PAYCE CONSOLIDATED LIMITED ANNUAL REPORT 2007

PAYCE

During the five years since the first settlement took place at its flagship award-winning development, The Waterfront at Homebush Bay, Payce Consolidated has demonstrated its commitment to high quality development while securing substantial expertise in project and development management, sustainable design and estate management.

The Waterfront is currently home to some 2,500 residents in over 1,100 luxury apartments, while 28 commercial suites and retail tenancies make up its business and shopping precinct. The village-style surrounds of The Waterfront and the state-of-the-art facilities means that there is something for all residents from play groups and walking clubs to boot camps and a medical precinct. More then 1,600 apartments are yet to be constructed, with mixed-use features at most of the coming sites.

Beyond this prestigious Sydney address, Payce and its related enterprises have expanded to include property acquisitions at a number of exciting locations around Australia, all to be designed with integrated sustainability, from concept to ongoing livability.

Payce is also well-positioned to pursue opportunities for growth outside the property industry particularly through its investment in two childcare business, Ramsay Bourne and World of Learning with both own and manage childcare centres throughout Australia.

MOVING FORWARD

While our landmark development The Waterfront at Homebush Bay continues to achieve its milestones, progress made in 2007 on strategic property investments within Sydney and outside New South Wales have provided Payce with opportunities for growth into the future.

BAYSHORE

VICTORIA PARK – COMMERCIAL

CHISWICK CONCEPT DEVELOPMENT

AERIAL VIEW OF RIPLEY

PROPERTY INVESTMENT

Bayshore, Melboune
Payce's investment consortium company BRIC purchased 83 apartments in the Bayshore development at Port Melbourne. The majority of these have been leased with a selection of apartments being placed on the market for sale to take advantage of interest in apartments in the area.

Victoria Park, Sydney
Land has been purchased in a joint venture between Payce and Babcock & Brown at the Master Planned Victoria Park site, in Sydney.

Victoria Park is in the urban renewal precinct midway between the CBD and airport. Its six hectares will house a major residential, retail and commercial centre at the city's southern gateway.

At present it is proposed that the site will contain over 1,600 residential apartments, 8,500 square metres of retail space and 25,800 square metres of commercial space.

Chiswick, Sydney
Development approval is in place for 108 units at this site, which is surrounded by parklands near Five Dock Bay on Sydney Harbour. A water storage tank has been integrated to the Chiswick design to harvest rainwater. Excess water collected will be made available to irrigate the site's adjacent parklands.

Ripley Valley, Brisbane
Ripley Valley is a Master Planned site five kilometres from Ipswich that has been earmarked for more than 50,000 new homes overall.

With partners Babcock & Brown and the Wingate Group, Payce will develop the urban core of Ripley Valley including the proposed town centre and greater area. A significant retail, entertainment and commercial precinct forms part of this holding.

Sustainable building design and energy supply will be key features of the Ripley development. A primary goal of the project is to reduce reliance on private transport by creating a working community. More than 40km of pedestrian and cycleways will be incorporated in the project, within a natural environment setting.

An integral part of the Queensland government's new Housing Affordability Strategy for South East Queensland, Ripley Valley will be linked by the South West Transport corridor, which is on schedule to be finished in June 2009. The new highway and interchange will pass through the Ripley Valley town centre with a new rail corridor also planned for the area in the future. Ripley is set in a high-growth area, surrounded by industry and offering abundant nearby employment opportunities.

CHILD CARE

Ramsay Bourne and World of Learning
Payce has invested in two childcare businesses being Ramsay Bourne and World of Learning.

Ramsay Bourne is a manager of childcare centres for third party owners. Founded in 2004, the company's directors have more than 35 years experience in the childcare industry.

Under the "World of Learning" brand, an innovative curriculum for young children has been developed. The syllabus provides a high quality teaching environment with a focus on the individual child's needs and talents. This successful program has been implemented across the 33 World of Learning Child Care Centres throughout Australia.

Since its first property settlement took place in November 2002, The Waterfront at Homebush Bay's journey from vision to a high quality residential community has progressed steadily amidst the backdrop of a fast-growing region at the geographical centre of Sydney.

THE WATERFRONT CELEBRATES FIVE YEARS

Opposite from top, left to right:

CORFU
54 Unit residential development
Completed: 2002

THE PIAZZA/SANTORINI/PORTOFINO
42 Unit residential development
8 Commercial and 16 retail stratas
Completed: 2003

CAPRI
87 Unit residential development
Completed: 2004

MYKONOS
79 Unit residential development
Completed: 2004

POSITANO / MONACO / MONTE CARLO
101 Unit residential development
Completed: 2004

TORINO
54 Unit residential development
Completed: 2004

NAPOLI
76 Unit residential development
Completed: 2004

PULSE
Lifestyle and Commercial development
Completed: 2006

SORRENTO
119 Unit residential development
1 commercial strata
Completed: 2006

PAROS
130 Unit residential development
2 commercial stratas
Completed: 2006

VALENCIA
173 Unit residential development
Completed: 2007

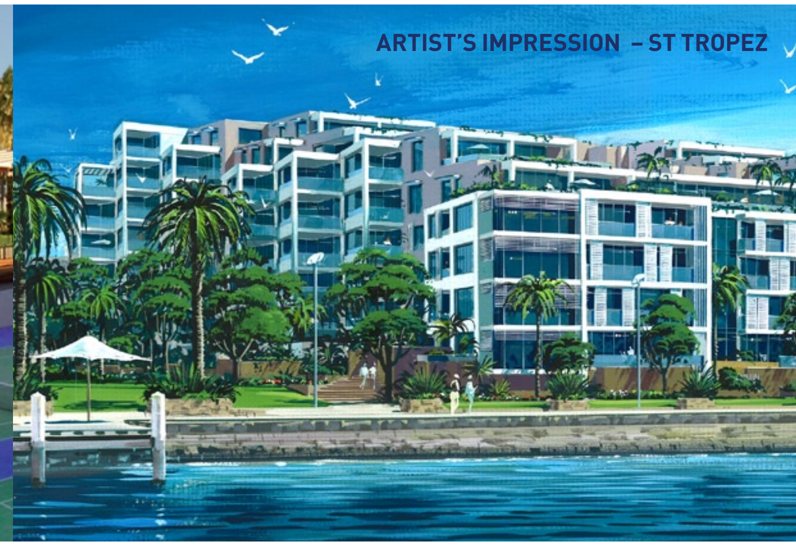
PALERMO
245 Unit residential development
1 commercial strata
Completed: 2007

THE WATERFRONT CELEBRATES FIVE YEARS

THE PIAZZA


NIGHT VIEW ACROSS THE BAY


PULSE


ARTIST'S IMPRESSION – ST TROPEZ

The Waterfront strikes an attractive balance across all demographics through its access to public transport, proximity to schools, industry, commercial and entertainment precincts. Within the estate, the high quality finishes, abundant landscaping, location, lifestyle, sense of community and Payce's demonstrated commitment to sustainability contribute to the marketability and popularity of the village.

The Waterfront has achieved its aim of community engagement from Payce's responsive and flexible approach to providing recreational and other services to residents. The foresight Payce has invested in the overall concept has created an environment that appeals to all age groups.

THE PIAZZA
An elegant sense of place

Designed as The Waterfront's community focal point, The Piazza is the architectural centrepiece of the estate's Mediterranean theme.

The leafy retail strip has evolved to offer a practical mix of dining, retail shopping and services in a welcoming setting. The Piazza draws visitors from the wider local area and competes viably with surrounding retail precincts. It is a distinctive amenity at The Waterfront that attracts investors and appeals to residential tenants for its convenience and the social enrichment it provides.

During 2006, business owners and managers from within The Piazza and neighbouring commercial premises formed a structured network (The Waterfront Business Network) which aims to enhance and create marketing opportunities for local businesses.

PULSE
A hub for resort living

Neighbouring The Piazza, Pulse is the comprehensive recreational centre at The Waterfront that connects residents to an energetic resort lifestyle. Central to that lifestyle is the 24-hour Concierge service.

As a fitness centre, Pulse offers a gym, indoor pool, exercise classes and tennis courts. The centre also houses a commercial office building that contributes to the diversity of The Waterfront estate.

The Pulse Function Centre is equipped to host social and business events. The room's availability for hire is gaining exposure among the region's business community, in part through its use by The Waterfront Business Network for meetings, while also being marketed by Payce as a high quality conference facility.

PIPELINE
Beyond the drawing board

Five residential sites at The Waterfront estate are to be developed.

St Tropez
Located on a water frontage site on Homebush Bay, St Tropez is DA approved for 127 residential apartments. The building's design maximises the number of residences with water views.

Messina
DA approved for 130 residential apartments, a gym and lagoon-style swimming pool. In mid-2007 the site for the proposed Messina project became a temporary park for use by residents as recreational open space.

