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City Pacific Limited

DEVELOPING FINANCIAL OPPORTUNITIES

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Half-Year Financial Report

31 December 2007

City Pacific Limited
DEVELOPING FINANCIAL OPPORTUNITIES

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Directors' Report

The Directors present their report together with the consolidated interim financial report of City Pacific Limited ("the company" or "City Pacific"), for the half-year ended 31 December 2007 and the review report thereon.

Directors

The Directors of the company during or since the end of the half-year are:

Name	*Period of directorship*
Mr Ian William Donaldson AM *Chairman* *Non-executive Director*	Appointed 25 May 1998
Thomas William Swan *Deputy Chairman* *Non-executive Director*	Appointed 8 August 1997
Philip Keith Sullivan *Managing Director* *Chief Executive Officer*	Appointed 8 August 1997
Mr Shane L Stone AC, QC *Non-executive Director*	Appointed 16 September 2005
Mr Peter Charles Trathen *Executive Director*	Appointed 16 September 2005

Principal activities

The principal activities of the group during the half-year were to act as Responsible Entity and manager of four registered schemes (City Pacific First Mortgage Fund, City Pacific Income Fund, City Pacific Managed Fund and City Pacific Private Fund), property, financial services, investment/trading activities and operations.

Operating and financial review

The net profit after income tax and minority interests of the group for the half-year was $27,469,707 (2006: $24,249,675), representing an increase of 13.3% from the corresponding period.

As at 31 December 2007, the group has secured debt of $132,381,224 which represents gearing of 29.5% on the group's gross assets of $449,480,378.

In light of current market conditions, the Directors consider it prudent that the City Pacific First Mortgage Fund, for which City Pacific is Responsible Entity, reduce its debt and intend to replace the debt with institutional investment.

As at 31 December 2007 the Fund had $326 million of loans due to be repaid by borrowers by the end of March and a further $707 million by the end of the 2008 calendar year. These loans are all expected to be repaid in full in the normal course of the Fund's operations.

During the half year, the group deconsolidated the special purpose entities, City Pacific First Mortgage Fund and City Pacific Income Fund, as the company no longer has exposure to the majority of the risks and rewards of either fund.

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Directors' Report (continued)

Objectives

The group's objective is to grow shareholder wealth through improved share prices whilst continuing to deliver record profit and high dividends. This objective will be achieved through:

- Continuing the growth of the registered schemes for which City Pacific is the responsible entity;
- Launching additional registered schemes for which City Pacific will be responsible entity;
- Increased financial contributions from subsidiary and associated companies;
- Growth of property and equipment financing activities; and
- Continued investment and trading activities.

The group conducts business in five primary segments, being funds management, property, financial services, investment/trading and operating.

Funds management consists of the company's responsible entity activities for which it receives management fees, establishment fees and interest income. Total funds under management was approximately $1.02 billion as at 31 December 2007. The result of the funds management segment before income tax and minority interests for the half-year ended 31 December 2007 was a net profit of $37,441,698 (2006: $20,676,093).

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

- Mirvac Pacific Pty Ltd, a joint venture (50% interest held) with Mirvac Group, involving a 10 year, $1.03 billion development of a master planed residential community on 389 hectares of land in South East Queensland. Development works are to commence in the second half of the 2008 financial year;
- Townsville Ocean Terminal Project – City Pacific is undertaking this integrated residential and tourism development which will comprise a cruise terminal and wharf, residential development on reclaimed land, and marina. Construction is expected to commence during the 2008 calendar year;
- Breakwater Pacific Pty Ltd, a 100% owned subsidiary of City Pacific, owns, and is in the process of extending the Breakwater Marina at Townsville in Queensland;
- Grande Pacific Limited – City Pacific holds a 100% shareholding in Grande Pacific Limited which, in a joint venture (50% interest held), owns and is in the process of developing land in South East Queensland, Victoria and New Zealand for the operation of independent living communities;
- SP Marina Pty Ltd, a joint venture (50% interest held) with Raptis Group which has secured Mariners Cove, a Marina, Tavern and Tourist Accommodation complex on the Gold Coast. The 3.9 hectare site is being held for future development;
- Sunrise Waters Pty Ltd, a joint venture (50% interest held) which will construct a riverfront, over 50's residential complex on a 40 hectare parcel of land on the Gold Coast; and
- Indigo Pacific Capital Limited – City Pacific holds a 26.55% shareholding in Indigo Pacific Capital which finances development projects primarily undertaken by the Indigo Group.

