropriate discount where large parcels are issued.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Notes to the reconciliation of equity and profit (cont)

The effect on the consolidated entity is as follows:

- Increase issued capital by $6,365,402 as at 30 June 2005; and
- Increase intangible assets by $6,365,402 as at 30 June 2005.

The effect on the company is as follows:

- Increase issued capital by $6,365,402 as at 30 June 2005; and
- Increase investments by $6,365,402 as at 30 June 2005.

(f) The consolidated entity has applied AASB 3 to all business combinations that have occurred since 1 July 2004 (the date of transition to AIFRSs). Accordingly, the consolidated entity has revised the recognition and measurement of certain intangible assets to fair value at the date of the business combination in which they were acquired.

The effect on the consolidated entity is as follows:

- Increase identifiable intangible assets and decrease goodwill by $11,930,000 as at 30 June 2005;
- Decrease amortisation expense by $480,510 for the year ended 30 June 2005;
- Increase intangible assets and retained earnings by $480,510 as at 30 June 2005.

There is no effect on the company.

(g) Under AIFRS, goodwill and intangible assets with an indefinite useful life are not subject to amortisation but are tested for impairment annually. In addition, investments are tested for impairment where indicators of impairment are identified.

In testing for impairment, the recoverable amount of goodwill, intangible assets and investments are calculated as the present value of the estimated future cash flows, discounted using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to those assets.

Under previous GAAP, estimated future cash flows were not discounted in calculating recoverable amount.

The effect on the consolidated entity is as follows:

- Record an impairment loss of $21,627,342 for the year ended 30 June 2005;
- Decrease intangible assets by $21,627,342 as at 30 June 2005; and
- Decrease retained earnings by $21,627,342 as at 30 June 2005.

The effect on the company is as follows:

- Record an impairment loss of $20,972,137 for the year ended 30 June 2005;
- Decrease investments by $20,972,137 as at 30 June 2005; and
- Decrease retained earnings by $20,972,138 as at 30 June 2005.

The effect of the above adjustments on intangible assets and investments is as follows:

		Consolidated		Company	
	Note	1 Jul 2004	30 Jun 2005	1 Jul 2004	30 Jun 2005
Additional purchase consideration	e	-	6,365,402	-	-
Goodwill	f	-	(11,930,000)	-	-
Identifiable intangible assets	f	-	11,930,000	-	-
Amortisation of intangible assets	f	-	480,510	-	-
Impairment loss	g	-	(21,627,342)	-	-
Increase/(decrease) in intangible assets		-	(14,781,430)	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Notes to the reconciliation of equity and profit

		Consolidated		Company	
	Note	**1 Jul 2004**	**30 Jun 2005**	**1 Jul 2004**	**30 Jun 2005**
Consolidation of managed investment schemes	a	(15,091,915)	(2,696,044)	-	-
Additional purchase consideration	e	-	-	-	6,365,402
Investments recorded at fair value	j	-	-	525,496	-
Loans to subsidiaries	l	-	-	-	5,658,838
Impairment loss	g	-	-	-	(20,972,137)
Increase/(decrease) in investments		(15,091,915)	(2,696,044)	525,496	(8,947,897)

(h) Under AIFRS, establishment fees charged where the consolidated entity has provided the loan funds are recognised over the term of the loan as part as the effective yield of the financial instrument.

Under previous GAAP, establishment fees were recognised on settlement date of the loan offer agreement.

The effect on the consolidated entity is as follows:

- Increase revenue from rendering services – funds management by $401,034 for the year ended 30 June 2005;
- Decrease deferred tax liabilities by $3,874,981 as at 1 July 2004 and $4,069,236 as at 30 June 2005;
- Decrease income tax expense by $194,255 for the year ended 30 June 2005;
- Increase trade and other payables by $12,916,601 as at 1 July 2004 and $12,515,564 as at 30 June 2005; and
- Decrease retained earnings by $9,041,620 as at 1 July 2004 and $8,446,331 as at 30 June 2005.

The effect on the company is as follows:

- Decrease revenue from rendering services by $123,241 for the year ended 30 June 2005;
- Increase deferred tax assets by $146,878 as at 1 July 2004 and $183,850 as at 30 June 2005;
- Decrease income tax expense by $36,972 for the year ended 30 June 2005;
- Increase trade and other payables by $489,592 as at 1 July 2004 and $612,833 as at 30 June 2005; and
- Decrease retained earnings by $342,714 as at 1 July 2004 and $428,983 as at 30 June 2005.

(i) In accordance with AIFRS the tax effect of capital raising costs deducted for taxation purposes over 5 years are allocated to contributed equity.

Under previous GAAP, the tax effect of capital raising costs deducted for taxation purposes over 5 years were allocated to income tax expense, as deductions claimed.