Siena
Siena will contain 188 residential apartments and will feature a central landscaped podium at level three.

Catania
Payce is awaiting approval for Catania, on Marine Parade. The proposal is for 263 apartments, with buildings surrounding a central podium.

Alora
Alora is proposed for the northern side of Baywater Drive. It is awaiting approval for 255 residential apartments, a gym, pool and 16 commercial suites.

EXCELLENCE

In 2007, 'Valencia' at The Waterfront, was awarded 'Excellence in Residential Development' by the NSW Urban Task Force. The category for this award examined the property's commercial success, community benefits, environmental attributes, innovation, urban design and architectural distinction.

AWARDS

- 2007 The NSW Urban Taskforce
  Development Excellence Award for Residential Development – Valencia.
  WINNER
- 2006 Urban Development Industry Association
  NSW Best Master Planned Mixed Use.
  WINNER
- 2005 UDIA NSW Landcom Awards for Excellence
  Residential lifestyle development.
  WINNER
- 2005 Property Council of Australia, National Ryder Hunt Awards
  Mixed Use Development.
  FINALIST
- 2005 Master Builders Association of NSW
  Award for Napoli.
  COMMENDATION

CHAIRMAN'S REVIEW

A Net Profit after tax of $26.1M is good news for our shareholders and the efforts of our Managing Director and management to propel Payce into its next important corporate phase have been substantial.

Last year I highlighted the future directions of our business. Our latest joint venture with Babcock & Brown announced to the Australian Stock Exchange on 10 October 2007, as stated, "will reduce our direct holding in the Homebush Bay precinct and expand our horizons to develop the company into a substantial property investment and management group with increasing geographic and earnings diversity" reflects that commitment. I refer to this transaction later in my report.

THE WATERFRONT AT HOMEBUSH BAY

We are extremely proud of the Award winning development "The Waterfront at Homebush Bay" and have constructed 1,181 residential apartments including our first release in 2002 of the Corfu apartment complex. Community facilities and a village style retail precinct have created a friendly relaxed environment which is enjoyed by all the residents.

CONSTRUCTION

The 2007 Financial Year and carrying on into this financial year has been a particularly busy period for our Development and Project Management team.

We have completed numerous residential projects including;

- Sorrento
  – 119 apartments, practical completion July 2006
- Paros
  – 130 apartments, practical completion August 2006
- Valencia
  – 173 apartments, practical completion October 2006
- Palermo
  – 246 apartments, practical completion August 2007

In developing these buildings the Company has continued its Award winning ways with it recently being awarding of the 2007 NSW Urban Taskforce Development Excellence Award for Residential Development for our Valencia building.

FUTURE DEVELOPMENT

Whilst the Company has been busy over the past six years constructing the numerous buildings at The Waterfront, it also has a substantive pipeline of future developments.

For our future developments we have received 2 DA approvals;

- Messina – 130 apartments
- St Tropez – 127 apartments

We also have numerous other DA's lodged which are at various stages of assessment. These include;

- Siena –188 apartments
- Catania – 263 apartments
- Alora – 255 residential apartments and 16 commercial units

We also have a Part 3A application currently being assessed over our site at 41-45 Hill Road, Homebush Bay for in excess of 670 apartments.

INVESTMENT PROPERTIES

The Company currently owns the following properties at Homebush Bay excluding apartments held for sale.

Industrial Property

- 23 Bennelong Parkway – 2.6ha
- 41-45 Hill Road – 3.2ha

Both sites are currently leased.

Commercial / Retail Space

- Santorini, 4 The Piazza
  – 4 commercial strata's, 8 retail strata's
- Portofino, 3 The Piazza
  – 4 commercial strata's, 8 retail strata's
- Paros, 19 Hill Road
  – 2 commercial strata's

The Portofino and Santorini commercial / retail space forms the hub of "The Waterfront" development. The majority of this space is currently occupied and includes café / delicatessens / bottle shop, restaurant, pharmacy, hairdresser, day spa, and our Sales Office.

The Piazza and the Commercial / Retail space surrounding it, assists in creating a sense of community within "The Waterfront" and is one of the keys to success in promoting and selling our apartments.

OTHER ACTIVITIES

As part of the Company's strategy to reduce its reliance on the development of Homebush Bay, over the past 18 months the company has invested in several opportunities that have become available to it during that time.

PROPERTY AND PROPERTY RELATED ACTIVITES

CHISWICK

In April 2006, the Company acquired at Chiswick for the development of 108 residential apartments and 1 commercial strata. The site is located approximately 6km north-west of the Sydney CBD.

Payce current owns 50.1% of the company that owns this site. Babcock & Brown own the remaining balance.

We are currently reviewing the site with a view to commencing sales activities within the next 12 months.

BRIC

In June 2006, Payce and Babcock's jointly created a new business called BRIC (Built Residential Investment Consortium). The purpose of this business was to acquire completed apartments in bulk purchases for a discount.

The apartments would then be rented out for a period of time and then at the appropriate time the apartments would be sold to third party purchases.

At present BRIC owns 86 apartments from 2 sites, The Waterfront at Homebush Bay (13), and Bayshore Apartments in Port Melbourne (73).

Due to the demand for apartments in Port Melbourne we have been selling a number of these properties rather than holding for rental purposes.

RIPLEY

In December 2006, Payce was introduced to a group of investors who had acquired land at Ripley. Ripley is located approximately 35km south-west of Brisbane and forms part of the Queensland Government's growth corridor.

Payce has invested into two entities which collectively owns approximately 170 hectares of land. These landholdings allow for the development of a mixture of commercial, retail and residential uses.

There are four parties who have invested in these companies and we are in the process of finalising agreements which will result in the ownership allotments being equalised.

The sites are in the early planning stage with no construction work planned for the next 1-2 years. The overall project has a lifespan of over 10 years.

BABCOCK & BROWN APRTMENT INVESTMENT TRUST (BBAIT) AND BABCOCK & BROWN APARTMENT INVESTMENT COMPANY LIMITED (BBAICL)

As mentioned earlier in my report, Payce announced its investment of $25M into a stapled Residential Apartment vehicle. We have co-invested into this vehicle with Babcock & Brown.

To commence this vehicle, it has acquired land at Victoria Park in Zetland, Sydney and has entered into a Call Option to acquire Payce's undeveloped landholdings at Homebush Bay.

Victoria Park

The Victoria Park site was acquired for $151.5M and is approximately 6.5ha in area. At present it is proposed that it will be developed to contain;

- 1,600 residential apartments
- 8,500 sqm of retail space
- 25,800 sqm of commercial space

Homebush Bay

BBAIT has entered into a Call Option to acquire our undeveloped land for a cost of $181.8M plus development costs incurred up until the Call Option is exercised and the property sold.

The land subject to the Call Option could potentially contain over 2,000 apartments.

The Call Option has an expiry date of 31 December 2008.

DEVELOPMENT / PROJECT MANAGEMENT

One of Payce's key strengths is its Development and Project Management team. In recognising this strength the Company is currently finalising establishing a new joint venture with Babcock's. The new business is known as BDS Australia and it will take over the employment of our Development and Project Management business.

This business will initially provide development and project management services to;

- The Waterfront at Homebush Bay (NSW)
- Chiswick (NSW)
- Ripley (Qld)
- Victoria Park (NSW); and
- Horton Park (Qld) (a site in which Payce is not an equity partner)

and will also look to expand its provision of services to additional third parties.

CHILDCARE

Ramsay Bourne

In January 2006, the Company acquired a 33.3% equity holding in Ramsay Bourne Holdings Pty Ltd. At the time of Payce investing into this business, it was a manager of childcare centres for third party owners.

Subsequent to us investing in the business, it then expanded its business to also acquire and operate childcare centres in its own right.

The business currently owns 27 centres and manages 37 centres for other childcare centre owners.

World of Learning

Subsequent to the investment into Ramsay Bourne, a decision was made amongst the Ramsay Bourne shareholders that the management business should operate separately from the centres that they owned. As a result, World of Learning Pty Ltd was established.

This company currently owns 6 childcare centres with those in Ramsay Bourne to be transferred across prior to financial year-end.

In separating the owned and managed businesses, World of Learning has also secured a substantial line of funding which will allow it to accelerate its acquisition program.

DIVIDENDS

Despite the profits generated by the Company over the past several years, the Directors have not recommended a dividend. As consistent earnings flow as a result of our expansion, our dividend policy will be reviewed.

EMPLOYEES

One of the keys to the success of Payce and in particular "The Waterfront at Homebush Bay" is our employees. I would like to take this opportunity to thank our staff and my fellow Directors for their on-going efforts and commitment towards the Company.

ANNUAL GENERAL MEETING

Our Annual General Meeting will be held at "The Waterfront at Homebush Bay" on 23 November 2006.