City Pacific also has a 30.6% shareholding in CP1 Limited, which has the following property development interests:

- Marina Cove Pty Ltd, a 100% subsidiary of CP1 which owns, and is in the process of developing a waterfront living and leisure complex at Martha Cove on the Mornington Peninsula in Victoria. The development, nearing completion, comprises 92 hectares of land, an inland waterway with 650 marina berths, a commercial precinct and 1,150 home sites;
- Azurra Pacific Resort Pty Ltd, a joint venture (51% interest held) which owns a 2.5 hectare amalgamated site in Surfers Paradise in Queensland. Development of the site has commenced and will comprise a four tower, themed destination resort. The development site presently contains the award winning Paradise Resort which has been operated by the company since acquisition and will continue to be operated until the staged development works on the site require the demolition of the Resort;

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Directors' Report (continued)

Objectives (continued)

- Lake Views Estates Pty Ltd, a joint venture (50% interest held) which owns and is in the process of developing land at Braeside in Victoria for industrial and residential uses;
- Cira International Pty Ltd, a joint venture (50% interest held) with Raptis Group, which owns a 2.3 hectare property in Surfers Paradise, Queensland, comprising the Gold Coast International Hotel and adjoining land. The hotel will continue to be operated in the short term with the site to be held for future development comprising four towers; and
- MP Pacific Investments Pty Ltd, a joint venture (50% interest held) which owns and operates the Waves Motel at Byron Bay in New South Wales.

The result of the property segment before income tax and minority interests for the half-year ended 31 December 2007 was a net profit of $4,427,620 (2006: $13,690,536).

Financial services comprises the provision of property and equipment financing services of Citypac Home Loans Pty Ltd, City Pacific Finance Services Pty Ltd, City Pacific Treasury Finance Pty Ltd and Australian Beneficial Finance Pty Ltd. The result of the financial services segment before income tax and minority interests for the half-year ended 31 December 2007 was a net profit of $1,074,758 (2006: $193,451).

Investment/trading comprises the investment and/or trading of the group's assets. The result of the investment/ trading segment before income tax and minority interests for during the half year ended 31 December 2007 was nil (2006: Nil), as no such transactions were concluded during the period.

The operating segment comprises the group's hotel, marina and golf course operations. The result of the operating segment before income tax and minority interests for the half-year ended 31 December 2007 was a net profit of $1,329,101 (2006: $2,642,420).

Consolidation of special purpose entities

City Pacific and the City Pacific First Mortgage Fund are, and always have been, separate entities. The Public Trustee of Queensland, one of the largest trust offices in Australia, as the Custodian of the Fund, holds separate from City Pacific the assets of the Fund on behalf of the investors.

City Pacific is Responsible Entity for City Pacific First Mortgage Fund and City Pacific Income Fund, which make loans secured by registered first mortgages over real property in Australia. City Pacific previously consolidated City Pacific First Mortgage Fund and City Pacific Income Fund following the introduction of Australian Equivalents to International Financial Reporting Standards (AIFRS). The Directors considered that these schemes were previously required to be consolidated in accordance with AIFRS, on the basis that City Pacific had an exposure to the risks and rewards of the schemes, albeit that the assets of the schemes belong to the investors in those schemes rather than City Pacific.

City Pacific deconsolidated City Pacific First Mortgage Fund and City Pacific Income Fund during the half year on the basis that City Pacific no longer had exposure to the risks and rewards of the schemes, as disclosed in the current Product Disclosure Statements for each scheme.

The Directors of City Pacific consider the deconsolidation of City Pacific First Mortgage Fund and City Pacific Income Fund to be appropriate on the basis that the assets of the schemes are assets of the investors and are not assets of City Pacific.

Despite the deconsolidation, there has been no change to the management of the schemes and City Pacific continues to manage the schemes in the best interests of and for the benefit of all investors.

City Pacific has an investment in City Pacific Warehouse Trust where City Pacific has exposure to the majority of the risks and rewards of the Trust. Accordingly City Pacific is required to consolidate City Pacific Warehouse Trust.

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Directors' Report (continued)

Consolidation of special purpose entities (continued)

To provide comparative information at 30 June 2007 prepared on a comparable basis, the following table provides a proforma consolidated balance sheet as at 30 June 2007 assuming both City Pacific First Mortgage Fund and City Pacific Income Fund were not consolidated as at 30 June 2007. This proforma balance sheet is prepared in accordance with accounting standards.

