

Indigo Pacific Capital Limited ACN 108 019 263

Half-Year Financial Report
31 December 2004

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Indigo Pacific Capital Limited

DIRECTORS' REPORT

The directors present their report together with the financial report of Indigo Pacific Capital Limited ("the company" or "Indigo Pacific Capital"), for the half-year ended 31 December 2004 and the review report thereon.

Directors

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

<i>Name</i>	<i>Period of directorship</i>
Ian William Donaldson <i>Chairman</i>	Chairman since February 2004
Philip Keith Sullivan <i>Director</i>	Director since February 2004
Stephen Mackay <i>Director</i> <i>Company Secretary</i>	Director since February 2004
Mitchell Nielsen <i>Managing Director</i> <i>Chief Executive Officer</i>	Director since February 2004
Lawrence Truce <i>Director</i>	Director since February 2004

Principal activities

The principal activity of the company during the period was to act as an investment company with investments in the following:

- Mortgage loans - the company holds registered 2nd mortgages over several investment properties in South East Queensland; and
- Managed funds – through a managed investment scheme operated by a related entity, City Pacific Limited.

The company was listed on the Australian Stock Exchange on 18 May 2004.

The company has no employees.

Review and results of operations

The net profit after income tax of the company for the financial period was \$764,345.

Indigo Pacific Capital Limited

DIRECTORS' REPORT

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

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the half-year ended 31 December 2004.

Dated at Brisbane this 24th day of February 2005.

Signed in accordance with a resolution of the directors:

S Mackay
Director

Indigo Pacific Capital Limited

ACN 108 019 263

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors of Indigo Pacific Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2004 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

Bundall
24 February 2005

Indigo Pacific Capital Limited

ACN 108 019 263

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	31 December 2004 \$
Other revenue from ordinary activities	1,199,741
Total revenue	<u>1,199,741</u>
Expenses from ordinary activities:	
Advertising and promotion	(24,683)
Commissions and professional fees	(79,905)
Other expenses from ordinary activities	(58,174)
Profit from ordinary activities before related income tax expense	1,036,979
Income tax expense relating to ordinary activities	(272,634)
Net profit after related income tax expense	<u><u>764,345</u></u>
Basic earnings per share	<u>1.09cents</u>
Diluted earnings per share	<u>1.05cents</u>

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

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STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2004

	Note	31 December 2004 \$	30 June 2004 \$
Current assets			
Cash assets		151,638	208,178
Receivables	2	20,127,771	371,740
Other financial assets		3,360,000	30,959,554
Total current assets		<u>23,639,409</u>	<u>31,539,472</u>
Non-current assets			
Receivables	2	11,752,561	2,800,000
Deferred tax assets		2,100	1,500
Total non-current assets		<u>11,754,661</u>	<u>2,801,500</u>
Total assets		<u>35,394,070</u>	<u>34,340,972</u>
Current liabilities			
Payables		35,867	16,215
Current tax liabilities		319,391	46,157
Total current liabilities		<u>355,258</u>	<u>62,372</u>
Total liabilities		<u>355,258</u>	<u>62,372</u>
Net assets		<u>35,038,812</u>	<u>34,278,600</u>
Equity			
Contributed equity	3	33,913,867	33,918,000
Retained profits	4	1,124,945	360,600
Total equity		<u>35,038,812</u>	<u>34,278,600</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements.

Indigo Pacific Capital Limited

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	31 December 2004 \$
Cash flows from operating activities	
Distributions received	1,533,761
Interest received	11,247
Cash payments in the course of operations	<u>(143,110)</u>
Net cash provided by operating activities	<u>1,401,898</u>
Cash flows from investing activities	
Mortgage loans advanced	(29,053,859)
Proceeds from redemptions of investments in Managed Investment Schemes	<u>27,599,554</u>
Net cash used in investing activities	<u>(1,454,305)</u>
Cash flows from financing activities	
Proceeds from issue of shares	41,400
Transaction costs from the issue of shares	<u>(45,533)</u>
Net cash used in financing activities	<u>(4,133)</u>
Net decrease in cash held	(56,540)
Cash at beginning of the financial period	<u>208,178</u>
Cash at the end of the financial period	<u>151,638</u>

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

Indigo Pacific Capital Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

1. STATEMENT OF ACCOUNTING POLICIES

a) Basis of preparation of half-year financial report

The half-year company financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Indigo Pacific Capital during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the company and, except where there is a change in accounting policy, are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

b) Comparative Information

The company was incorporated on 17 February 2004, and accordingly there is no comparative information in relation to the half year ended 31 December 2003.