The effect on the consolidated entity is as follows:

- Decrease deferred tax liabilities by $6,059 as at 1 July 2004 and $3,029 as at 30 June 2005;
- Increase income tax expense by $3,029 for the year ended 30 June 2005; and
- Decrease retained earnings by $9,088 as at 1 July 2004 and $12,117 as at 30 June 2005.

There is no effect on the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Notes to the reconciliation of equity and profit

(j) In accordance with AIFRS, investments are recorded at fair value.

Under previous GAAP, investments were recorded at cost.

The effect on the consolidated entity is as follows:

- Increase investments by $525,496, reserves by $367,847 and deferred tax liabilities by $157,649 as at 1 July 2004.

The effect on the company is as follows:

- Increase investments by $525,496 and reserves by $367,847 and decrease deferred tax assets by $157,649 as at 1 July 2004.

(k) In accordance with AIFRS, a deferred tax liability is recognised in relation to the difference between the book carrying value and tax base of investments accounted for using the equity method.

Under previous GAAP, no such deferred tax liabilities were recognised.

The effect on the consolidated entity is as follows:

- Increase deferred tax liabilities by $2,464,572 as at 1 July 2004 and $2,242,000 as at 30 June 2005;
- Decrease income tax expense by $222,603 for year ended 30 June 2005; and
- Decrease retained earnings by $2,464,572 as at 1 July 2004 and increase by $866,874 as at 30 June 2005 in relation to investments accounted for using the equity method.

There is no effect on the company.

(l) Under AIFRS, non-interest bearing loans made to subsidiaries which are unsecured, interest free, have no fixed term of repayment and are repayable at the recipients discretion may be accounted for as investments in controlled entities.

The effect on the company is to decrease other receivables and increase investments by $5,658,838 as at 30 June 2005.

There is no effect on the consolidated entity.

(m) The effect of the above adjustments on deferred tax assets and liabilities is as follows:

		Consolidated		Company	
	Note	1 Jul 2004	30 Jun 2005	1 Jul 2004	30 Jun 2005
Provision for doubtful debts	b	296,742	218,188	(296,742)	(218,189)
Unearned income on establishment fees	h	(3,874,981)	(4,069,236)	146,878	183,850
Capital raising costs	i	(6,059)	(3,029)	-	-
Other financial assets	j	157,649	-	(157,649)	-
Investments accounted for using the equity method	k	2,464,572	2,242,000	-	-
Property work in progress	a	-	(3,108,831)	-	-
Revenue from sales of property	c	-	(6,420,885)	-	-
Net increase/(decrease) in deferred tax liabilities / (decrease)/increase in deferred tax assets		(962,077)	(11,141,793)	(307,513)	(34,339)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

Notes to the reconciliation of equity and profit

(n) The effect of the above adjustments on income tax expense is as follows:

	Note	Consolidated 30 Jun 2005	Company 30 Jun 2005
Unearned income on establishment fees	h	194,255	36,972
Investments accounted for using the equity method	k	222,603	-
Capital raising costs	i	(3,029)	-
Provision for doubtful debts	b	78,554	78,554
Property work in progress	a	3,108,830	-
Property sales	c	6,420,855	-
Net (increase)/decrease in income tax expense		10,022,068	115,526

(o) The effect of the above adjustments on retained earnings is as follows:

		Consolidated		Company	
	Note	1 Jul 2004	30 Jun 2005	1 Jul 2004	30 Jun 2005
Doubtful debts	b	692,399	509,107	692,399	509,107
Unearned income on establishment fees	h	(9,041,620)	(8,446,331)	(342,714)	(428,983)
Capital raising costs	i	(9,088)	(12,117)	-	-
Investments accounted for using the equity method	d	(555,115)	(1,501,733)	-	-
Deferred tax liabilities	k	(2,464,572)	866,874	-	-
Minority interests	d	251,750	10,671,493	-	-
Amortisation of intangible assets	f	-	480,510	-	-
Impairment loss	g	-	(21,627,341)	-	(20,972,138)
Property work in progress	a	-	(10,362,771)	-	-
Property sales	c	-	(14,780,218)	-	-
Net increase/(decrease) in retained earnings		(11,126,246)	(44,202,527)	349,685	(20,892,014)

Change to AIFRS transition since 31 December 2005

In the company's financial report for the half year ended 31 December 2005, the directors disclosed the expected impact of transition to AIFRS on the 30 June 2005 comparative information and the 31 December 2005 half year result.

This transition was based on management's interpretation of mandatory financial reporting requirements regarding the consolidation of special purpose entities, particularly UIG 112 *Consolidation – Special Purpose Entities*. Management's initial interpretation was that managed investment schemes for which the company is responsible entity did not meet the consolidation requirements outlined in UIG 112.