	31 December 2007 $ As reported	30 June 2007 $ As reported	30 June 2007 $ Proforma
Current assets			
Cash and cash equivalents	2,665,274	24,742,900	1,758,991
Receivables	156,171,304	783,528,517	63,055,254
Inventories	124,898	75,250	75,250
Investments	665,000	660,000	660,000
Total current assets	159,626,476	809,006,667	65,549,495
Non-current assets			
Receivables	63,504,429	574,388,435	131,027,796
Inventories	25,689,968	26,804,965	27,904,250
Property, plant and equipment	55,703,721	5,708,018	5,708,018
Investment property	16,676,973	16,676,973	16,676,973
Investments accounted for using the equity method	80,437,505	78,591,913	79,982,568
Intangible assets	47,127,903	44,417,874	44,441,784
Investments	713,403	669,710	4,669,710
Total non-current assets	289,853,902	747,257,888	310,411,099
Total assets	449,480,378	1,556,264,555	375,960,594
Current liabilities			
Payables	14,775,555	32,743,517	44,254,183
Unitholder funds - special purpose entities	2,606,660	540,006,416	4,203,318
Interest-bearing loans	132,381,224	147,510,433	803,897
Current tax liabilities	5,884,743	11,368,939	11,368,939
Employee benefits	499,004	934,038	934,038
Provisions	178,790	157,476	157,476
Total current liabilities	156,325,976	732,720,819	61,721,851
Non-current liabilities			
Payables	1,057,294	-	-
Unitholder funds - special purpose entities	47,892,360	536,403,899	37,005,702
Interest-bearing loans	-	36,614,488	32,901,621
Employee benefits	258,493	166,374	166,374
Deferred tax liabilities	9,754,140	6,326,241	3,104,673
Total non-current liabilities	58,962,287	579,511,002	73,178,370
Total liabilities	215,288,263	1,312,231,821	134,900,221
Net assets	234,192,115	244,032,734	241,060,373
Equity			
Issued capital	220,076,458	211,918,038	211,918,038
Reserves	28,642	28,642	28,642
Retained earnings	14,087,015	32,068,742	29,096,381
Total parent entity interest	234,192,115	244,015,422	241,043,061
Minority interests	-	17,312	17,312
Total equity	234,192,115	244,032,734	241,060,373

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Directors' Report (continued)

Subsequent events

The directors announced an interim dividend of 15 cents per share fully franked, to be paid on 30 April 2008.

Subsequent to period end, City Pacific, as Responsible Entity for the City Pacific First Mortgage Fund, entered into a new agreement with the Fund's financier, superceding the previous facility. Refer to note 15 for further details.

Other than the items noted above, there has not arisen in the interval between the end of the half-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 group, the results of those operations, or the state of affairs of the group in future financial years.

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

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for the half-year ended 31 December 2007.

Dated at Gold Coast this 29th day of February 2008.

Signed in accordance with a resolution of the directors:

P K Sullivan
Managing Director

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KPMG

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 review for the half-year ended 31 December 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

S J Board
Partner

Gold Coast

29 February 2008

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Consolidated Interim Income Statement
For the 6 months ended 31 December 2007

	Note	31 December 2007 $	31 December 2006** $
Revenue from rendering of services – funds management		23,797,182	13,602,238
Revenue from rendering of services – property		1,126,754	3,252,102
Revenue from rendering of services – financial services		11,793,692	11,498,545
Revenue from rendering of services – operating		2,232,810	11,297,123
Interest income – mortgage loans		10,921,347	9,215,555
Interest income – special purpose entities		60,949,219	57,244,934
Interest income – other		240,448	2,421,951
Total revenue		111,061,452	108,532,448
Revaluation gain upon transfer to investment property		-	10,493,952
Other income		30,251	32,837
Advertising and promotion		(1,691,398)	(2,702,971)
Changes in inventories – property		-	49,738,188
Changes in inventories – operating		49,648	90,788
Development expenditure – property		-	(51,729,295)
Raw materials and consumables – operating		(755,402)	(2,317,887)
Commissions and brokerage		(8,015,943)	(7,771,990)
Professional fees		(2,253,717)	(1,722,778)
Depreciation		(84,983)	(451,539)
Amortisation		(1,154,306)	(895,000)
Employee expenses		(6,333,805)	(11,689,394)
Distributions to unitholders – special purpose entities		(38,313,007)	(45,057,763)
Interest expense – special purpose entities		(8,444,790)	(5,410,515)
Interest expense – other		(3,090,868)	(1,732,470)
Other expenses from ordinary activities	4	(5,887,026)	(6,588,536)
Results from operating activities		35,116,106	30,818,075
Share of profit of associates	10	4,158,531	4,316,686
Profit before tax		39,274,637	35,134,761
Income tax expense		(11,802,099)	(10,553,548)
Profit for the period		27,472,538	24,581,213
Attributable to:			
Equity holders of the company		27,469,707	24,249,675
Profit attributable to minority interests		2,831	331,538
Profit for the period		27,472,538	24,581,213
Basic earnings per share attributable to ordinary equity holders		18.14 cents	18.68 cents
Diluted earnings per share attributable to ordinary equity holders		18.14 cents	18.66 cents

** Includes the consolidation of City Pacific First Mortgage Fund and City Pacific Income Fund, both of which were deconsolidated during the half year ended 31 December 2007. Refer to Note 3 for further details.