	31 December 2004	30 June 2004
	\$	\$
2. RECEIVABLES		
Current		
Other debtors	26,473	-
Mortgage loans	20,101,298	-
	<u>20,127,771</u>	<u>-</u>
Non current		
Mortgage loans	<u>11,752,561</u>	<u>2,800,000</u>

The company's mortgage loans are secured by second mortgage. \$29,364,797 of mortgage loans have been made to related parties, on commercial terms and conditions.

In accordance with the company's accounting policies interest and establishment fees in respect of mortgage loans are reviewed to determine whether it is probable the amounts will be received, taking into account factors including the stage of completion of properties being developed which represent the security for mortgage loans.

As at 31 December 2004, the company was entitled to interest income and establishment fees of \$3,149,086 which were not brought to account as revenue in accordance with the company's accounting policies.

Indigo Pacific Capital Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	31 December 2004 \$	30 June 2004 \$
3. CONTRIBUTED EQUITY		
Share capital		
70,027,600 ordinary shares, fully paid (30 June 2004: 70,000,000)	<u>33,913,867</u>	<u>33,918,000</u>
(a) Ordinary shares		
Balance at the beginning of period	33,918,000	-
Shares issued		
- 27,600 upon exercise of options	27,600	-
- 100,000 ordinary shares issued to City Pacific and Indigo Capital Pty Ltd raising cash funds of \$100,000	-	100,000
- 35,000,000 ordinary shares pursuant to a prospectus raising cash funds of \$35,000,000	-	35,000,000
- 34,900,000 ordinary shares pursuant to a prospectus raising cash funds of \$100,000	-	100,000
- transaction costs arising from issue pursuant to prospectus	<u>(31,733)</u>	<u>(1,282,000)</u>
Balance at end of period	<u>33,913,867</u>	<u>33,918,000</u>

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.

	31 December 2004 \$	30 June 2004 \$
(b) Options		
Balance at the beginning of period	42,250,000	-
- options exercised during the half-year	(27,600)	-
Issued during the period:		
- 60,000 options to City Pacific and Indigo Capital Pty Ltd	-	60,000
- 250,000 options to directors escrowed to 18 May 2006	-	250,000
- 41,940,000 options pursuant to a prospectus	<u>-</u>	<u>41,940,000</u>
Balance at end of period	<u>42,222,400</u>	<u>42,250,000</u>

Options are exercisable at \$1.50 from 18 May 2004 to 25 March 2007.

4. RETAINED PROFITS

Retained profits at the beginning of the period	360,600	-
Net profit attributable to members of the parent entity	<u>764,345</u>	<u>360,600</u>
Retained profits at the end of the half-year	<u>1,124,945</u>	<u>360,600</u>

Indigo Pacific Capital Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

5. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2004.

6. SEGMENT REPORTING

The company comprises only one segment being investment activities wholly within Australia.

7. INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

For reporting periods beginning on or after 1 January 2005, the company must comply with IFRS as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP).

The board intends to establish a formal project to achieve transition to IFRS reporting, beginning with the half-year ended 31 December 2005. The company’s implementation project will consist of three phases as described below.

Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

The company has commenced the assessment and planning phase which is expected to be completed by 30 June 2005.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to facilitate the transition to IFRS.

The company has not yet commenced the design phase. However, the company expects this phase to be substantially complete by 30 June 2005.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the company to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

Indigo Pacific Capital Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

7. INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont)

The company has not yet commenced the implementation phase. However, the company expects this phase to be substantially complete by 30 June 2005.

The key potential implications of the conversion to IFRS on the company are as follows:

- income tax will be calculated based on the “balance sheet” approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.
- financial instruments must be recognised in the statement of financial position and most financial assets must be carried at fair value.
- impairment testing of assets will be required and assets found to be impaired must be carried at their recoverable amount being the higher of value in use (discounted cashflow) or net selling price (current value less disposal costs);
- equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Indigo Pacific Capital Limited

DIRECTORS' DECLARATION

1. In the opinion of the directors of Indigo Pacific Capital Limited
 - (a) the financial statements and notes, set out on pages 4 to 10, are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of the financial position of the company as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" 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.

Dated at Brisbane this 24th day of February 2005.

Signed in accordance with a resolution of the directors:

S Mackay
Director

Indigo Pacific Capital Limited

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF INDIGO PACIFIC CAPITAL LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 4 to 11 for Indigo Pacific Capital Limited (the "Company"), for the half-year ended 31 December 2004.

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.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and its cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Indigo Pacific Capital Limited

ACN 108 019 263

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF INDIGO PACIFIC CAPITAL LIMITED

Statement

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

S J Board
Partner

Bundall
24 February 2005