

# Indigo Pacific Capital Limited ACN 108 019 263

Half-Year Financial Report

31 December 2005

# Indigo Pacific Capital Limited ACN 108 019 263

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# Indigo Pacific Capital Limited

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## 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 2005 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>	Appointed 17 February 2004, resigned 27 February 2006
Philip Keith Sullivan <i>Director</i>	Appointed 17 February 2004, resigned 17 September 2005
Stephen Mackay <i>Director</i> <i>Company Secretary</i>	Appointed 17 February 2004
Mitchell Nielsen <i>Managing Director</i> <i>Chief Executive Officer</i>	Appointed 17 February 2004
Lawrence Truce <i>Director</i>	Appointed 17 February 2004
Selwyn Snell <i>Chairman</i>	Appointed 27 February 2006
Ian Gillespie <i>Director</i>	Appointed 27 February 2006

### 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 generally holds charges over borrowing entities or registered 2<sup>nd</sup> mortgages over properties in Queensland; and
- Managed funds - through managed investment schemes operated by a related entity, City Pacific Limited.

The company has no employees.

### Review and results of operations

The net profit after income tax for the half-year was \$83,662 (2004: \$725,885).

The company was established primarily to take advantage of investment opportunities arising from development projects being undertaken by the Indigo Group, a company associated with directors Mr L Truce and Mr M Nielsen. Indigo Group is a privately owned property development company based in Queensland.

The company generally invests in development projects by providing mortgage loans secured by charges over borrowing entities, registered 2<sup>nd</sup> mortgages over the properties or other securities deemed acceptable by the directors. Providing such finance enables the company to earn greater returns than would otherwise be achieved for providing mortgage loans secured by 1<sup>st</sup> mortgages.

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## **Directors' Report (cont)**

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

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

Dated at Brisbane this 9th day of March 2006.

Signed in accordance with a resolution of the directors:

M Neilsen  
*Managing Director*

**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 2005 there have been:

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

KPMG

S J Board  
*Partner*

9 March 2006

# Indigo Pacific Capital Limited ACN 108 019 263

## Condensed Interim Income Statement For the half- year ended 31 December 2005

	Note	31 Dec 2005 \$	31 Dec 2004 \$
Interest income – mortgage loans		4,746,966	493,249
Loan facility fees		2,910,147	-
<b>Total revenue</b>		7,657,113	493,249
Advertising and promotion		(23,870)	(3,068)
Commissions and professional fees		(46,452)	(51,975)
Impairment losses	3	(7,420,309)	-
Management and accounting fees		(62,041)	(60,000)
Shareholder expenses		(36,387)	(39,590)
Other operating expenses		(37,201)	(6,850)
<b>Operating profit before financing costs</b>		30,853	331,766
Financial income		89,413	706,492
Financial expenses		(749)	(1,279)
<b>Net financing income</b>		88,664	705,213
<b>Profit before tax</b>		119,517	1,036,979
Income tax expense		(35,855)	(311,094)
<b>Profit for the period</b>	6	83,662	725,885
Basic earnings per share attributable to ordinary equity holders		0.12 cents	1.04 cents
Diluted earnings per share attributable to ordinary equity holders		0.12 cents	1.00 cents

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

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## Condensed Interim Statement of Recognised Income and Expense For the half- year ended 31 December 2005

		31 Dec 2005	31 Dec 2004
	Note	\$	\$
Net income recognised directly in equity		-	-
Profit for the period	6	<u>83,662</u>	<u>725,885</u>
Total recognised income and expense for the period		<u>83,662</u>	<u>725,885</u>

Other movements in equity arising from transactions with owners as owners are set out in note 4.