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

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Consolidated Interim Statement of Recognised Income and Expense
For the 6 months ended 31 December 2007

	31 December 2007 $	31 December 2006** $
Net income recognised directly in equity	-	-
Profit for the period	27,472,538	24,581,213
Total recognised income and expense for the period	27,472,538	24,581,213
Attributable to:		
Equity holders of the parent	27,469,707	24,249,675
Minority interest	2,831	331,538
Total recognised income and expense for the period	27,472,538	24,581,213

** Includes the consolidation of City Pacific First Mortgage Fund and City Pacific Income Fund, both of which were deconsolidated during the half year ended 31 December 2007. Refer to Note 3 for further details.

Other movements in equity arising from transactions with owners as owners are set out in Note 12.

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Consolidated Interim Balance Sheet as at 31 December 2007

	Note	31 December 2007 $	30 June 2007** $
Current assets			
Cash and cash equivalents	5	2,665,274	24,742,900
Receivables	6	156,171,304	783,528,517
Inventories		124,898	75,250
Investments		665,000	660,000
Total current assets		159,626,476	809,006,667
Non-current assets			
Receivables	6	63,504,429	574,388,435
Inventories		25,689,968	26,804,965
Property, plant and equipment	9	55,703,721	5,708,018
Investment property		16,676,973	16,676,973
Investments accounted for using the equity method	10	80,437,505	78,591,913
Intangible assets		47,127,903	44,417,874
Investments		713,403	669,710
Total non-current assets		289,853,902	747,257,888
Total assets		449,480,378	1,556,264,555
Current liabilities			
Payables	7	14,775,555	32,743,517
Unitholder funds - special purpose entities		2,606,660	540,006,416
Interest-bearing loans	8	132,381,224	147,510,433
Current tax liabilities		5,884,743	11,368,939
Employee benefits		499,004	934,038
Provisions		178,790	157,476
Total current liabilities		156,325,976	732,720,819
Non-current liabilities			
Payables	7	1,057,294	-
Unitholder funds - special purpose entities		47,892,360	536,403,899
Interest-bearing loans	8	-	36,614,488
Employee benefits		258,493	166,374
Deferred tax liabilities		9,754,140	6,326,241
Total non-current liabilities		58,962,287	579,511,002
Total liabilities		215,288,263	1,312,231,821
Net assets		234,192,115	244,032,734
Equity			
Issued capital	12	220,076,458	211,918,038
Reserves		28,642	28,642
Retained earnings	13	14,087,015	32,068,742
Total parent entity interest		234,192,115	244,015,422
Minority interests		-	17,312
Total equity		234,192,115	244,032,734

** Includes the consolidation of City Pacific First Mortgage Fund and City Pacific Income Fund, both of which were deconsolidated during the half year ended 31 December 2007. Refer to Note 3 for further details.

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

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Consolidated Interim Statement of Cash Flows
For the half- year ended 31 December 2007

	31 December 2007 $	31 December 2006** $
Cash flows from operating activities		
Receipts from customers	30,998,242	36,032,945
Cash payments to suppliers and employees	(34,115,730)	(39,905,372)
Payments for inventories – financed	(8,466,182)	(55,144,464)
Cash generated from operations	(11,583,670)	(59,016,891)
Interest received	4,708,098	10,213,674
Dividends received	-	3,928
Interest paid	(548,207)	(1,478,912)
Income tax paid	(13,858,397)	(19,717,963)
Interest received – special purpose entities	53,899,592	51,051,415
Distributions paid – special purpose entities	(24,833,407)	(42,660,246)
Interest paid – special purpose entities	(6,843,349)	(5,449,487)
Net cash from/(used in) operating activities	940,660	(67,054,482)
Cash flows from investing activities		
Loans to associated entities	(21,233)	(424,482)
Loans to other entities	(9,583,577)	(22,442,288)
Repayment of loans by other entities	16,616,681	15,047,331
Mortgage loans – special purpose entities	(395,366,984)	(424,713,740)
Repayment of mortgage loans – special purpose entities	384,410,669	378,609,423
Payment for investment in subsidiary, net of cash	(1,866,000)	(4,327,792)
Payments for investments in managed investment schemes	-	(19,880,531)
Proceeds on redemption of managed investment schemes	-	30,332,377
Proceeds on disposal of shares in listed company	-	151,338
Payments for deposits on investment property	(11,100,000)	-
Payments for property, plant and equipment	(24,327,044)	(773,604)
Net cash used in investing activities	(41,237,488)	(48,421,968)

** Includes the consolidation of City Pacific First Mortgage Fund and City Pacific Income Fund, both of which were deconsolidated during the half year ended 31 December 2007. Refer to Note 3 for further details.