We invite all shareholders to attend and look forward to displaying the results of our efforts since the previous AGM.

D.H. Macintosh
CHAIRMAN

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of Payce Consolidated Limited ('the Company') and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2007.

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Mr. David H. Macintosh
Chairman
Executive Director

David Macintosh, aged 51, has been a Director since 1990, was appointed Chairman in 1992 and a member of the Audit Committee since 2005. He joined the Payce group in 1987 after 10 years in the transport industry in Australia and Europe. He is a director and President of the Australian Respiratory Council, a member of the President's Council of the Children's Hospital at Westmead, Governor of the Woolcock Institute of Medical Research, Director of The Australian Lung Foundation and Chairman of The Macintosh Foundation and Macintosh Chair of Paediatric Respiratory Medicine - Sydney University, Endowed Chair 29 November 2005. He has been actively involved in the Surf Life Saving movement for over 40 years. He is a life member at Long Reef SLSC, Chairman of the Expenditure Review Committee and a Distinguished Service Member at Collaroy SLSC. He has degrees in Business and Accounting and is a Fellow of the Institute of Chartered Accountants.

Mr. Brian M. Boyd
Managing Director

Brian Boyd, aged 58, was appointed a Director and Managing Director in 1987. He has over 27 years experience in the property industry and is a member of the Remuneration Committee.

Mr. Roger R. Short
Independent Non-Executive Director

Roger Short, aged 62, was appointed a Director in 1996. He has been a lawyer for over 31 years with extensive involvement in large scale property development projects and commercial and public infrastructure and recently retired from practice with McCullough Robertson. He has been a Director of public companies for more than 21 years. He is currently a Director of Paynter Dixon Qld Pty Ltd and Local Government Infrastructure Services Pty Ltd, a Queensland government-owned co-operation. He is a member of the Audit and Remuneration Committees.

During the past three years he has also served as a director of the following ASX listed company:

Sedgman Limited – June 2006 to Present

All directors held their position as director throughout the entire financial year and up to the date of this report unless otherwise stated.

2. COMPANY SECRETARIES

Mr. Stephen M. Wainwright
Stephen Wainwright, aged 36, was appointed as Company Secretary in 2002. He has a degree in Commerce and is a Chartered Accountant and has extensive experience in accounting and reporting for both public and private companies.

Mr. Mark E. Morgan
Mark Morgan, aged 51, was appointed as Company Secretary in 2004. He has been a lawyer for 26 years, the last 10 as a partner of Morgan Lewis Attorneys. He has worked exclusively in the property development field for the last 20 years. He acted for Payce in the acquisition of its Homebush Bay land in 1988 and has been closely involved in the development of that land since then.

3. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board A	Board B	Audit A	Audit B	Remuneration A	Remuneration B
D. H. Macintosh	5	5	2	2		
B. M. Boyd	5	5			-	-
R.R. Short	5	5	2	2	-	-

A - Number of meetings attended
B - Number of meetings held during the time the director held office during the year

4. PRINCIPAL ACTIVITY

The principal activities of the consolidated entity during the year were property investment and development. There were no significant changes in the activities of the consolidated entity during the year.

5. OPERATING RESULTS

The consolidated profit of the consolidated entity after providing for income tax and eliminating minority equity interests amounted to $26,513,000.

6. DIVIDENDS PAID AND RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

7. REVIEW OF OPERATIONS

Excluding Other Income, Net Financing Costs and Share of Losses from Associates, the consolidated entity generated a pre-tax operational profit of $6,409,000 as compared to an operational loss of $2,763,000 in 2006.

RESIDENTIAL PROPERTY DEVELOPMENT
The Waterfront at Homebush Bay

During the year the consolidated entity completed three buildings comprising 422 residential apartments and 3 commercial units. Of these completed apartments 222 were settled for a sales value of $119.4 million.

Subsequent to year-end, the consolidated entity also completed a 246 apartment development (Palermo) within "The Waterfront at Homebush Bay" development. Settlements commenced during the last week of August 2007.

The settlement of pre-sales from Palermo plus the ongoing sale and settlement of other unsold apartments is expected to drive a similarly strong result from Operations over the next financial year.

The consolidated entity also has two approved Development Applications totaling 257 apartments and a further three Development Applications currently being assessed for 722 apartments. These future developments will provide the consolidated entity with a development pipeline over the next few years. There are currently no immediate plans to construct on these sites with the consolidated entity concentrating on selling and settling its existing completed apartments.

Chiswick

In April 2006, the consolidated entity acquired a site at Chiswick for the development of 108 apartments. It was originally intended that the consolidated entity would carry out this development with another partner, Babcock & Brown Limited. Due to delays experienced by the other partner in receiving their authority approvals to participate, the site was initially acquired by Payce in a 100% controlled entity. When the partner received their approvals after 30 June 2006, the Company disposed of 49.9% of the controlled entity holding the Chiswick site.

To date no construction work has commenced on the site nor have any sales activities occurred.

Ripley

In December 2006, the consolidated entity was introduced to a development opportunity at Ripley by Babcock & Brown Limited. Ripley is located approximately 35km south-west of Brisbane. The area has been identified by the Queensland Government as part of its development corridor.

The consolidated entity became an equity investor in two entities that own 170 hectares of land. At present the consolidated entity owns 49.17% and 75% of the respective entities and intends to sell down this holding to 25% in both entities which will equalise the holdings amongst the equity partners.

INVESTMENT PROPERTIES

During the year the consolidated entity resolved a rental dispute with the tenant of one of its industrial properties. The effect of this was that the rent attributable to that site increased substantially from $1.14 million to $2.12 million pa. This lease has a further 8 years to run.

RESIDENTIAL PROPERTY
BRIC (Built Residential Investment Consortium)

During the past 12 months, this business has grown and now owns 99 apartments from which it derives rental income. 86 apartments are located at Port Melbourne with the remaining 13 apartments located at Homebush Bay. This business will hold these apartments for rental purposes and at the appropriate time sell these apartments to third parties.

CHILDCARE

In January 2006, the consolidated entity acquired a one third interest in Ramsay Bourne Holdings Pty Ltd. At the time, this business was a manager of childcare centres for 3rd party owners. Subsequent to becoming a shareholder, the Ramsay Bourne group commenced an acquisition programme whereby it acquired 14 childcare centres with a further 18 under contract. 14 of these centres settled in July 2007 with the balance to be settled prior to December 2007.

A decision was made that Ramsay Bourne would concentrate on managing centres and a new childcare group, the World of Learning, would acquire centres. In January 2007, World of Learning Pty Ltd was incorporated as a wholly-owned controlled entity of Payce. The World of Learning group was created on this basis whilst shareholding arrangements and funding was organised. On 27 July 2007, these arrangements were completed and Payce has reduced its holding in World of Learning Pty Ltd to 37.5%. The new shareholders in this entity are subsidiaries of Babcock & Brown Limited and MFS Limited.

During that timeframe World of Learning acquired 7 childcare centres and now that it has its funding arrangements in place is set to embark on an acquisition campaign.

8. ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to State and Federal legislation regulating building and the development of land. The consolidated entity has a policy of complying with all its environmental performance obligations and the directors are not aware of any significant breaches during the period covered by this report.

9. FINANCIAL POSITION

The net assets of the consolidated entity increased by $26.3 million from June 2006 to $145.8 million in 2007.

During the year, the consolidated entity's total asset

position increased substantially from $398.7 million to $455.8 million. Of this increase, $23.6 million was due to costs incurred in developing its properties for sale and $36.6 million representing the gain on revaluation of investment properties.

10. EVENTS SUBSEQUENT TO BALANCE DATE

RESIDENTIAL PROPERTY DEVELOPMENT
The Waterfront at Homebush Bay

Subsequent to year-end, the consolidated entity completed a 246 apartment development (Palermo) within "The Waterfront at Homebush Bay". Settlements commenced in late August 2007.

CHILDCARE

During the year it was decided that Ramsay Bourne would concentrate on managing centres and a new childcare group, the World of Learning, would acquire centres. In January 2007, World of Learning Pty Ltd was incorporated as a wholly-owned controlled entity of Payce. The World of Learning group was created on this basis whilst shareholding arrangements and funding was organised. On 27 July 2007, these shareholding arrangements were completed and the Payce group has reduced its holding in World of Learning Pty Ltd to 37.5%.

11. LIKELY DEVELOPMENTS AND FUTURE RESULTS

The directors have excluded from this report any further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, as the directors have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the consolidated entity.

12. KEY BUSINESS STRATEGIES AND FUTURE PROSPECTS

The consolidated entity's business strategies and prospects for growth in future financial years have not been included in this report, as the inclusion of this information is likely to result in an unreasonable prejudice to the consolidated entity.

13. STATE OF AFFAIRS

With the exception of the matters stated in the Review of Operations there have been no other significant changes in the state of affairs of the Company or consolidated entity during the year ended 30 June 2007.

14. DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Details of each director's relevant interest in the shares of the company are shown on page 38 of the financial report.

15. INDEMNIFICATION OF OFFICERS

Clause 112 of the Company's Constitution requires the company to indemnify each officer of the company (subject to certain qualifications) against any liability incurred by the officer in or arising out of the conduct of the business of the company or the discharge of the duties of the officer unless the liability was incurred by the officer through his or her own dishonesty, negligence, lack of good faith or breach of duty.

The directors and company secretaries named on page 17 have the benefit of the indemnity in Clause 112. The Company has insured against amounts which it is liable to pay to officers pursuant to Clause 112 or which it otherwise agrees to pay by way of indemnity. The terms and conditions of the contracts of insurance prohibit the nature of any liability and the amount of the premium from being disclosed.

16. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

17. REMUNERATION REPORT

17.1 Principles of compensation - audited

Remuneration of Directors and senior executives is referred to as compensation as defined in AASB 124.

The directors have agreed that under the Company's Constitution, the non-executive directors are to be paid remuneration for ordinary services such sums as may from time to time be determined by a meeting of members.

The compensation structures explained below are designed to attract suitably qualified executives, reward the achievement of strategic objectives, and achieve the broader outcome of increasing the company's profit and creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment performance;
- the consolidated entity's performance including:
  - the consolidated entity's earnings;
  - the growth in share price and returns on shareholder wealth;
  - the amount of incentives within each key management

personnel's remuneration.

Compensation packages may include a mix of fixed and variable compensation.

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Variable compensation consists of annual bonus payments which are made at the discretion of the Managing Director.

Key management personnel compensation levels are reviewed annually by the Managing Director through a process that considers individual, segment and overall performance of the consolidated entity.

In considering the consolidation entity's performance and benefits for shareholders wealth the directors have regard to the following indicies in respect of the current financial year and the previous three financial years.

	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Net profit	26,513	1,581	11,314	15,506 (i)
Share price at year-end	$3.00	$3.00	$2.90	$2.51

(i) Net profit reported under previous Australian Accounting Standards.

Key management personnel each have a contract of employment with Payce Management Limited. Each contract is for an unlimited term and is capable of termination on one to three months notice. The company retains the right to terminate contracts immediately, by making payment equal to one to three months' pay in lieu of notice. Upon retirement or resignation specified directors and executives are paid employee benefit entitlements accrued to the date of retirement or resignation.

17.2 Directors' and senior executives' remuneration (Company and Consolidated) - audited

Details of the nature and amount of each element of remuneration of each director of the Company and all consolidated entity key management personnel who receive the highest remuneration are:

	Short-term employee benefits			Post-employment benefits	Termination benefits	Share Based payments		
Directors	Salary, fees & commissions $'000	Primary cash bonus (A) $'000	Non-cash benefits $'000	Super-annuation $'000	Retirement benefits $'000	Equity options $'000	Total $'000	Performance related %
Non-executive								
R.R. Short								
➤ 2007	39	-	-	4	-	-	43	-
➤ 2006	39	-	-	4	-	-	43	-
F.C.S. Smith (retired 26 September 2005)								
➤ 2007	-	-	-	-	-	-	-	-
➤ 2006	11	-	-	-	-	-	11	-
Executive								
D.H. Macintosh								
➤ 2007	239	-	5	21	-	-	265	-
➤ 2006	239	-	6	21	-	-	266	-
B.M. Boyd								
➤ 2007	109	-	139	18	-	-	266	-
➤ 2006	109	-	135	18	-	-	262	-
Total compensation: - Directors (consolidated)								
2007	387	-	144	43	-	-	574	
2006	398	-	141	43	-	-	582	
Total compensation: - Directors (company)								
2007	39	-	-	4	-	-	43	
2006	50	-	-	4	-	-	54	

	Short-term employee benefits			Post-employment benefits	Termination benefits	Share Based payments		
	Salary, fees & commissions $'000	Primary cash bonus (A) $'000	Non-cash benefits $'000	Super-annuation $'000	Retirement benefits $'000	Equity options $'000	Total $'000	Performance related %
Specified Executives								
P. Munnings *General Manager - Operations*								
➤ 2007	327	75	7	41	-	-	450	16.7
➤ 2006	291	-	7	38	-	-	336	-
B.J. Klevansky *General Manager - Sales & Marketing*								
➤ 2007	800	-	-	-	-	-	800	-
➤ 2006	754	-	-	-	-	-	754	-
S.M. Wainwright *Company Secretary/Chief Financial Officer*								
➤ 2007	159	20	7	14	-	-	200	10.0
➤ 2006	137	15	3	12	-	-	167	9.0
Total compensation: - Executives (consolidated)								
➤ 2007	1,286	95	14	55	-	-	1,450	
➤ 2006	1,182	15	10	50	-	-	1,257	

Notes to the table of directors' and senior executives remuneration - audited

(A). The short-term incentive bonus included as compensation for the relevant year was for performance during that financial year.

Details of performance related remuneration

Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed on pages 19 and 20.

17.3 Analysis of bonuses included in remuneration - unaudited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each Director of the Company and each consolidated entity senior executive are detailed below:

	Included in remuneration $	Short-term incentive bonus % vested in year	% forfeited in year
Executives			
P. Munnings	75,000	100%	-
S.M. Wainwright	20,000	100%	-

17.4 Equity instruments

17.4.1 Options and rights over equity instruments granted as compensation - audited

No options over ordinary shares in the Company were granted as compensation to key management personnel during the prior or current reporting periods and no options over shares vested during those periods.

No options have been granted since the end of the financial year.

17.4.2 Modification of terms of equity-settled share-based payment transactions - audited

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

17.4.3 Exercise of options granted as compensation - audited

No shares were issued on the exercise of options previously granted as compensation during the reporting period or prior periods.

18. NON-AUDIT SERVICES

The company's auditors, Weston, Woodley & Robertson did not provide any non-audit services during the financial year. The directors are satisfied that as no other services have been provided, audit independence has not been compromised.

19. AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

The Lead Auditor's Independence Declaration is set out on page 23 and forms part of the directors' report for the financial year ended 30 June 2007.

20. ROUNDING OF AMOUNTS

The parent company is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/100. In accordance with that Class Order, amounts in the financial statements have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of directors.

B.M. BOYD
DIRECTOR

D.H. MACINTOSH
DIRECTOR

Sydney, New South Wales
24th September, 2007

WESTON
WOODLEY
ROBERTSON
Chartered Accountants
& Consultants

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

To: the directors of Payce Consolidated Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

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

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

WESTON WOODLEY & ROBERTSON

Cameron Johnstone
Partner

Sydney

24th September 2007

Level 18, 201 Elizabeth Street, Sydney NSW 2000 • PO Box A230, Sydney South NSW 1235 • DX11552 Sydney Downtown
Telephone: (02) 9264 9144 • Facsimile: (02) 9264 6334 • Email: gmn@wwr.com.au • Website: www.wwr.com.au • ABN 65 110 899 420

The directors are responsible for the corporate governance practices of the company. This statement sets out the main corporate governance practices that were in operation throughout the financial year.

Unless otherwise stated, these comply with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

Details have been included at the end of this statement setting out the ASX Best Practice Recommendations with which the company has not complied in the reporting period.

BOARD OF DIRECTORS

The Board of directors has the responsibility to:

- determine the strategic direction of the company in order to maximise shareholder wealth and to set goals and objectives for management;
- adopt an annual budget and to monitor performance, ensuring that adequate internal controls exist and are complied with;
- ensure significant business risks are identified and properly managed;
- select and appoint new directors and review the performance of the Managing Director;
- maintain high business standards and ethical behaviour.

Board Composition

The Board presently comprises two executive directors, David Macintosh and Brian Boyd, and one non-executive independent director, Roger Short, details of whom are set out on page 17 of the financial report. The company's Constitution provides that:

- the number of directors shall be not less than 3 nor more than 10;
- one third of the directors must retire from office at the annual general meeting each year and are eligible for re-election;
- a director appointed to fill a casual vacancy must face election at the next annual general meeting;
- a director ceases to hold office on attaining the age of 72 years;
- a quorum requires a minimum of 2 directors.

The Board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that Mr R.R. Short mets these criteria. Mr Short does not have substantial shareholdings in the company, has no material business or contractual relationship with the company and has no conflicts of interest. Accordingly, he is considered to be independent.

Subject to the prior approval of the Chairman, board committees and individual directors are entitled to seek independent professional advice at the company's expense for the purposes of the proper performance of their duties.

The Board regularly reviews its performance of itself and that of the Committees, individual Directors and the management team at Board meetings.

The Board has established a number of board committees to assist in the execution of its duties, including an Audit Committee and Remuneration Committee.

