

# **ASSET BACKED HOLDINGS LIMITED**

## **APPENDIX 4D AND HALF YEARLY FINANCIAL REPORT**

**30 JUNE 2004**

# APPENDIX 4D

## HALF YEARLY REPORT

Name of entity

<b>ASSET BACKED HOLDINGS LIMITED</b>
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ABN

70 006 788 754
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Reporting Period

Half-year ended 30 June 2004

Previous Corresponding Period

Half-year ended 30 June 2003
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### Results for Announcement to the Market

					\$A'000
Revenues from ordinary activities	down	51.9%	to		126
Profit (loss) from ordinary activities after tax attributable to members	down	52.7%	to		(140)
Net profit (loss) for the period attributable to members	down	52.7%	to		(140)
Final and interim dividends	It is not proposed that either a final or interim dividend be paid.				
Record date for determining entitlements to the dividend	N/A				

# **ASSET BACKED HOLDINGS LIMITED**

**HALF YEAR FINANCIAL REPORT**

**30 JUNE 2004**

**ASSET BACKED HOLDINGS LIMITED**  
**ABN 70 006 788 754**

**DIRECTORS' REPORT**

**Your directors present their report together with the financial report for the half-year ended 30 June 2004 and the auditor's review report thereon.**

**Directors**

The names of the directors in office during or since the end of the half year are:

Mr David Anthony Argyle  
Mr Mark Victor Caruso  
Mr Susmit Mohanlal Shah

**Results**

The loss after income tax for the half year ended 30 June 2004 for the Company was \$139,889. (Half Year 2003: Consolidated \$295,554).

**Review of Operations**

***New Investments***

On 5 April 2004, the Company announced that a Letter Agreement had been entered into with Norwest Holdings Pte Ltd ('Norwest Holdings') for the acquisition of 100% of the fully paid ordinary shares in the capital of Norwest Chemicals Pte Ltd ('Norwest'). Norwest's key asset is its 100% ownership of Sichuan Mianzhu Norwest Phosphate Chemical Company Limited ('SMNPC'), a Chinese company. SMNPC's principal activities are the exploitation, production, process and sales of phosphate rock, phosphorus and phosphate chemicals through ownership of its own phosphate mine and downstream chemical plant in Sichuan Province, China.

Under the terms of the Agreement, purchase consideration payable is \$2,120,000 cash and the allotment and issue by the Company of 21,400,000 fully paid ordinary shares representing 29.6% of the enlarged issued share capital of the Company immediately after settlement.

The Company was involved in extensive due diligence including site visits. Subsequent to balance date, the agreement for the acquisition came to an end without settling and the agreement is of no further force or effect. Other events have occurred and the Directors resolved that the Company's immediate focus should be on its investment in Phosphate Resources Ltd.

***Investment in Phosphate Resources Ltd***

During the period, the Company increased its interest in the share capital of Phosphate Resources Ltd (PRL) from 32.6% to 35.4%, however the Company remained without Board representation in PRL during this period.

The weakening Australian dollar and the continuing higher US\$ commodity price during the period presented improved trading conditions for PRL towards the end of the financial period. No dividends have been received during the period from this investment.

See "Subsequent Events" below for further commentary on the investment in PRL.

**Subsequent Events**

On 21 July 2004, the Company announced its intention to make an off market takeover bid for all the shares in Phosphate Resources Ltd that it doesn't already own, with a minimum 90% acceptance condition. The Company will be offering \$3 cash per each PRL share and, if acceptances are received for 100% of the shares not already owned by the Company, the total purchase consideration will be approximately \$6.1 million.

**ASSET BACKED HOLDINGS LIMITED**  
**ABN 70 006 788 754**

**DIRECTORS' REPORT CONTINUED**

On 23 August 2004, the Company issued a prospectus offering 7,500,000 shares at an issue price of 10 cents each to raise \$750,000. The Company has concluded negotiation of a bank standby facility of \$2 million, a term sheet has been received and accepted and final documentation is currently being prepared. The equity raising and the bank standby facility will augment the Company's existing cash and liquid assets in order to fund the PRL takeover bid.

The formal Bidder's Statement is expected to be issued shortly.

Signed in accordance with a resolution of the Board of Directors.