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

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Consolidated Interim Statement of Cash Flows
For the 6 months ended 31 December 2007

	31 December 2007 $	31 December 2006** $
Cash flows from financing activities		
Proceeds from issue of shares	-	2,143,078
Proceeds from the issue of shares to minority interests	-	13,961,113
Dividends paid	(27,683,109)	(40,384,378)
Interest paid – financing	(2,542,622)	(9,799,107)
Unitholders funds received – special purpose entities	201,229,163	353,908,373
Repayment of unitholders funds – special purpose entities	(309,485,384)	(202,167,263)
Interest bearing loans from other parties – special purpose entities	215,789,567	30,000,000
Repayment of interest bearing loans from other parties – special purpose entities	(123,300,000)	(50,000,000)
Repayment of loans:		
Related parties	(1,700,537)	(17,624,698)
Other parties	(3,708,887)	-
Proceeds from borrowings:		
Related parties	29,794,426	33,000
Other parties	62,984,889	46,068,618
Net cash from financing activities	41,377,506	126,138,736
Net increase/(decrease) in cash held	1,080,678	10,662,286
Cash at beginning of the half-year	24,742,900	83,231,371
Less cash deconsolidated from City Pacific First Mortgage Fund and City Pacific Income Fund (refer to Note 3)	(23,158,304)	-
Cash at the end of the half-year	2,665,274	93,893,657

** Includes the consolidation of City Pacific First Mortgage Fund and City Pacific Income Fund, both of which were deconsolidated during the half year ended 31 December 2007. Refer to Note 3 for further details.

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

Condensed notes to the consolidated interim financial statements

1. Significant accounting policies

City Pacific Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at Level 12, 300 Queen Street Brisbane QLD 4000 or at www.citypac.com.au.

(a) Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2007.

This consolidated interim financial report was approved by the directors on 29 February 2008.

(b) Significant accounting policies

The accounting policies applied by the group in this consolidated interim financial report are the same as those applied by the group in its consolidated financial report as at and for the year ended 30 June 2007.

(c) Basis of preparation

City Pacific is Responsible Entity for a number of managed investment schemes, the largest of which is City Pacific First Mortgage Fund.

As a result of difficult market conditions, including the compounding effect of several significant events within the financial services industry, there was a reduction in unitholder funds if City Pacific First Mortgage Fund during the half-year. The increase in redemptions was managed through a combination of the repayment of first mortgage loans by borrowers together with utilisation of the Fund's cash deposits and finance facility as required.

The Directors consider it prudent to reduce the borrowings of City Pacific First Mortgage Fund at this time, as disclosed in note 15, and consistent with this funding strategy, subsequent to half-year end the Fund has entered into a new funding agreement with its financier.

The Group earns significant revenues and cashflows from a range of operating businesses, including:

- Managed investment schemes for which City Pacific is Responsible Entity, including City Pacific First Mortgage Fund;
- Property development and project management activities;
- Financial services, including property and equipment financing activities;
- Investments in various associates, including CP1 Limited and Indigo Pacific Capital Limited; and
- Hotel, marina and golf course operations.

Notwithstanding the uncertainty in the financial services industry, the directors consider that given the Group's range of revenue and cashflow streams the Group is not dependent on any one of the above business operations to meet its cashflow requirements.

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Condensed notes to the consolidated interim financial statements

2. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group'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 comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group comprises the following main business segments, based on the group's management reporting system.

