

# Indigo Pacific Capital Limited ACN 108 019 263

Half-Year Financial Report

31 December 2007

# Indigo Pacific Capital Limited ACN 108 019 263

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# Indigo Pacific Capital Limited

ACN 108 019 263

## Directors' Report

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

### Directors

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

<i>Name</i>	<i>Period of directorship</i>
Selwyn Snell <i>Chairman</i> <i>Independent Non-Executive Director</i>	Appointed 27 February 2006
Ian Gillespie <i>Independent Non-Executive Director</i>	Appointed 27 February 2006
Stephen Mackay <i>Managing Director and Company Secretary</i>	Appointed 17 February 2004
Mitchell Nielsen <i>Executive Director</i>	Appointed 17 February 2004
Lawrence Truce <i>Executive Director</i>	Appointed 17 February 2004

### Principal activities

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

- Loans - the company generally holds charges over borrowing entities and registered mortgages over certain development properties;
- Property development – through equity investments in property development entities; and
- Managed funds - through managed investment schemes operated by a related entity, City Pacific Limited.

### Operating and financial review

The net profit after income tax of the group for the half-year was \$3,428,606 (2006: \$2,203,356).

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

During the period the group amalgamated all development property loans to the Indigo Group into one interest bearing loan which is secured by charges over borrowing entities, registered mortgages over certain properties or other securities deemed acceptable by the directors. Providing such finance enables the group to earn greater returns than would otherwise be achieved for providing loans secured by 1<sup>st</sup> mortgages, recognising the greater risk such investments represents.

During the period the company acquired a wholly owned subsidiary, Indigo (Warrill View) Pty Ltd, which holds a 50% equity investment in Indigo (Warrill View) Partnership. The partnership was established for the purpose of completing a residential land subdivision in Warrill View, Queensland.

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

### **Subsequent events**

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 4 and forms part of the directors' report for the half-year ended 31 December 2007.

Dated at Brisbane this 29<sup>th</sup> day of February 2008.

Signed in accordance with a resolution of the directors:

S Mackay  
*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 financial period 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*

29 February 2008

# Indigo Pacific Capital Limited ACN 108 019 263

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

	Note	31 Dec 2007 \$	31 Dec 2006 \$
Interest income – loans		5,240,864	9,276,549
Interest and distribution income		223,987	21,494
<b>Total revenue</b>		5,464,851	9,298,043
Advertising and promotion		(23,700)	(29,535)
Commissions and professional fees		(103,024)	(122,145)
Impairment loss – interest receivable	3	-	(5,623,245)
Employee expenses		(88,905)	-
Management and accounting fees		(63,101)	(63,946)
Shareholder expenses		(75,415)	(64,470)
Interest expense		(6,757)	(91,610)
Other operating expenses		(193,492)	(155,441)
<b>Results from operating activities</b>		4,910,457	3,147,651
Share of profit/(loss) from associates	4	(5,965)	-
<b>Profit before tax</b>		4,904,492	3,147,651
Income tax expense		(1,475,886)	(944,295)
<b>Profit for the period</b>	7	3,428,606	2,203,356
Basic earnings per share attributable to ordinary equity holders		4.17 cents	2.93 cents
Diluted earnings per share attributable to ordinary equity holders		4.17 cents	2.93 cents

*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**

		<b>31 Dec 2007</b>	<b>31 Dec 2006</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Net income recognised directly in equity</b>		-	-
<b>Profit for the period</b>	7	<u>3,428,606</u>	<u>2,203,356</u>
<b>Total recognised income and expense for the period</b>		<u>3,428,606</u>	<u>2,203,356</u>

Other movements in equity arising from transactions with owners as owners are set out in note 5.