S M Shah  
Director

30 August 2004  
Perth, Western Australia

**ASSET BACKED HOLDINGS LIMITED**  
**ABN 70 006 788 754**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE HALF YEAR ENDED 30 JUNE 2004**

	<b>Parent Entity</b>	<b>Economic Entity</b>
<b>Note</b>	<b>30 June 2004 \$</b>	<b>30 June 2003 \$</b>
Revenues from ordinary activities	<u>125,600</u>	<u>261,627</u>
Directors Remuneration and Employee expenses	(49,563)	(86,923)
Accounting, audit, legal and other professional services	(137,638)	(180,075)
Administration, corporate and travel expenses	(78,288)	(39,784)
Diminution in value of investments	-	(75,675)
Share of net losses of associates accounted for using the equity method	-	(174,724)
Loss from ordinary activities before income tax expense	<u>(139,889)</u>	<u>(295,554)</u>
Income tax expense relating to ordinary activities	-	-
Net loss from ordinary activities after related income tax attributable to members of the parent entity	<u>(139,889)</u>	<u>(295,554)</u>
Net loss attributable to members of the parent entity	<u>(139,889)</u>	<u>(295,554)</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>(139,889)</u>	<u>(295,554)</u>
Basic loss per share (cents)	<u>(0.27)</u>	<u>(0.58)</u>
Diluted loss per share (cents)	<u>(0.27)</u>	<u>(0.58)</u>

**ASSET BACKED HOLDINGS LIMITED**  
**ABN 70 006 788 754**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2004**

<b>Parent Entity</b>			
	<b>Note</b>	<b>30 June 2004</b>	<b>31 December 2003</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash assets		2,453,350	3,339,878
Receivables	2	1,512,185	1,281,127
<b>TOTAL CURRENT ASSETS</b>		<b>3,965,535</b>	<b>4,621,005</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		100,000	100,000
Other financial assets	3	4,794,049	4,242,943
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,894,049</b>	<b>4,342,943</b>
<b>TOTAL ASSETS</b>		<b>8,859,584</b>	<b>8,963,948</b>
<b>CURRENT LIABILITIES</b>			
Payables		57,812	22,287
<b>TOTAL CURRENT LIABILITIES</b>		<b>57,812</b>	<b>22,287</b>
<b>TOTAL LIABILITIES</b>		<b>57,812</b>	<b>22,287</b>
<b>NET ASSETS</b>		<b>8,801,772</b>	<b>8,941,661</b>
<b>EQUITY</b>			
Contributed equity		13,960,336	13,960,336
Accumulated losses		(5,158,564)	(5,018,675)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,801,772</b>	<b>8,941,661</b>

**ASSET BACKED HOLDINGS LIMITED**  
**ABN 70 006 788 754**

**STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2004**

	<b>Parent Entity</b>	<b>Economic Entity</b>
	<b>30 June 2004</b>	<b>30 June 2003</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	125,010
Payments to suppliers and employees	(231,431)	(357,160)
Interest received	146,009	125,595
<b>Net operating cash flows</b>	<b>(85,422)</b>	<b>(106,555)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for equity investments	(551,106)	(546,907)
Proceeds from sale of equity investments	-	40,635
Payments for security deposit	(250,000)	-
<b>Net investing cash flows</b>	<b>(801,106)</b>	<b>(506,272)</b>
Net decrease in cash held	(886,528)	(612,827)
Cash at the beginning of the financial period	3,339,878	2,450,025
<b>Cash at the end of the financial period</b>	<b>2,453,350</b>	<b>1,837,198</b>

**ASSET BACKED HOLDINGS LIMITED**  
**ABN 70 006 788 754**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE  
 HALF YEAR ENDED 30 JUNE 2004**

**1. BASIS OF PREPARATION**

This half year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 'Interim Financial Reporting', Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2003 and any public announcements made by Asset Backed Holdings Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The financial report is prepared in accordance with the historical cost convention and does not take into account, except where stated, current valuations of non-current assets.

The accounting policies are consistent with those applied in 31 December 2003 annual report.

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

**2. RECEIVABLES**

	30 June 2004 \$	31 December 2003 \$
Loan – Phosphate Resources Limited	1,250,000	1,250,000
Interest Receivable – Phosphate Resources Limited	7,705	28,114
Security Deposit – re Norwest Holdings transaction	250,000	-
Other Debtors	4,480	3,013
	1,512,185	1,281,127

The loan and outstanding interest due from Phosphate Resources Limited were repaid in full in July 2004.