■ Funds management	management of funds, including managed investment schemes
■ Property	property development and project management
■ Financial services	property and equipment financing
■ Investment/trading	investment and/or trading of the group's assets
■ Operating	operating activities including hotel, marina & golf course operations

Geographical segments

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

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Condensed notes to the consolidated interim financial statements

2. Segment reporting (continued)

Business segments	Funds Management		Property		Financial services		Investment / trading		Operating		Consolidated	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Revenue from rendering of services – funds management	23,797,182	13,602,238	-	-	-	-	-	-	-	-	23,797,182	13,602,238
Revenue from rendering of services – property	-	-	1,126,754	3,252,102	-	-	-	-	-	-	1,126,754	3,252,102
Revenue from rendering of services – financial services	-	-	-	-	11,793,692	11,498,545	-	-	-	-	11,793,692	11,498,545
Revenue from rendering services – operating	-	-	-	-	-	-	-	-	2,232,810	11,297,123	2,232,810	11,297,123
Interest received – mortgage loans	10,921,347	9,215,555	-	-	-	-	-	-	-	-	10,921,347	9,215,555
Interest income – special purpose entities	60,949,219	57,244,934	-	-	-	-	-	-	-	-	60,949,219	57,244,934
Total segment revenue	95,667,748	80,062,727	1,126,754	3,252,102	11,793,692	11,498,545	-	-	2,232,810	11,297,123	110,821,004	106,110,497
Revaluation gain upon transfer to investment property	-	-	-	10,493,952	-	-	-	-	-	-	-	10,493,952
Revenue from investments and trading	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & amortisation	(10,080)	67,607	-	104,632	1,237,291	1,159,544	-	-	12,078	14,756	1,239,289	1,346,539
Share of profit of associates	-	-	4,158,531	4,316,686	-	-	-	-	-	-	4,158,531	4,316,686
Segment result	37,441,698	20,676,093	4,427,620	13,690,536	1,074,758	193,451	-	-	1,329,101	2,642,420	44,273,177	37,202,500
Other unallocated revenue											270,699	2,454,788
Unallocated corporate (expense)/profit											(5,269,239)	(4,522,527)
Operating profit											39,274,637	35,134,761
Income tax expense											(11,802,099)	(10,553,548)
Profit for the period											27,472,538	24,581,213

Condensed notes to the consolidated interim financial statements

3. Consolidation of special purpose entities

City Pacific is Responsible Entity for City Pacific First Mortgage Fund and City Pacific Income Fund, which make loans secured by registered first mortgages over real property in Australia. City Pacific previously consolidated City Pacific First Mortgage Fund and City Pacific Income Fund on the basis that City Pacific had exposure to the risks and rewards of the funds. As a result of the Directors' of City Pacific resolving that the company would no longer provide the funds with financial support in the event of a loss so as to maintain unitholder distribution rates, and both funds subsequently issuing updated Product Disclosure Statements, City Pacific no longer has exposure to the risks and rewards of either Fund. Accordingly, City Pacific deconsolidated City Pacific First Mortgage Fund and City Pacific Income Fund on 1 December 2007.

City Pacific has an investment in City Pacific Warehouse Trust where City Pacific has exposure to the majority of the risks and rewards of the Trust. Accordingly City Pacific is required to consolidate City Pacific Warehouse Trust.

4. Other expenses	31 December 2007 $	31 December 2006 $
Impairment loss – interest income	1,740,656	-
Miscellaneous expenses	4,146,370	6,588,536
	5,887,026	6,588,536

Impairment loss relates to interest income that was not recovered from the proceeds of a loan repayment, due to a delay in settlement of the loan. All principal and remaining interest was recovered in full.

5. Cash and cash equivalents	31 December 2007 $	30 June 2007 $
Cash at bank and on hand	2,501,842	1,584,596
Cash and cash equivalents – special purpose entities	163,432	23,158,304
	2,665,274	24,742,900

6. Receivables		
Current		
Trade and other receivables	34,632,644	27,963,971
Receivables - special purpose entities	390,215	31,590,254
First mortgage loans - special purpose entities	2,889,883	704,117,301
Other mortgage loans	118,258,562	19,856,991
	156,171,304	783,528,517
Non-current		
Other receivables	1,341,357	5,038,270
First mortgage loans - special purpose entities	53,096,040	480,346,680
Other mortgage loans	9,067,032	89,003,485
	63,504,429	574,388,435

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Condensed notes to the consolidated interim financial statements

7. Payables	31 December 2007	30 June 2007
Current		
Trade and other payables	14,483,577	17,779,040
Payables – special purpose entities	291,978	14,964,477
	14,775,555	32,743,517
Non-current		
Other payables	1,057,294	-

8. Interest-bearing loans		
Current		
Interest bearing loans	132,381,224	510,433
Interest bearing loans - special purpose entities	-	147,000,000
	132,381,224	147,510,433
Non-current		
Interest bearing loans	-	36,614,488

City Pacific has a finance facility with a limit of $100,000,000, comprising a bills discount facility, cash advance facility and contingent liability facility, to be used for working capital purposes. The finance arrangement is a variable interest only facility (current rate 7.77%) subject to annual review and is secured by a fixed and floating charge over the assets of City Pacific. The annual review is due in October 2008. At 31 December 2007, the facility was drawn to $98,843,617 comprising discount bill facility of $81,700,000, cash advance of $2,383,017, and contingent liability of $14,760,600 (refer note 14).