*The statement of recognised income and expense is to be read in conjunction with the accompanying notes to the condensed interim financial statements.*

# Indigo Pacific Capital Limited

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## Condensed Interim Balance Sheet as at 31 December 2005

	Note	31 December 2005 \$	30 June 2005 \$
<b>Current assets</b>			
Cash and cash equivalents		153,159	71,603
Trade and other receivables		15,024,678	8,691,312
Mortgage loans		19,141,809	20,233,934
Other investments		3,192,211	1,275,679
<b>Total current assets</b>		<b>37,511,857</b>	<b>30,272,528</b>
<b>Non-current assets</b>			
Trade and other receivables		2,015,839	4,603,259
Mortgage loans		10,423,785	13,848,634
<b>Total non-current assets</b>		<b>12,439,624</b>	<b>18,451,893</b>
<b>Total assets</b>		<b>49,951,481</b>	<b>48,724,421</b>
<b>Current liabilities</b>			
Trade and other payables		2,929,323	146,109
Current tax liabilities		3,963,775	3,669,031
<b>Total current liabilities</b>		<b>6,893,098</b>	<b>3,815,140</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		16,472	287,708
<b>Total non-current liabilities</b>		<b>16,472</b>	<b>287,708</b>
<b>Total liabilities</b>		<b>6,909,570</b>	<b>4,102,848</b>
<b>Net assets</b>		<b>43,041,911</b>	<b>44,621,573</b>
<b>Equity</b>			
Issued capital	4	36,136,523	34,298,467
Retained earnings	6	6,905,388	10,323,106
<b>Total equity</b>		<b>43,041,911</b>	<b>44,621,573</b>

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

# Indigo Pacific Capital Limited ACN 108 019 263

## Condensed Interim Statement of Cash Flows For the half- year ended 31 December 2005

	31 December 2005 \$	31 December 2004 \$
<b>Cash flows from operating activities</b>		
Loan facility fees received	3,600,000	-
Distributions received	66,126	1,533,761
Interest received – mortgage loans	311,133	-
Cash paid to suppliers	(1,022,486)	(143,110)
Interest received – other	11,818	11,247
Income tax paid	(12,346)	-
<b>Net cash from operating activities</b>	<u>2,954,245</u>	<u>1,401,898</u>
<b>Cash flows from investing activities</b>		
Mortgage loans advanced	(7,551,336)	(29,053,859)
Proceeds on repayment of mortgage loans	8,247,000	-
Investments in Managed Investment Schemes	(6,450,000)	-
Proceeds from redemptions of investments in Managed Investment Schemes	4,544,971	27,599,554
<b>Net cash from investing activities</b>	<u>(1,209,365)</u>	<u>(1,454,305)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,663,324)	-
Proceeds from issue of shares	-	41,400
Transaction costs from the issue of shares	-	(45,533)
<b>Net cash provided by/(used in) financing activities</b>	<u>(1,663,324)</u>	<u>(4,133)</u>
Net increase/(decrease) in cash held	81,556	(56,540)
Cash at beginning of the half-year	71,603	208,178
<b>Cash at the end of the half-year</b>	<u>153,159</u>	<u>151,638</u>

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

# Indigo Pacific Capital Limited

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## Notes to the consolidated interim financial statements

### 1. Significant accounting policies

Indigo Pacific Capital Limited (the “Company”) is a company domiciled in Australia.

The financial report was authorised for issue by the directors on 10 March 2006.

#### (a) Statement of compliance

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

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

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

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 7. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRSs.

#### (b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the 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 an interim financial report in conformity with AASB1034 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

This interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the Company’s first AIFRS annual reporting date, 30 June 2006.

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

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## Notes to the consolidated interim financial statements

### 1. Significant accounting policies (continued)

#### (b) Basis of preparation (continued)

The preparation of the interim financial report in accordance with ASSB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRSs, as required by AASB 1. The impact of the transition from previous GAAP to AIFRSs is explained in note 7.

#### (c) Trade and other receivables

##### Other trade and other receivables

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

#### (d) 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.

#### (e) Investments

Financial instruments held by the Company 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. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Financial instruments classified as available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investments.

#### (f) Mortgage loans

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

#### (g) Impairment

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

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

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 (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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## Notes to the consolidated interim financial statements

### 1. Significant accounting policies (continued)

#### (g) Impairment (continued)

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 profit or loss.

#### Calculation of recoverable amount

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

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

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

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

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.

#### (h) Trade and other payables

Trade and other payables are stated cost.