Audit Committee

This committee was comprised of Roger Short and David Macintosh. Meetings are held as required throughout the year and are attended by the Managing Director and independent auditors, where appropriate. The main objectives of the committee are to:

- ensure that the quality of financial reporting is adequate and to maintain communication between the Board and independent auditors;
- make informed recommendations to the Board regarding accounting policies, practices and disclosures;
- review the scope, cost and results of the independent audits;
- assess the adequacy of the company's accounting and internal controls.

The committee is also responsible for the nomination of independent auditors.

Remuneration Committee

This committee was comprised of Brian Boyd and Roger Short. The committee reviews compensation arrangements for all directors and appropriate executives, based when appropriate on advice of external consultants. The committee meets as required.

ETHICAL STANDARDS

The Board of Payce has approved a Code of Conduct and expects all directors, officers and employees to comply with it when acting on behalf on the company.

Payce's Code of Conduct covers the following principles which are to be applied at all times:

- Conflict of interests;
- Confidentiality;
- Fair dealing;
- Protection of and proper use of the company's assets;
- Compliance with laws and regulations;
- Encouraging the reporting of unlawful/unethical behaviour.

TRADING POLICY

The Board has established a policy in relation to directors and employees holding and dealing in the company's securities.

Directors are prohibited from short term trading in the company's securities and directors and employees are prohibited from dealing in the company's securities whilst in possession of price sensitive information, not generally available to the public.

BUSINESS RISK MANAGEMENT

The Company maintains policies and procedures designed to identify and manage significant business risks.

The Managing Director and Company Secretary report in writing to the Board for half-year and year-end reporting periods that:

- the company's financial statements present a true and fair view of the company's financial condition and operational results and are in accordance with relevant accounting standards;
- the company's risk management and internal compliance and control systems are operating efficiently and effectively.

SHAREHOLDERS

Information is communicated to shareholders through:

- the Annual Report;
- the Interim Report;
- disclosures made to the Australian Stock Exchange;
- notices and explanatory memoranda of annual general meetings (AGM);
- the AGM;
- occasional letters from the board chair and managing director to specifically inform shareholders of key matters of interest.

ASX BEST PRACTICE RECOMMENDATIONS

The company advises that it does not comply with the following ASX Corporate Governance Council Best Practice Recommendations.

Recommendation 2.1

A majority of the Board should be independent directors

During the financial year, the Board considered Roger Short to be independent. Whilst the majority of the Board is not independent, the Board is satisfied that the independent director was able to provide input into the company to ensure that decisions were made and actions taken in the best interests of the company and its shareholders.

Recommendation 2.2

The Chairperson should be an independent director

The Chairman of Payce Consolidated Limited is Mr D.H. Macintosh. Mr Macintosh has been an executive director since 1990 and Chairman since 1992. Mr Macintosh is an integral part of the company and a substantial shareholder. Due to the complexity and scale of the company's development, the importance of continuity and the detailed knowledge of the business, it is not considered practical for the role to be carried out by an independent director.

Recommendation 2.4

The Board should establish a Nomination Committee

The functions to be performed by a Nomination Committee under the ASX Best Practice Recommendations are currently performed by the Board of directors. Having regard to the number of members currently comprising the company's Board, the directors do not consider it appropriate to delegate these responsibilities to a sub-committee.

Recommendation 4.3

Structure of Audit Committee

Due to the structure of the Board, the company does not comply with this Recommendation.

OTHER INFORMATION

Further information relating to the company's corporate governance practices and policies can be obtained from the company's registered office.

For The Year Ended 30 June 2007

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Revenue	2	126,549	34,603	-	-
Cost of sales	3	(100,732)	(24,991)	-	-
Gross profit		25,817	9,612	-	-
Other income	2	36,736	5,963	-	-
Administration expenses		(13,375)	(8,165)	(190)	(260)
Property expenses		(2,929)	(1,981)	-	-
Marketing expenses		(708)	(1,297)	-	-
Impairment of property, plant and equipment		(2,396)	(932)	-	-
Total expenses excluding net financing costs		(19,408)	(12,375)	(190)	(260)
Profit/(loss) before tax and net financing costs		43,145	3,200	(190)	(260)
Finance income		3,232	797	1,229	1,194
Finance costs		(8,170)	(2,031)	(69)	(69)
Net financing (costs)/income	4	(4,938)	(1,234)	1,160	1,125
Share of losses of associated company and jointly controlled entity accounted for using the equity method	29	(934)	-	-	-
Profit before income tax		37,273	1,966	970	865
Income tax expense	5	(10,761)	(385)	(10,744)	(385)
Profit for the year		26,512	1,581	(9,774)	480
Loss attributable to minority equity interest		1	-	-	-
Profit attributable to members of the parent entity		26,513	1,581	(9,774)	480
Earnings per share (cents per share)					
Basic	8	60.5c	4.4c		
Diluted	8	60.5c	4.4c		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 31 to 55.

As at 30 June 2007

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Current Assets					
Cash and cash equivalents	10	1,260	568	3	3
Trade and other receivables	11	4,427	13,068	47,009	45,968
Properties held for development and resale	12	189,783	173,136	-	-
Other	18	8,127	9,365	-	6
Total Current Assets		203,597	196,137	47,012	45,977
Non-Current Assets					
Trade and other receivables	11	24,227	2,602	-	-
Properties held for development and resale	12	79,311	102,625	-	-
Investments accounted for using the equity method	13	6,525	2,309	-	-
Property, plant and equipment	14	17,558	6,435	-	23
Investment properties	15	102,389	62,800	-	-
Financial assets	16	3,150	3,500	77,833	77,833
Deferred tax assets	22	14,106	17,499	13,803	17,179
Intangible assets	17	4,910	16	-	-
Other non-current assets	18	-	4,765	-	-
Total Non-Current Assets		252,176	202,551	91,636	95,035
Total Assets		455,773	398,688	138,648	141,012
Current Liabilities					
Trade and other payables	19	8,319	13,526	2	-
Financial liabilities	20	168,015	142,512	69,229	69,083
Short-term provisions	21	857	921	-	-
Total Current Liabilities		177,191	156,959	69,231	69,083
Non-Current Liabilities					
Trade and other payables	19	6,629	2,329	-	-
Financial liabilities	20	102,778	103,751	-	-
Deferred tax liabilities	22	23,305	16,043	23,305	16,043
Long-term provisions	21	82	85	-	-
Total Non-Current Liabilities		132,794	122,208	23,305	16,043
Total Liabilities		309,985	279,167	92,536	85,126
Net Assets		145,788	119,521	46,112	55,886
Equity					
Issued capital	23	60,963	60,963	60,963	60,963
Reserves	24	18,331	18,576	467	467
Retained earnings (Accumulated losses)		66,495	39,982	(15,318)	(5,544)
Parent interest		145,789	119,521	46,112	55,886
Minority equity interest		(1)	-	-	-
Total Equity		145,788	119,521	46,112	55,886

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 31 to 55.

For The Year Ended 30 June 2007

	Note	Ordinary	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Available-For-Sale Investments Revaluation Reserve	Asset Realisation Reserve	Forfeited Shares	Minor Equity Interests	TOTAL
CONSOLIDATED										
Balance at 1 July 2005		**30,333**	**38,401**	**2,021**	**6,204**	**-**	**10,347**	**4**	**-**	**87,310**
Shares issued during the period		31,043	-	-	-	-	-	-	-	31,043
Transaction costs relating to share issues		(413)	-	-	-	-	-	-	-	(413)
Transfer revaluation increment to asset realisation reserve being increment realised on sale of land held for redevelopment		-	-	-	(176)	-	176	-	-	-
Profit attributable to members of parent entity		-	2,097	-	-	-	-	-	-	2,097
Error on transition to AIFRS	34	-	(516)	-	-	-	-	-	-	(516)
Balance at 30 June 2006		**60,963**	**39,982**	**2,021**	**6,028**	**-**	**10,523**	**4**	**-**	**119,521**
Transfer revaluation increment to asset realisation reserve being increment realised on sale of land held for redevelopment		-	-	-	(1,052)	-	1052	-	-	-
Revaluation of shares available for sale		-	-	-	-	(245)	-	-	-	(245)
Profit attributable to members of parent entity		-	26,513	-	-	-	-	-	-	26,513
Loss attributable to minority shareholders		-	-	-	-	-	-	-	(1)	(1)
Balance at 30 June 2007		**60,963**	**66,495**	**2,021**	**4,976**	**(245)**	**11,575**	**4**	**(1)**	**145,788**
PARENT ENTITY										
Balance at 1 July 2005		30,333	(6,025)	1	462	-	-	4	-	24,775
Shares issued during the period		31,043	-	-	-	-	-	-	-	31,043
Transaction costs relating to share issues		(413)	-	-	-	-	-	-	-	(413)
Profit attributable to members of parent entity		-	260	-	-	-	-	-	-	260
Error on transition to AIFRS	34	-	221	-	-	-	-	-	-	221
Balance at 30 June 2006		**60,963**	**(5,544)**	**1**	**462**	**-**	**-**	**4**	**-**	**55,886**
Profit attributable to members of parent entity		-	(9,774)	-	-	-	-	-	-	(9,774)
Balance at 30 June 2007		**60,963**	**(15,318)**	**1**	**462**	**-**	**-**	**4**	**-**	**46,112**

The Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements set out on pages 31 to 55.