During the half year, City Pacific established a loan of $18,500,000 for the purposes of funding the company's Corporate Office. The loan is a variable, interest only facility (current rate 6.98%), has a term of 6 months, maturing in May 2008 and is secured by a 1st registered mortgage over the property.

Grande Pacific Limited, a fully owned subsidiary of City Pacific, has $22,196,099 in development loans with the City Pacific First Mortgage Fund. The loans are variable, interest only facilities (current rate 12.00%), have terms of 12 months, maturing in December 2008 and are secured by 1st registered mortgages over property.

City Pacific Reserves, a fully owned subsidiary of City Pacific, has a finance facility with a limit of $900,000 which was fully drawn at 31 December 2007. The loan is a variable, interest only facility (current rate 7.21%), has a term of 12 months, maturing in March 2008 and is secured by a 1st registered mortgage over property.

Quay Development Corporation Unit Trust, a fully owned subsidiary of City Pacific, has a commercial bill facility with a limit of $7,605,000 for the purpose of funding industrial property held by the trust. At 31 December 2007 the facility was drawn to $6,702,108. The loan is a variable, interest only facility (current rate 8.27%), has a term of 12 months, maturing in September 2008 and is secured by a 1st registered mortgage over the property.

9. Property Plant and Equipment

During the six months ended 31 December 2007 the Group acquired plant and equipment with a cost of $28,195,541 primarily in relation to the acquisition of the City Pacific corporate office site.

In addition, $21,885,145 of inventories of Grand Pacific Limited were reclassed to property, plant and equipment in accordance with AASB 140 *Investment Property,* which states that costs of a site intending to be developed as investment property, should be accounted for during the construction phase as property plant and equipment.

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Condensed notes to the consolidated interim financial statements

10. Investments accounted for using the equity method

Details of investments accounted for using the equity method are as follows:

Name	Principal activities	Ownership interest 31 Dec 2007 %	Ownership interest 30 Jun 2007 %	Share of net profit/(loss) 31 Dec 2007 $	Share of net profit/(loss) 31 Dec 2006 $	Investment carrying value 31 Dec 2007 $	Investment carrying value 30 Jun 2007 $
CP1 Limited	Property development	30.6%	30.6%	3,776,431	-	39,941,249	40,511,235
Mirvac Pacific Pty Ltd	Property development	50%	50%	(141,320)	2,544,908	27,672,556	25,782,398
Indigo Pacific Capital Limited (i)	Property development lending	26.55%	26.78%	523,420	1,814,756	12,778,223	12,254,802
Grande Pacific Operations Pty Ltd	Property development	50%	50%	-	(42,978)	-	43,478
Deep Blue Consortium Pty Ltd	Property development	25%	-	-	-	44,800	-
Marybrook Project Pty Ltd (ii)	Property development	67.5%	-	-	-	675	-
SP Marina Pty Ltd	Property development	50%	-	-	-	2	-
				4,158,531	4,316,686	80,437,505	78,591,913

(i) The group's interest in Indigo Pacific Capital Limited decreased to 26.55% since 30 June 2007 due to reinvestment of dividends in accordance with the company's Dividend Reinvestment Plan.

(ii) City Pacific Limited accounts for its investment in Marybrook Project Pty Ltd using the equity method as it has joint control in accordance with a shareholders agreement.

11. Dividends

Dividends recognised in the current period by the company:

	Cents per share	Total Amount	Date of payment	Franked/ unfranked	Franking Percentage
2007					
Final 2007 ordinary	30.0	45,451,434	31 October 2007	Franked	100%
2006					
Final 2006 ordinary	34.0	44,109,324	31 October 2006	Franked	100%

Subsequent events:

Since the end of the financial period the directors declared the following dividend:

Interim 2007 ordinary	15.0	22,886,030(i)	30 April 2008	Franked	100%

(i) Estimated interim dividend amount based on 152,573,535 shares on issue at 31 December 2007.