#### (i) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

#### Interest revenue

Interest is recognised as it accrues, taking into account the effective yield on the financial asset and where it is probable that the interest will be received and the amount of interest to be received can be reliably measured.

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## Notes to the consolidated interim financial statements

### 1. Significant accounting policies (continued)

#### (i) Revenue (continued)

##### Loan facility fees

Loan facility fees represent establishment fees charged to borrowers on the approval of a loan. Where the company is the lender, the facility fees are brought to account as part of the effective yield on the financial asset to which the fee relates, where it is probable that the fees will be received and the amount can be reliably measured.

##### Rendering of services

Revenue from the rendering of services, including facilitation fees, is recognised in the period in which the services are provided and where it is probable that the compensation will flow to the company, the amount to be received can be reliably measured and the state of completion of the contract can be reliably measured.

##### Dividends and distributions

Revenue from dividends and distributions are recognised when the company's right to receive payment is established. Dividend revenue is recognised net of any franking credits.

#### (j) Expenses

##### Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and dividend income.

#### (k) Income tax

Income tax on the profit or loss for the half-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.

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

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## Notes to the consolidated interim financial statements

### 1. Significant accounting policies (continued)

#### (l) Goods and services tax

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

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

### 2. Segment reporting

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

### 3. Impairment losses

The carrying amount of the Company's mortgage loans were reviewed at 31 December 2005 to determine whether there is any indication of impairment and estimate the recoverable amount of these assets.

Indicators of impairment were identified for certain mortgage loans, with those loans being written down to their recoverable amount as at 31 December 2005. This resulted in an impairment loss of \$7,420,309 being recorded for the half-year ended 31 December 2005.

	<b>31 December 2005</b>	<b>30 June 2005</b>
	\$	\$
<b>4. Capital and reserves</b>		
<b>Contributed Equity</b>		
Issued and paid-up share capital		
72,190,098 (30 June 2005: 70,027,600) ordinary shares, fully paid	36,136,523	34,298,467
<b>(a) Ordinary shares</b>		
Balance at the beginning of period	34,298,467	34,302,600
Shares issued		
- 2,162,498 upon reinvestment of dividends pursuant to Dividend Reinvestment Plan	1,838,056	-
- 27,600 upon exercise of options	-	41,400
- transaction costs arising from issue pursuant to prospectus	-	(45,533)
Balance at end of year	36,136,523	34,298,467

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.

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## Notes to the consolidated interim financial statements

4. Capital and reserves (continued)	31 December 2005	30 June 2005
(b) Options	\$	\$
Balance at the beginning of period	42,222,400	42,250,000
- options exercised during the period	-	(27,600)
Balance at end of period	<u>42,222,400</u>	<u>42,222,400</u>

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

## 5. Dividends

Dividends recognised in the current period by the company:

	Cents per Share	Total amount	Date of payment	Franked/ unfranked
<b>2005</b>				
Final 2005 ordinary	5.0	3,501,380	30 November 2005	Franked

6. Retained earnings	31 December 2005	31 December 2004
	\$	\$
Retained earnings at the beginning of the half-year	10,323,106	283,680
Net profit	83,662	725,885
Dividends	(3,501,380)	-
Retained earnings at the end of the half-year	<u>6,905,388</u>	<u>1,009,565</u>

## 7. Explanation of transition to AIFRSs

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

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

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

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

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

The Company 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 consolidated interim financial statements