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

# Indigo Pacific Capital Limited ACN 108 019 263

## Consolidated Interim Balance Sheet as at 31 December 2007

	Note	31 December 2007 \$	30 June 2007 \$
<b>Current assets</b>			
Cash and cash equivalents		788,835	1,396
Receivables		4,011	5,769,175
Loans		-	18,728,587
Investments – managed investment schemes		6,806	3,704,822
<b>Total current assets</b>		799,652	28,203,980
<b>Non-current assets</b>			
Receivables		-	5,612,517
Investments accounted for using the equity method	4	1,300,362	-
Loans	8	46,642,423	15,698,109
Deferred tax assets		143,606	1,064,467
<b>Total non-current assets</b>		48,086,391	22,375,093
<b>Total assets</b>		48,886,043	50,579,073
<b>Current liabilities</b>			
Trade and other payables		375,861	2,846,705
Employee benefits		6,465	5,453
Current tax liabilities		382,427	1,219,221
<b>Total current liabilities</b>		764,753	4,071,379
<b>Total liabilities</b>		764,753	4,071,379
<b>Net assets</b>		48,121,290	46,507,694
<b>Equity</b>			
Issued capital	5	44,516,361	44,042,800
Retained earnings	7	3,604,929	2,464,894
<b>Total equity</b>		48,121,290	46,507,694

*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 6 months ended 31 December 2007

	31 December 2007 \$	31 December 2006 \$
<b>Cash flows from operating activities</b>		
Interest received – loans	1,657,936	1,850,000
Cash receipts in the course of operations	-	550,450
Cash paid in the course of operations	(1,323,703)	(490,190)
Cash generated from operations	334,233	1,910,260
Interest and distributions received	193,911	18,153
Interest paid	(6,757)	-
Income tax paid	(1,391,819)	(2,292,331)
<b>Net cash from/(used in) operating activities</b>	<b>(870,432)</b>	<b>(363,918)</b>
<b>Cash flows from investing activities</b>		
Loans advanced	(15,777,637)	-
Proceeds on repayment of loans	13,970,802	6,830,999
Investments made	(1,306,327)	-
Investments in Managed Investment Schemes	(4,000,000)	(6,400,000)
Proceeds from redemptions in investments in Managed Investment Schemes	10,586,043	25,000
<b>Net cash from/(used in) investing activities</b>	<b>3,472,881</b>	<b>455,999</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	1,411,620
Dividends paid	(1,815,010)	(1,411,370)
<b>Net cash from/(used in) financing activities</b>	<b>(1,815,010)</b>	<b>250</b>
Net increase/(decrease) in cash and cash equivalents	787,439	92,331
Cash and cash equivalents at 1 July	1,396	6,084
<b>Cash and cash equivalents at 31 December</b>	<b>788,835</b>	<b>98,415</b>

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

# Indigo Pacific Capital Limited ACN 108 019 263

## Condensed notes to the consolidated interim financial statements

### 1. Significant accounting policies

Indigo Pacific Capital 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 annual financial report of the company 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.

#### (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 most recent annual financial report.

The 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 interim financial report are the same as those applied by the company in its financial report as at and for the year ended 30 June 2007.

#### (c) Basis of consolidation

##### Subsidiaries

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

##### Associates and joint ventures (equity accounted investees)

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

##### Transactions eliminated on consolidation

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

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## Condensed notes to the consolidated interim financial statements

### 1. Significant accounting policies (continued)

#### (d) Comparative information

As a result of the company's acquisition during the period of a wholly owned subsidiary, Indigo (Warrill View) Pty Ltd, which holds a 50% equity investment in Indigo (Warrill View) Partnership, the financial report for the half-year ended 31 December 2007 is for the Group. Comparative information included in the financial report is for the company only.

### 2. Segment reporting

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

### 3. Impairment losses

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

As a result of reductions in the expected interest and fees to be achieved from certain loans and extensions of the expected time until such interest and fees are received, impairment losses may be incurred.

During the half-year ended 31 December 2007, no impairment losses (2006: \$5,623,245) were recognised in relation to interest receivable amounts on loans.

The estimates of recoverable amount were based on the original effective interest rate related to the specific receivable. Interest receivable is disclosed net of any impairment losses.