		CONSOLIDATED			PARENT
		2007	2006	2007	2006
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash receipts from customers		141,398	35,758	-	-
Cash paid to suppliers and employees		(139,977)	(186,739)	(180)	(290)
Dividends received		132	-	-	-
Finance income received		3,232	285	1,229	1,194
Finance costs paid		(19,415)	(12,533)	(69)	(69)
Income tax refund		-	13	-	-
Net cash provided by (used in) operating activities	**31(a)**	**(14,630)**	**(163,216)**	**980**	**835**
Cash flows from investing activities					
Payments for property, plant and equipment		(2,933)	(3,315)	-	(23)
Proceeds from sale of property, plant, and equipment		33	-	-	-
Payments for investments		-	(3,500)	-	-
Payments for investments in associates		(6,015)	(2,309)	-	-
Payments for investment properties		(2,110)	(137)	-	-
Payments for intangibles		(4,894)	(16)	-	-
Proceeds from repayment of loans		11,651	-	-	-
Loans to other entities		(14,080)	(8,345)	(1,133)	(25,797)
Net cash (used in) investing activities		**(18,348)**	**(17,622)**	**(1,133)**	**(25,820)**
Cash flows from financing activities					
Proceeds from the issue of share capital		-	30,631	-	30,631
Proceeds from borrowings		166,691	202,220	153	-
Repayment of borrowings		(133,021)	(60,720)	-	(5,616)
Net cash provided by financing activities		**33,670**	**172,131**	**153**	**25,015**
Net increase (decrease) in cash held		**692**	**(8,707)**	**-**	**30**
Cash at beginning of financial year	10	568	9,275	3	(27)
Cash at end of financial year	**10**	**1,260**	**568**	**3**	**3**

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 31 to 55.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Payce Consolidated Limited (the "Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The consolidated financial statements of the Company for the financial year ended 30 June 2007 comprise the Company and its controlled entities (together referred to as the 'consolidated entity').

The financial report was authorised for issue in accordance with a resolution of the directors on 24 September, 2007.

The nature of the operations and principal activities of the consolidated entity are described in Note 30 (segment reporting).

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with the IFRS's and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars and been prepared on a historical cost basis, except for investment properties, that have been measured at fair value.

The preparation of financial statements requires management to make judgements. Estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by all entities in the consolidated entity.

New standards and interpretations not yet adopted

The following standards and amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report.

- AASB 7 Financial Instruments: Disclosure (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require additional disclosures with respect to the consolidated entity's financial instruments and share capital.
- AASB 2205-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.
- Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the consolidated entity's 2008 financial statements, and will apply to goodwill and financial assets carried at cost prospectively from the date that the consolidated entity first applied the measurement criteria of AASB 136 and 139 respectively. (i.e., 1 July 2004 and 1 July 2005, respectively). The potential impact of the Interpretation on the consolidated entity has not yet been determined.
- AASB 2007-4, Amendments to Australian Accounting Standards arising from ED151 and Other Amendments was issued in April 2007 and makes amendments to a number of Australian Accounting Standards to introduce various accounting policy options, delete various disclosures presently required, and to make a number of editorial amendments. AASB 2007-4 is applicable to annual reporting periods on or after 1 July 2007 and must therefore be applied by the consolidated entity in its financial statements for the year ended 30 June 2008.

At the date of preparation of this financial report, the consolidated entity has not decided on which optional accounting treatments may be adopted, if any, on initial application of AASSB 2007-4. Accordingly the directors are continuing to evaluate the potential impact of AASB 2007-4 on the financial statements.

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidation financial statements comprise the financial statements of Payce Consolidated Limited and its controlled entities ("the consolidated entity").

Controlled entities are entities controlled by the company. Control exists when the company has the power, directly or indirectly, 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 or convertible are taken into account.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which Payce Consolidated Limited has control.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(ii) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(iii) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (Note1(c)(x)).

For receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables are discounted to determine fair value.

(iv) Properties held for development and resale

Properties held for development and sale in the ordinary course of business are carried at the lower of cost and net realisable value. Cost includes, where applicable, the cost of acquisition, construction, interest, rates, taxes and other expenses directly related to the development. All recurring costs relating to completed developments are expensed when incurred.

(v) Investment in associated companies and jointly controlled entities

The consolidated entity's investment in its associate is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the consolidated entity has significant influence and which is neither a controlled entity nor a joint venture.

The financial statements of the associate are used by the consolidated entity to apply the equity method.

The reporting dates of the associate and the consolidated entity are identical and both use consistent accounting policies.

The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the consolidated entity's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the consolidated entity recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

Investments in jointly controlled entities are accounted for using equity accounting principles. Investments are carried at the lower of the equity accounted amount and the recoverable amount. The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the income statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in reserves.

(vi) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at cost less accumulated depreciation.

Depreciation on each item of property, plant and equipment (excluding land and investment properties) is based on the expected useful economic lives of the assets using the straight line method at the following rates:

Buildings	2.50%
Plant and equipment	7-27%
Office equipment	9-27%
Leased motor vehicles	12%

The assets residual values and useful lives are reviewed at least annually and adjusted, if appropriate, at each balance sheet date.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount (Note 1(c)(x)).

The recoverable amount of plant and equipment is the greater of fair value less costs to sell 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is disposed.

(vii) Investment properties

Investment properties comprise investment interests in land and buildings held for rental yields and are not occupied by the consolidated entity.

Initially, investment properties are measured at cost including transaction costs.

Subsequent to initial recognition investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

(viii) Financial assets

Recognition

Investments are initially measured at cost, being the fair value of the consideration given, including transaction costs. Investments are classified into the following specific categories and, after initial recognition, are measured as set out below.

Available-for-sale financial assets

Available-for-sale financial assets comprise shares in listed companies. Available-for-sale financial assets are reflected at fair value, less impairment. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Unrealised gains and losses arising from changes in fair value are taken directly to the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the income statement for the period.

Loans and receivables

Trade receivables, loans and other receivables are carried at amortised cost less impairment.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each balance sheet date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(ix) Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these Intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the "administrative expenses" line item.

Intangible assets excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Trademarks

Trademarks have an indefinite useful life and are carried at cost less accumulated amortisation and impairment losses.

Childcare Licences

Childcare licences are intangible assets and are recorded at cost, less any accumulated amortisation and impairment losses.

At the date of acquisition the useful life of licences were assessed as having an indefinite useful life since they are renewable on periodic basis subject to meeting government review requirements and the insignificant cost of each renewal. The consolidated entity intends to renew the licences as and when they are required.

(x) Impairment of assets

At each end reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in the use cannot be estimated to be close to its fair value costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(xi) Financial liabilities

All financial liabilities are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowing.

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as though the amortisation process.

Leases

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(xii) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. These benefits include annual leave and long service leave. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

(xiii) Taxation

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Payce Consolidated Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

Controlled entities within the consolidated entity which are required to issue separate financial statements have adopted the "separate taxpayer within group" approach stated in UIG Interpretation 1052 Tax Consolidation Accounting and are required to make adjustments for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group when recognising their current tax and deferred tax assets and liabilities representing temporary differences. Any deferred tax assets representing unused tax losses are immediately assumed by Payce Consolidated Limited.

Payce Consolidated Limited is also responsible for recognising the current and deferred tax assets and liabilities for all controlled entities within the tax consolidated group which are not required to issue separate financial statements as no Tax Sharing Agreements are in place.

(xiv) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating activities.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

(xv) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue

Interest revenue is recognised as it accrues using the effective interest rate method.

Property development

Revenue is recognised on property development projects on settlement.

Commission

Commission income from property sales is recognised when settlement of the property sale occurs.

Lease revenue

Lease income from operating leases is recognised in income on a straight line basis over the term of the lease.