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Condensed notes to the consolidated interim financial statements

12. Issued capital	31 December 2007	30 June 2007
Share capital	**$**	**$**
152,573,535 (30 June 2007: 150,499,870) ordinary shares, fully paid	220,076,458	211,918,038
(a) Ordinary shares		
Balance at the beginning of period	211,918,038	116,432,142
Shares issued:		
- 1,068,754 (30 June 2007: 1,322,890) upon reinvestment of dividends pursuant to Dividend Reinvestment Plan	3,982,179	5,941,993
- Nil (30 June 2007: 4,165) upon exercise of $0.30 options	-	1,250
- Nil (30 June 2007: 611,168) upon exercise of $1.00 options	-	611,168
- Nil (30 June 2007: 360,083) upon exercise of $3.14 options	-	1,130,661
- Nil (30 June 2007: 100,000) upon exercise of $4.00 options	-	400,000
- Nil (30 June 2007: 266,668) ordinary shares issued pursuant employment contract	-	1,328,007
- Nil (30 June 2007: 1,030,769) shares issued pursuant to acquisition of City Pacific Project Management Pty Ltd	-	4,473,537
- Nil (30 June 2007: 18,279,570) ordinary shares issued pursuant to a private placement at $4.65 per share	-	81,599,280
- 201,510 (30 June 2007: nil) ordinary shares issued pursuant to acquisition of Australian Beneficial Finance Pty Ltd at $3.90 per share (i)	785,889	-
- 803,401 (30 June 2007: nil) ordinary voluntary escrow shares issued pursuant to acquisition of Australian Beneficial Finance Pty Ltd at $4.22 per share, under escrow until 30 June 2008 (i)	3,390,352	-
Balance at end of year	220,076,458	211,918,038

(i) On 2 July 2007 the group acquired 100% of the shares of Australian Beneficial Finance Pty Ltd. A total of 1,004,911 shares were issued as consideration for the acquisition in accordance with Scrip for Scrip offer documents. Of the 1,004,911 shares, 201,510 were ordinary shares issued on 2 July 2007 at $3.90 per share and 803,401 were escrowed ordinary shares issued on the 28 September 2007 pursuant to an agreement based on certain performance hurdles, resulting in total consideration of $4,176,241. The escrowed ordinary shares are subject to escrow until 30 June 2008.

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.

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Condensed notes to the consolidated interim financial statements

13. Retained earnings

	31 December 2007 $	31 December 2006 $
Retained earnings at the beginning of the half-year	32,068,742	20,023,097
Net profit attributable to members of the parent entity	27,469,707	24,249,675
Dividends recognized during the period	(45,451,434)	(44,109,324)
Transferred from options reserve	-	471,826
Dilution gains	-	4,138,530
Retained earnings at the end of the half-year	14,087,015	4,773,804

14. Contingent liabilities

	31 December 2007 $	30 June 2007 $
Bank Guarantees	14,760,600	14,084,694

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

15. Subsequent events

Dividend

The directors announced an interim dividend of 15 cents per share fully franked, to be paid on 30 April 2008.

City Pacific First Mortgage Fund finance facilities

During the half year ended 31 December 2007, City Pacific First Mortgage Fund, for which City Pacific is Responsible Entity, drew down an approved short term facility of $50,000,000 (which was part of a total facility of $240,000,000) for a period in excess of the maximum period allowed under the finance facility. As at 31 December 2007, the short term facility was repaid in full.

Subsequent to half year end, the City Pacific First Mortgage Fund has utilised the short term facility of $50,000,000. At the date of these financial statements the balance drawn is $48,300,000 and the facility has been drawn for a period in excess of the maximum period permitted under the finance facility.

The Responsible Entity entered into a new agreement on behalf of the Fund with the financier, with a limit of $240,000,000, superceding the previous facility. The terms of the agreement include:

- Reduction of the facility limit to $150,000,000 by 31 March 2008;
- Reduction of the facility limit to $100,000,000 by 30 April 2008; and
- Full clearance of the facility by 31 May 2008.

The agreement contains conditions including net redemptions paid not to exceed $20,000,000 in any five consecutive business days.

The repayment of the facility is intended to be met by the Fund from the maturity of first mortgage loans due for repayment in the period to 31 May 2008.

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City Pacific Limited
DEVELOPING FINANCIAL OPPORTUNITIES

FINANCIAL SERVICES
FUNDS MANAGEMENT
PROPERTY

Directors' declaration

In the opinion of the directors of City Pacific Limited ("the Company"):

1. the financial statements and notes, set out on pages 9 to 21, are in accordance with the Corporations Act 2001, including:
   (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Gold Coast this 29th day of February 2008.

Signed in accordance with a resolution of the directors:

P K Sullivan
Managing Director

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Independent auditor's review report to the members of City Pacific Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of City Pacific Limited (the "Company"), which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a description of significant accounting policies, other selected explanatory notes and the directors' declaration set out on pages 9 to 22 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As auditor of City Pacific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of City Pacific Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

S J Board
Partner
Gold Coast
29 February 2008

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