### 7. Explanation of transition to AIFRSs (continued)

#### Reconciliation of equity

	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
Note		1 July 2004		31 December 2004				30 June 2005	
<b>Current assets</b>									
Cash and cash equivalents	208,178	-	208,178	151,638	-	151,638	71,603	-	71,603
Trade and other receivables	371,740	-	371,740	26,473	-	26,473	8,691,312	-	8,691,312
Mortgage loans	a	-	-	20,101,298	-	20,101,298	20,405,108	(171,174)	20,233,934
Other investments		30,959,554	30,959,554	3,360,000	-	3,360,000	1,275,679	-	1,275,679
<b>Total current assets</b>		<b>31,539,472</b>	<b>31,539,472</b>	<b>23,639,409</b>	<b>-</b>	<b>23,639,409</b>	<b>30,443,702</b>	<b>(171,174)</b>	<b>30,272,528</b>
<b>Non-current assets</b>									
Trade and other receivables		-	-	-	-	-	4,603,259	-	4,603,259
Mortgage loans		2,800,000	2,800,000	11,752,561	-	11,752,561	13,848,634	-	13,848,634
Deferred tax assets	b	1,500	307,680	2,100	269,220	271,320	-	-	-
<b>Total non-current assets</b>		<b>2,801,500</b>	<b>3,109,180</b>	<b>11,754,661</b>	<b>269,220</b>	<b>12,023,881</b>	<b>18,451,893</b>	<b>-</b>	<b>18,451,893</b>
<b>Total assets</b>		<b>34,340,972</b>	<b>34,648,652</b>	<b>35,394,070</b>	<b>269,220</b>	<b>35,663,290</b>	<b>48,895,595</b>	<b>(171,174)</b>	<b>48,724,421</b>

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## Notes to the consolidated interim financial statements

### 7. Explanation of transition to AIFRSs (continued)

#### Reconciliation of equity

	Note	Previous GAAP	Effect of transition to AIFRSs 1 July 2004	AIFRSs	Previous GAAP	Effect of transition to AIFRSs 31 December 2004	AIFRSs	Previous GAAP	Effect of transition to AIFRSs 30 June 2005	AIFRSs
<b>Current liabilities</b>										
Trade and other payables		16,215	-	16,215	35,867	-	35,867	146,109	-	146,109
Current tax liabilities		46,157	-	46,157	319,391	-	319,391	3,669,031	-	3,669,031
<b>Total current liabilities</b>		<b>62,372</b>	<b>-</b>	<b>62,372</b>	<b>355,258</b>	<b>-</b>	<b>355,258</b>	<b>3,815,140</b>	<b>-</b>	<b>3,815,140</b>
<b>Non-current liabilities</b>										
Deferred tax liabilities	a,b	-	-	-	-	-	-	569,820	(282,112)	287,708
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>569,820</b>	<b>(282,112)</b>	<b>287,708</b>
<b>Total liabilities</b>		<b>62,372</b>	<b>-</b>	<b>62,372</b>	<b>355,258</b>	<b>-</b>	<b>355,258</b>	<b>4,384,960</b>	<b>(282,112)</b>	<b>4,102,848</b>
<b>Net assets</b>		<b>34,278,600</b>	<b>307,680</b>	<b>34,586,280</b>	<b>35,038,812</b>	<b>269,220</b>	<b>35,308,032</b>	<b>44,510,635</b>	<b>110,938</b>	<b>44,621,573</b>
<b>Equity</b>										
Issued capital	b	33,918,000	384,600	34,302,600	33,913,867	384,600	34,298,467	33,913,867	384,600	34,298,467
Retained earnings	a,b	360,600	(76,920)	283,680	1,124,945	(115,380)	1,009,565	10,596,768	(273,662)	10,323,106
<b>Total equity</b>		<b>34,278,600</b>	<b>307,680</b>	<b>34,586,280</b>	<b>35,038,812</b>	<b>269,220</b>	<b>35,308,032</b>	<b>44,510,635</b>	<b>110,938</b>	<b>44,621,573</b>

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## Notes to the consolidated interim financial statements