**3. OTHER FINANCIAL ASSETS**

	30 June 2004 \$	31 December 2003 \$
Listed Investments:		
Shares and options in unrelated companies	385,156	100,000
Unlisted Investments		
Shares in unrelated companies	4,408,893	4,142,943
	4,794,049	4,242,943

(a) Market value of listed investments:  
 - shares and options in unrelated companies

320,100	90,000
4,408,893	4,142,943
4,728,993	4,232,943

(b) Shares in unlisted companies:  
 Phosphate Resources Limited  
 Principal activity is phosphate mining.

**ASSET BACKED HOLDINGS LIMITED**  
**ABN 70 006 788 754**

**4. SEGMENT INFORMATION**

The Company operates predominantly in Australia in the investment industry.

**5. EARNINGS PER SHARE (EPS)**

	30 June 2004 \$	30 June 2003 \$
Earnings used in calculating basic and diluted earnings per share	(139,889)	(295,554)
Weighted average number of shares used as the denominator	50,874,102	50,874,102

**6. NTA BACKING**

	30 June 2004 \$	30 June 2003 \$
Net tangible asset backing per ordinary share	0.17	0.18

**7. CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the last annual reporting date.

## **8. SUBSEQUENT EVENTS**

- (a) On 21 July 2004, the Company announced its intention to make an off market takeover bid for all the shares in Phosphate Resources Ltd ("PRL") that it doesn't already own, with a minimum 90% acceptance condition. The Company will be offering \$3 cash per each PRL share and, if acceptances are received for 100% of the shares not already owned by the Company, the total purchase consideration will be approximately \$6.1 million.

On 23 August 2004, the Company issued a prospectus offering 7,500,000 shares at an issue price of 10 cents each to raise \$750,000. Since balance date, the Company has concluded negotiation of a bank standby facility of \$2 million, a term sheet has been received and accepted and final documentation is currently being prepared. The equity raising and the bank standby facility will augment the Company's existing cash and liquid assets in order to fund the PRL takeover bid.

- (b) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of next financial year.

The Company's directors, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

Set out below are the key areas where accounting policy will change and may have an impact on financial reporting by Asset Backed Holdings Limited. At this stage, the Company has not been able to reliably quantify the impact on the financial report.

*Intangible Assets - Goodwill* - Under Accounting Standard AASB 3 'Business Combinations' goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the Company's accounting policy, which presently amortises goodwill over its useful life not exceeding twenty years. Under the new policy, amortisation will no longer be charged. However, post the transition date of 1 July 2004, goodwill will be expensed immediately in the Statement of Financial Performance to the extent it is impaired.

Potentially higher expenses may result in the event of a business combination because an acquiring entity will not be permitted to recognise liabilities for terminating or reducing the activities of the acquired entity as part of allocating the cost of the business acquisition. Any such liabilities existing at transition will be adjusted against opening retained earnings.

*Impairment of Assets* - Under Accounting Standard AASB 136 'Impairment of Assets', the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Company's current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy, it is likely that impairment of assets will be recognised sooner and that the amount of write-downs charged to the Statement of Financial Performance could be greater.

*Share based payments* - Under Accounting Standard AASB 2, the Company will be required to determine the fair value of future options or other equity based compensation issued to employees and recognise this as an expense in the statement of financial performance.

Other than the matters mentioned above, no matters or circumstances have arisen since 30 June 2004 that significantly affect or may significantly affect:

- (a) the operations of the Company in future financial years, or
- (b) the results of those operations in future financial years; or
- (c) the state of affairs of the Company in future financial years.

**ASSET BACKED HOLDINGS LIMITED**  
**ABN 70 006 788 754**

**DIRECTORS' DECLARATION**

In the opinion of the directors of Asset Backed Holdings Limited:

1. The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Company as at 30 June 2004 and of its performance, as represented by the results of its operations and cash flows, for the half year ended on that date; and
  - (b) complying with Accounting Standards 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.

Signed in accordance with a resolution of the directors:



S M Shah  
Director

30 August 2004  
Perth, Western Australia

INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF ASSET BACKED HOLDINGS LIMITEDScope


We have reviewed the financial report being the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Directors' Declaration of Asset Backed Holdings Limited for the half-year ended 30 June 2004. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial statements in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial statements with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an opinion.

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 Asset Backed Holdings Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the disclosing entity's financial position as at 30 June 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; and
- (b) other mandatory professional reporting requirements in Australia.

BDO  
Chartered AccountantsB G McVeigh  
PartnerPerth, Western Australia  
Dated 30<sup>th</sup> August 2004