In preparing the 30 June 2006 financial statements, management determined that, after further consideration of UIG 112 and industry practice, certain managed investment schemes for which the company is responsible entity meet the requirements of UIG 112 and accordingly should be consolidated by the consolidated entity.

Accordingly, management has corrected this impact in the 30 June 2006 financial statements by restating its AIFRS transition. The following table discloses the income statement at 30 June 2005 and 31 December 2005 as included in the half year financial report and the adjusted income statements after restatement.

City Pacific Limited ACN 079 453 955

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. EXPLANATION OF TRANSITION TO AIFRS (CONT)

	31 December 2005	31 December 2005 Restated	30 June 2005	30 June 2005 Restated
Revenue from rendering of services – funds management	21,736,754	11,100,514	70,181,327	38,745,785
Revenue from property sales	24,769,091	24,769,091	13,737,135	13,737,135
Revenue from rendering of services – residential and commercial finance	13,276,732	13,276,732	14,120,208	14,120,208
Revenue from rendering of services – other	9,368,400	9,368,400	9,903,551	9,903,551
Interest received – 2nd mortgage loans	8,536,207	8,536,207	6,310,949	6,310,949
Interest income – other	996,425	996,425	1,270,556	1,270,556
Securitised interest income	-	49,576,814	-	94,224,598
	78,683,609	117,624,183	115,523,726	178,312,782
Other income	843,169	843,169	2,689,144	2,689,144
Advertising and promotion	(2,613,158)	(2,613,158)	(3,242,127)	(3,242,127)
Changes in inventories – property	22,160,688	22,160,688	42,682,513	42,682,513
Changes in inventories – other	47,737	47,737	279,787	279,787
Development expenditure – property	(37,389,915)	(35,527,989)	(50,203,102)	(49,307,534)
Raw materials and consumables – other	(1,397,660)	(1,397,660)	(1,716,529)	(1,716,529)
Commissions and brokerage	(6,822,497)	(6,822,497)	(7,663,313)	(7,663,313)
Professional fees	(2,144,353)	(2,144,353)	(3,262,399)	(3,262,399)
Depreciation and amortisation	(1,425,593)	(1,425,593)	(1,305,775)	(1,305,775)
Employee expenses	(10,266,177)	(10,266,177)	(11,632,949)	(11,632,949)
Impairment losses	676,013	676,013	(22,432,844)	(22,432,844)
Occupancy expenses	(613,216)	(613,216)	(804,045)	(804,045)
Administration expenses	(1,631,758)	(1,631,758)	(1,118,075)	(1,118,075)
Securitised distributions to unitholders	-	(40,070,668)	-	(72,482,393)
Securitised interest expense	-	(5,042,313)	-	(1,040,728)
Interest expense – other	(216,177)	(216,177)	(631,215)	(631,215)
Other expenses from ordinary activities	(3,721,371)	(3,721,371)	(4,934,647)	(4,934,647)
Results from operating activities	34,169,341	29,858,860	52,228,150	42,389,653
Share of profit / (loss) of associates	21,474	21,474	1,197,129	1,197,129
Profit before tax	34,190,815	29,880,334	53,425,279	43,586,782
Income tax expense	(9,821,036)	(8,527,892)	(22,641,001)	(19,374,887)
Profit for the year	24,369,779	21,352,442	30,784,278	24,211,895
(Profit)/loss attributable to minority interests	3,553,147	955,639	2,396,086	(1,045,183)
Profit attributable to equity holders of the parent entity	20,816,632	20,396,803	28,388,192	25,257,078
Basic earnings per share attributable to ordinary equity holders	16.36 cents	16.03 cents	25.00 cents	22.24 cents
Diluted earnings per share attributable to ordinary equity holders	16.14 cents	15.82 cents	23.87 cents	21.24 cents

City **Pacific** Limited ACN 079 453 955

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 17 to 83, are in accordance with the Corporations Act 2001, including;

   (i) giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) 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 by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2006 pursuant to Section 295A of the Corporations Act 2001.

Dated at Brisbane this 16th day of August 2006.

Signed in accordance with a resolution of the directors:

P K Sullivan
Director

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
CITY PACIFIC LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 17 to 84 for both City Pacific Limited (the "Company") and City Pacific Limited and its controlled entities (the "consolidated entity"), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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

The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards.*

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

KPMG

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CITY PACIFIC LIMITED

Audit opinion

In our opinion, the financial report of City Pacific Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

S J Board
Partner

16 August 2006

City **Pacific** Limited ACN 079 453 955

ASX ADDITIONAL INFORMATION

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

Shareholdings as at 3 August 2006

Substantial shareholders

	Ordinary
The number of shares held by substantial shareholders as at 3 August 2006 were:	
Maldon Pty Ltd	23,542,470

Class of shares and voting rights

At 3 August 2006, there were 7,406 holders of the ordinary shares of the company. Refer note 22 for details of classes of shares and voting rights.