### 4. Investments accounted for using the equity method

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

Name	Principal activities	Ownership interest		Share of net profit/(loss)		Investment carrying value	
		31 Dec 2007	30 Jun 2007	31 Dec 2007	30 Jun 2007	31 Dec 2007	30 Jun 2007
		%	%	\$	\$	\$	\$
Indigo (Warrill View) Partnership	Property development	50%	-	(5,965)	-	1,300,362	-
				<u>(5,965)</u>	<u>-</u>	<u>1,300,362</u>	<u>-</u>

During the period the company acquired a wholly owned subsidiary, Indigo (Warrill View) Pty Ltd, which holds the 50% equity investment in Indigo (Warrill View) Partnership.

The subsidiary is dormant other than its interest in the partnership.

5. Issued capital	31 December 2007	30 June 2007
<b>Share capital</b>	\$	\$
82,816,902 (30 June 2007: 82,120,138) ordinary shares, fully paid	<u>44,516,361</u>	<u>44,042,800</u>

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## Condensed notes to the consolidated interim financial statements

<b>5.</b>	<b>Issued capital (continued)</b>	<b>31 December 2007</b>	<b>30 June 2007</b>
		<b>\$</b>	<b>\$</b>
(a) <b>Ordinary shares</b>			
Balance at the beginning of period		44,042,800	37,870,065
Shares issued:			
- 696,764 (30 June 2007: 5,913,881) upon reinvestment of dividends pursuant to Dividend Reinvestment Plan		473,561	4,761,115
- nil (30 June 2007: 1,764,525) upon share placement		-	1,411,620
Balance at end of period		44,516,361	44,042,800

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.

## 6. Dividends

Dividends recognised in the current period by the company:

	Cents per Share	Total amount	Date of payment	Franked/ unfranked
<b>2007</b>				
Special 2007 ordinary	6.0	2,288,571	30 November 2007	Fully franked
<b>2006</b>				
Final 2006 ordinary	5.0	3,722,087	30 November 2006	Fully franked

During the half-year the company paid a special dividend, as approved by special resolution at the Annual General Meeting on 2 November 2007, of 6 cents per share, fully franked. The special dividend was paid to all shareholders, except foundation shareholders, City Pacific Limited and Indigo Capital Pty Ltd.

<b>7.</b>	<b>Retained earnings</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
		<b>\$</b>	<b>\$</b>
Retained earnings at the beginning of the half-year		2,464,894	5,489,109
Net profit		3,428,606	2,203,356
Dividends		(2,288,571)	(3,722,087)
Retained earnings at the end of the half-year		3,604,929	3,970,378

## 8. Related parties

During the period the Group amalgamated all development property loans to entities within the Indigo Group into one loan. The new loan is due for repayment on 29 November 2010 and bears interest at 20% per annum, payable in arrears on 31 December and 30 June each year.

Security for the loan consists of mortgages over certain development properties and fixed and floating charges over various entities in the Indigo Group. All entities in the Indigo Group are related parties of Directors, Mitchell Neilsen and Lawrence Truce.

There is a concentration of credit risk in that the loan, representing 95% of total assets, is owing by entities in the Indigo Group.

The Group considered whether the loan was impaired at 31 December 2007. No indicators of impairment were identified. The Directors will continue to review the loan for indicators of impairment.

# Indigo Pacific Capital Limited

ACN 108 019 263

## 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 11, are in accordance with the Corporations Act 2001, including:
  - (i) 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
  - (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 29<sup>th</sup> day of February 2008.

Signed in accordance with a resolution of the directors:

S Mackay  
*Managing Director*

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

We have reviewed the accompanying half-year financial report of Indigo Pacific Capital Limited, 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 statement of accounting policies, other selected explanatory notes and the directors' declaration set out on pages 5 to 12 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 Indigo Pacific Capital 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 Indigo Pacific Capital 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

SJ Board  
Partner  
29 February 2008