(xvi) Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(xvii) Comparative Figures

Where required by AASBs comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(xviii) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based upon historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2007

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
NOTE 2. REVENUE AND OTHER INCOME				
Sales revenue				
Property development sales	119,369	29,823	-	-
Rent received	3,977	2,864	-	-
Commissions	225	1,014	-	-
Other sales income	1,196	739	-	-
Other	1,782	163	-	-
Total revenue	**126,549**	**34,603**	**-**	**-**
Other Income				
Gain on revaluation of investment properties	36,604	5,963	-	-
Dividends received – other corporations	132	-	-	-
Total other income	**36,736**	**5,963**	**-**	**-**
NOTE 3. EXPENSES EXCLUDING NET FINANCING COSTS				
Cost of sales	100,732	24,991	-	-
Depreciation				
Buildings	484	44	-	-
Plant and equipment	830	682	3	2
	1,314	726	3	2
Amortisation - Leased assets	5	7	-	-
Impairment of current trade and other receivables	473	19	-	-
Impairment of non-current trade and other receivables	700	-	-	-
Rental expense on operating leases				
Minimum lease payment	326	336	-	-
Employee benefits expense				
Wages and salaries	3,320	2,441	39	50
Other associated personnel expenses	288	280	2	3
Contributions to defined contribution superannuation funds	368	362	4	4
Increase (Decrease) in employee benefits provisions	(67)	118	-	-
	3,909	3,201	45	57
NOTE 4. NET FINANCING COSTS				
Interest income				
Controlled entities	-	-	1,229	1,194
Associated companies	1,276	69	-	-
Other entities	1,956	728	-	-
Finance income	3,232	797	1,229	1,194
Interest expense:				
Controlled entities	-	-	69	69
Director related entities	-	13	-	-
Other entities	19,415	12,677	-	-
	19,415	12,690	69	69
Amount capitalised	(11,245)	(10,659)	-	-
Finance expenses	8,170	2,031	69	69
Net financing (costs) income	(4,938)	(1,234)	1,160	1,125

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
NOTE 5. INCOME TAX EXPENSE				
The components of expense comprise				
Current tax	-	-	-	-
Deferred tax	10,936	611	10,919	611
Over provision from prior year	(175)	(226)	(175)	(226)
	10,761	385	10,744	385
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)	11,182	590	291	260
Non-allowable items	59	21	-	-
Over provision for income tax in prior year	(175)	(226)	(175)	(226)
Share of net profits of associated companies and jointly controlled entities netted directly	(223)	-	-	-
Other	(82)	-	-	-
Expense recognised on tax consolidation under the Act	-	-	10,628	351
	10,761	385	10,744	385

NOTE 6. KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr. D.H. Macintosh	Chairman - Executive
Mr. B.M. Boyd	Managing Director - Executive
Mr. R. R. Short	Director - Non-executive
Mr. P. Munnings	General Manager - Operations
Mr. B.J. Klevansky	General Manager - Sales & Marketing
Mr. S.M. Wainwright	Company Secretary/Chief Financial Officer

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b. Options and Rights Holdings

No options or rights were held by key management personnel since the beginning of the financial year.

NOTE 6. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

c. Shareholdings

Number of shares held by Key Management Personnel

	Balance 1 July 2006	Received as compensation	Options exercised	Net change other	Balance 30 June 2007
Key Management Personnel					
D.H. Macintosh	4,417,177	-	-	-	4,417,177
B.M. Boyd	13,959,850	-	-	-	13,959,850
R.R. Short	65,000	-	-	-	65,000
B.J. Klevansky	727,273	-	-	-	727,273
	19,169,300	-	-	-	19,169,300

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
NOTE 7. AUDITORS' REMUNERATION				
Remuneration of the auditor of the parent entity for:				
Auditing or reviewing the financial reports	88,000	80,000	15,000	15,000
Remuneration of other auditors of controlled entities for:				
Auditing or reviewing the financial report of controlled entities	-	-	-	-

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000
NOTE 8. EARNINGS PER SHARE		
a. Reconciliation of earnings to profit or loss		
Profit	26,512	1,581
Loss attributable to minority equity interest	1	-
Earnings used to calculate basic EPS	26,513	1,581
Earnings used in calculating Diluted EPS	26,513	1,581
	Number	Number
b. Weighted average number of ordinary shares outstanding during the year used in calculating basis EPS	43,822,237	36,316,116
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	43,822,237	36,316,116

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2007

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
NOTE 9. DIVIDENDS				
a. No dividends of the company have been paid, declared or recommended during the year ended 30 June 2007 or since that date.				
b. Balance of franking account	160	160	160	160

Franking credits available for subsequent financial years based on a tax rate of 30% (2006 30%)

The above amounts represent the balance of the franking account as at the end of the financial year adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at reporting date
- franking credits that will arise on the receipt of dividends recognised as a receivable at the reporting date

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

NOTE 10. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Cash on hand	5	8	-	-
Cash at bank	1,255	560	3	3
	1,260	568	3	3

The effective interest rate on short term bank deposits was 5.23% (2006; 5.40%).

NOTE 11. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Current				
Trade receivables	1,341	616	-	-
Provision for impairment of receivables	(6)	(2)	-	-
	1,335	614	-	-
Other receivables	3,500	10,176	-	4
Provision for impairment of receivables	(500)	(31)	-	-
	3,000	10,145	-	4
Amounts receivable from:				
Controlled entities	-	-	66,890	65,845
Provision for impairment of receivables	-	-	(19,881)	(19,881)
	-	-	47,009	45,964
Associated companies and jointly controlled entities	92	2,309	-	-
	92	2,309	47,009	45,964
	4,427	13,068	47,009	45,968
Non-current				
Other receivables	8,857	160	-	-
Amounts receivable from associated companies	16,070	2,442	-	-
Provision for impairment of amounts receivable	(700)	-	-	-
	15,370	2,442	-	-
	24,227	2,602	-	-

	Note	CONSOLIDATED 2007 $'000	2006 $'000	2007 $'000	PARENT 2006 $'000
NOTE 12. PROPERTIES HELD FOR DEVELOPMENT AND RESALE					
Current					
Properties held for development and sale					
At cost		2,660	6,214	-	-
Amounts capitalised to development properties:					
Development expenses		169,626	154,489	-	-
Rates, taxes & interest		17,497	12,433	-	-
		189,783	173,136	-	-
Non-current					
Properties held for development and sale					
At cost		49,912	56,162	-	-
Amounts capitalised to development properties:					
Development expenses		24,415	40,694	-	-
Rates, taxes & interest		4,984	5,769	-	-
		79,311	102,625	-	-
Finance costs recognised during the financial year as part of the:					
Carrying amount		11,245	10,659		
Capitalisation rate		8.1%	8.0%		
NOTE 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Associates		4,385	-	-	-
Jointly controlled entities		2,140	2,309	-	-
	29(a)	6,525	2,309	-	-
NOTE 14. PROPERTY, PLANT & EQUIPMENT					
Freehold land and buildings - at cost		15,928	1,766	-	-
Accumulated depreciation		(572)	(88)	-	-
Accumulated impairment losses		(2,396)	-	-	-
		12,960	1,678	-	-
Plant & equipment – at cost		7,446	7,068	-	-
Accumulated depreciation		(1,024)	(718)	-	-
Accumulated impairment losses		(3,074)	(3,074)	-	-
		3,348	3,276	-	-
Office equipment – at cost		2,561	2,269	-	25
Accumulated depreciation		(1,359)	(877)	-	(2)
		1,202	1,392	-	23
Motor vehicles – at cost		65	67	-	-
Accumulated depreciation		(17)	(8)	-	-
		48	59	-	-
Leased Motor Vehicles					
At capitalised cost		-	55	-	-
Accumulated depreciation		-	(25)	-	-
		-	30	-	-
		17,558	6,435	-	23

NOTE 14. PROPERTY, PLANT & EQUIPMENT (continued)

Reconciliations

Reconciliations of the carrying amount for each class of Property, plant and equipment are set out below:

	CONSOLIDATED 2007 $'000	2006 $'000	2007 $'000	PARENT 2006 $'000
Freehold Land and Buildings				
Carrying amount at beginning of year	1,678	1,722	-	-
Transfer from Properties held for development and resale	11,946	-	-	-
Additions	2,216	-	-	-
Depreciation	(484)	(44)	-	-
Accumulated impairment losses	(2,396)	-	-	-
Carrying amount at end of year	12,960	1,678	-	-
Plant and equipment				
Carrying amount at beginning of year	3,276	2,294	-	-
Additions	398	2,216	-	-
Disposals	(14)	-	-	-
Depreciation	(312)	(302)	-	-
Impairment loss	-	(932)	-	-
Carrying amount at end of year	3,348	3,276	-	-
Office equipment				
Carrying amount at beginning of year	1,392	685	23	2
Additions	319	1,081	-	23
Intra group transfer	-	-	(20)	-
Depreciation	(509)	(374)	(3)	(2)
Carrying amount at end of year	1,202	1,392	-	23
Motor vehicles				
Carrying amount at beginning of year	59	47	-	-
Additions	-	18	-	-
Disposals	(2)	-	-	-
Depreciation	(9)	(6)	-	-
Carrying amount at end of year	48	59	-	-
Leased motor vehicles				
Carrying amount at beginning of year	30	37	-	-
Disposals	(25)	-	-	-
Amortisation	(5)	(7)	-	-
Carrying amount at end of year	-	30	-	-

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
NOTE 15. INVESTMENT PROPERTIES					
Carrying amount at beginning of year		62,800	56,700	-	-
Acquisitions (subsequent expenditure)		2,110	137	-	-
Fair value adjustments		36,604	5,963	-	-
Transfers from properties held for development and resale		875	-	-	-
Carrying amount at end of year		102,389	62,800	-	-

The fair value model is applied to all investment property. Investment properties are independently revalued annually. Values are based on a on active liquid market value and are performed by a registered independent valuer.