### 7. Explanation of transition to AIFRSs (continued)

Reconciliation of profit	Note	Previous GAAP	Effect of Transition to AIFRSs for the 6 months ended 31 Dec 2004	AIFRSs	Previous GAAP	Effect of Transition to AIFRSs for the year ended 30 June 2005	AIFRSs
Interest income – mortgage loans		493,249	-	493,249	6,342,776	-	6,342,776
Loan facility fees		-	-	-	6,648,717	-	6,648,717
Facilitation fees		-	-	-	1,000,000	-	1,000,000
<b>Total revenue</b>		493,249	-	493,249	13,991,493	-	13,991,493
Advertising and promotion		(3,068)	-	(3,068)	(4,773)	-	(4,773)
Commissions and professional fees		(51,975)	-	(51,975)	(77,406)	-	(77,406)
Impairment losses	a	-	-	-	-	(171,174)	(171,174)
Management and accounting fees		(60,000)	-	(60,000)	(120,000)	-	(120,000)
Shareholder expenses		(39,590)	-	(39,590)	(55,223)	-	(55,223)
Other operating expenses		(6,850)	-	(6,850)	(6,919)	-	(6,919)
<b>Operating profit before financing costs</b>		331,766	-	331,766	13,727,172	(171,174)	13,555,998
Financial income		706,492	-	706,492	787,319	-	787,319
Financial expenses		(1,279)	-	(1,279)	(1,279)	-	(1,279)
<b>Net financing income</b>		705,213	-	705,213	786,040	-	786,040
Income tax expense	a,b	(272,634)	(38,460)	(311,094)	(4,277,044)	(25,568)	(4,302,612)
<b>Profit for the period</b>		764,345	(38,460)	725,885	10,236,168	(196,742)	10,039,426
Basic earnings per share attributable to ordinary equityholders		1.09 cents	(0.05) cents	1.04 cents	14.62 cents	(0.28) cents	14.34 cents
Diluted earnings per share attributable to ordinary equityholders		1.05 cents	(0.05) cents	1.00 cents	14.62 cents	(0.28) cents	14.34 cents

# Indigo Pacific Capital Limited

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## Notes to the consolidated interim financial statements

### 7. Explanation of transition to AIFRSs (continued)

#### Notes to the reconciliation of equity and profit

- (a) In accordance with AIFRS's, mortgage loans are reviewed at balance date to determine whether there is any indication of impairment and estimate their recoverable amount, as outlined in accounting policy (g). In assessing recoverable amount, the expected future cash flows are discounted using the financial asset's original effective interest rate.

Under previous GAAP, the collectibility of mortgage loans was assessed at balance date and a provision made for any loans considered doubtful. In assessing recoverable amount, the expected future cash flows were not discounted.

At 30 June 2005, one mortgage loan was considered to be impaired, with the impact on the Company as follows:

- Increase impairment losses by \$171,174 and decrease income tax expense by \$51,352 for the year ended 30 June 2005;
  - Decrease mortgage loans by \$171,174 and decrease deferred tax liabilities by \$51,352 as at 30 June 2005; and
  - Decrease retained earnings by \$119,822 as at 30 June 2005.
- (b) In accordance with AIFRS's, the tax effect of capital raising costs deducted for taxation purposes are allocated to contributed equity, as the capital raising costs were deducted from the equity raised.

Under previous GAAP, capital raising costs deducted for taxation purposes were brought to account as a reduction in income tax expense.

The effect on the Company is as follows:

- Increase tax expense by \$38,460 for the half year ended 31 December 2004 and \$76,920 for the year ended 30 June 2005;
- Decrease deferred tax assets by \$307,680 as at 1 July 2004 and \$269,220 as at 31 December 2004, and decrease deferred tax liabilities by \$230,760 as at 30 June 2005;
- Decrease retained earnings by \$76,920 as at 1 July 2004, \$115,380 as at 31 December 2004 and \$153,840 as at 30 June 2005; and
- Increase issued capital by \$384,600 as at 1 July 2004, 31 December 2004 and 30 June 2005.

# Indigo Pacific Capital Limited

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## **Directors' declaration**

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

- (a) the financial statements and notes, set out on pages 5 to 18, 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 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 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 9th day of March 2006.

Signed in accordance with a resolution of the directors:

M Neilsen  
Managing Director

## **Independent review report to the members of Indigo Pacific Capital Limited**

### **Scope**

#### *The financial report and directors' responsibility*

The financial report comprises the condensed interim statement of income, statement of changes in recognised income and expense, balance sheet, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 5 to 19 for Indigo Pacific Capital Limited (the "Company"), for the half-year ended 31 December 2005.

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 adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

#### *Review approach*

We conducted an independent review in order for the 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 any thing has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

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

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

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

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

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

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe 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 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and the Corporations Regulations 2001; and
- (a) other mandatory financial reporting requirements in Australia.

KPMG

SJ Board  
Partner

9 March 2006