Options carry no voting rights.

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ASX ADDITIONAL INFORMATION

Distribution of shareholders as at 3 August 2006

Category	*Number of holders* Ordinary
0-1,000	1,679
1,001 – 5,000	3,607
5,001 – 10,000	991
10,001 – 100,000	1,022
100,001 and over	107
	7,406

The number of shareholders holding less than a marketable parcel of ordinary shares is 60.

Twenty largest shareholders as at 3 August 2006

	Name	Number of shares held	Percentage of capital held %
1)	Maldon Pty Ltd	23,542,470	18.31
2)	Sangillo Pty Ltd	5,626,960	4.38
3)	Maldon Pty Ltd	5,270,000	4.10
4)	Sandkent Investments Limited	5,217,987	4.06
5)	Shanda Investments Pty Ltd	3,454,514	2.69
6)	Kenleet Investments No 2 Pty Ltd	2,034,402	1.58
7)	Sapienza Pty Ltd	1,484,365	1.15
8)	National Nominees Limited	1,474,211	1.15
9)	Jocelyn Trathen	1,400,000	1.09
10)	J P Morgan Nominees Australia Limited	1,259,849	0.98
11)	David Arrowsmith	1,254,235	0.98
12)	Mr Franklin Carrick Hadley	1,212,015	0.94
13)	Frank Hadley Pty Ltd	1,131,648	0.88
14)	Sandkent Investments Pty Ltd	973,863	0.76
15)	Mr Neville Frank East & Mrs Pamela East	966,670	0.75
16)	Steveryl Pty Ltd	911,100	0.71
17)	Chelverton Dividend Income Fund Limited	900,000	0.70
18)	Tess Aust. Pty Ltd	823,876	0.64
19)	Sandkent Pty Ltd	802,214	0.62
20)	Contra Proferentem Pty Ltd	776,358	0.60
		60,516,737	47.07

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

ASX ADDITIONAL INFORMATION

Distribution of optionholders as at 3 August 2006

Category	*Number of holders* Options
0-1,000	4
1,001 – 5,000	11
5,001 – 10,000	17
10,001 – 100,000	4
100,001 and over	2
	38

This is a combined class of escrow and non-escrow options exercisable at $1.00 each and expiring on 1 September 2006. The number of optionholders holding less than a marketable parcel of ordinary shares is 1.

Twenty largest optionholders as at 3 August 2006

	Name	Number of options held	Percentage of capital held %
1)	Q Plan Management Services Pty Ltd	250,000	38.34
2)	Mrs Jillian Fitzgerald	120,000	18.41
3)	Ms Christine Iris Watkins	45,000	6.90
4)	Mrs Herschelle Jacqueline	25,500	3.91
5)	Mr Anthony Attard	15,000	2.30
6)	Mrs Frieda Attard	15,000	2.30
7)	Mr Barry Phipps	10,000	1.53
8)	Mrs Joanne Burke	9,000	1.38
9)	Mrs Rosalee Drummond	9,000	1.38
10)	Mrs Madonna Jeffrey	9,000	1.38
11)	Ms Robyn Marshall	9,000	1.38
12)	Mr George Picard	9,000	1.38
13)	Mr Eugenio Quartiero	9,000	1.38
14)	Tricom Nominees Pty Ltd	9,000	1.38
15)	James Louis Williams & Janace Ann Williams	9,000	1.38
16)	Mr Russell Garnett	8,406	1.29
17)	Ms Edith Chu	7,500	1.15
18)	Mr Paul Daniel McMahon	7,500	1.15
19)	Mr Graham Trevor Sharp & Mrs Susan Heather Sharp	7,500	1.15
20)	Sussex (Qld) Pty Ltd	7,500	1.15
		590,906	90.62

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

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ASX ADDITIONAL INFORMATION

The company had the following unlisted options on issue as at 3 August 2006:

Name	Number of options held	Percentage of capital held %
Belgravia Group Pty Ltd	360,083	50
Selpam Pty Ltd	360,082	50
	720,165	100

Options are exercisable at $3.14 and expire 25 August 2006

Mr Rupert Legh	100,000	100

Options are exercisable at $4.00 and expire 30 June 2007

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

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OFFICES AND OFFICERS

Company Secretary
Mr Stephen Mackay, resigned 1 August 2006
Mr Timothy 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
Santa Cruz House
56-60 Santa Cruz Boulevard
Clear Island Waters QLD 4226
National number 13 4769
Phone (07) 5572 8500
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.