Minimum Lease Payments Receivable on Leases of Investment Properties

Minimum lease payments under non cancelable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Receivable					
not later than 1 year		2,179	2,148	-	-
later than 1 year but not later than 5 years		8,506	7,890	-	-
later than 5 years		6,534	7,963	-	-
		17,219	18,001	-	-
NOTE 16. FINANCIAL ASSETS					
Shares in controlled entities					
At cost	32	-	-	77,833	77,833
Available-for-sale financial assets					
Shares in securities - at fair value		3,150	3,500	-	-
Total other financial assets		3,150	3,500	77,833	77,833
NOTE 17. INTANGIBLES					
Trademark					
At cost		16	16	-	-
Accumulated impairment losses		-	-	-	-
		16	16	-	-
Childcare licences					
At cost		4,894	-	-	-
Accumulated impairment losses		-	-	-	-
		4,894	-	-	-
		4,910	16	-	-
Carrying amount at beginning of year		16	-	-	-
Additions		4,894	16	-	-
Impairment losses		-	-	-	-
Carrying amount at end of year		4,910	16	-	-

	Note	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
NOTE 18. OTHER ASSETS					
Current					
Prepayments		2,114	732	-	6
Commissions paid in advance		4,938	8,152	-	-
Other		1,075	481	-	-
		8,127	9,365	-	6
Non-current					
Commissions paid in advance		-	4,765	-	-
NOTE 19. TRADE AND OTHER PAYABLES					
Current					
Trade payables		757	3,363	-	-
Option deposits		2,787	5,899	-	-
Rent received in advance		-	195	-	-
Interest received in advance		336	-	-	-
Other payables and accruals		4,439	4,069	2	-
		8,319	13,526	2	-
Non-current					
Option deposits		1,046	2,329	-	-
Other payables and accruals		5,583	-	-	-
		6,629	2,329	-	-
NOTE 20. FINANCIAL LIABILITIES					
Current					
Notes (secured)		168,015	142,493	-	-
Lease liabilities (secured)	26(c)	-	19	-	-
Amounts payable to controlled entities		-	-	69,229	69,083
		168,015	142,512	69,229	69,083
Non-current					
Notes (secured)		94,539	93,534	-	-
Loans (secured)		6,303	7,766	-	-
Margin facility (secured)		1,946	2,451	-	-
		102,778	103,751	-	-

Security for the deferred note purchase payments is provided by way of registered first mortgage over the freehold properties of Payce Properties Pty Limited, together with a fixed and floating charge over the assets and undertaking from several companies within the consolidated entity.

	CONSOLIDATED 2007 $'000	2006 $'000	PARENT 2007 $'000	2006 $'000

NOTE 20. FINANCIAL LIABILITIES (continued)

Security for the loan (2007: $6,303,000; 2006: $nil) was provided by way of a registered first mortgage over the freehold property held by Bcove 4 Pty Limited as trustee of the Bcove 4 Trust, together with a fixed and floating charge over the assets within that entity.

Security for the loan (2007: $nil; 2006: $7,766,000) was provided by way of a registered first mortgage over the freehold property held by Henlia No.7 Pty Limited, together with a fixed and floating charge over the assets within Henlia No.7 Pty Limited.

The Margin Facility is secured against an investment in an entity listed on the Australian Stock Exchange.

	CONSOLIDATED 2007 $'000	2006 $'000	PARENT 2007 $'000	2006 $'000
The maturity dates for the Notes are:				
27 November 2006	-	68,587	-	-
04 October 2007	9,145	71,769	-	-
30 January 2008	67,768	70,725	-	-
22 June 2008	91,102	24,946	-	-
30 November 2008	94,529	-	-	-
	262,544	236,027	-	-

NOTE 21. PROVISIONS

	CONSOLIDATED 2007 $'000	2006 $'000	PARENT 2007 $'000	2006 $'000
Current				
Employee benefits	857	921	-	-
Non-current				
Employee benefits	27	30	-	-
Leasehold make good costs	55	55	-	-
	82	85	-	-

(a) Employee benefits
A provision is recognised for employee entitlements relating to annual and long service leave for employees. The calculation of the present value of future cash flows in respect of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1(c)(xvi).

(b) Leasehold make good costs
In accordance with the lease agreement, the consolidated entity may have to restore the leased premises at Homebush Bay to its original condition before vacating the premises. A provision of $55,000 was made during the year ended 30 June 2005 in respect of the consolidated entity's obligation to remove leasehold improvements from the lease premises and to make good.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2007

NOTE 22. TAX

	Opening Balance	Charged to Income	Charged directly to Equity	Transfers between Tax Assets and Liabilities	Closing Balance
CONSOLIDATED					
Deferred Tax Assets					
Provisions deductible for income tax purposes only when paid	250	52	-	-	302
Losses for tax purposes available for offset against future profits	10,481	4,163	-	-	14,644
Revaluation of property, plant and equipment to fair value	1,584	(88)	-	-	1,496
Impairment of property, plant and equipment	643	279	-	-	922
Other	295	(160)		-	135
Balance 30 June 2006	**13,253**	**4,246**	**-**	**-**	**17,499**
Provisions deductible for income tax purposes only when paid	302	(20)	-	-	282
Losses for tax purposes available for offset against future profits	14,644	(4,182)	-	-	10,462
Impairment of non-current trade and other receivables	-	210	-	-	210
Income received from associated companies and jointly controlled entities	-	673	-	-	673
Share of losses of associated companies and jointly controlled entities	-	280	-	-	280
Fair value loss adjustment	-	-	105	-	105
Revaluation of property, plant and equipment to fair value	1,496	(944)	-	108	660
Impairment of property, plant and equipment	922	-	-	-	922
Other	135	377	-	-	512
Balance 30 June 2007	**17,499**	**(3,606)**	**105**	**108**	**14,106**
Deferred Tax Liabilities					
Expenses capitalised to properties held for development and resale but deductible for tax purposes	9,197	2,867	-	-	12,064
Revaluation of investment properties to fair value	2,190	1,789	-	-	3,979
Other	25	(25)	-	-	-
Balance 30 June 2006	**11,412**	**4,631**	**-**	**-**	**16,043**
Expenses capitalised to properties held for development and resale but deductible for tax purposes	12,064	(2,318)	-	(44)	9,702
Revaluation of investment properties to fair value	3,979	9,472	-	152	13,603
Balance 30 June 2007	**16,043**	**7,154**	**-**	**108**	**23,305**

NOTE 22. TAX (continued)

	Opening Balance	Charged to Income	Charged directly to Equity	Transfers between Tax Assets and Liabilities	Closing Balance
PARENT ENTITY					
Deferred Tax Assets					
Losses for tax purposes available for offset against future profits	10,481	4,163	-	-	14,644
Asset recognised on tax consolidation under the Act	2,772	83	(320)	-	2,535
Balance 30 June 2006	**13,253**	**4,246**	**(320)**	**-**	**17,179**
Losses for tax purposes available for offset against future profits	14,644	(4,182)	-	-	10,462
Asset recognised on tax consolidation under the Act	2,535	593	105	108	3,341
Balance 30 June 2007	**17,179**	**(3,589)**	**105**	**108**	**13,803**
Deferred Tax Liabilities					
Liability recognised on tax consolidation under the Act	11,412	4,631	-	-	16,043
Balance 30 June 2006	**11,412**	**4,631**	**-**	**-**	**16,043**
Liability recognised on tax consolidation under the Act	16,043	7,154	-	108	23,305
Balance 30 June 2007	**16,043**	**7,154**	**-**	**108**	**23,305**

NOTE 23. ISSUED CAPITAL

	CONSOLIDATED 2007 $'000	2006 $'000	PARENT 2007 $'000	2006 $'000
Issued				
43,822,237 (June 2006: 43,822,237) ordinary shares fully paid	60,963	60,963	60,963	60,963

	Number	Number	Number	Number
Balance at beginning of financial period	43,822,237	32,533,981	43,822,237	32,533,981
Shares issued during the period	-	11,288,256	-	11,288,256
Balance at end of financial period	43,822,237	43,822,237	43,822,237	43,822,237

Effective from 1 July 1998, The Company Law Reform Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the company does not have authorised capital or par value shares in respect of its issued shares.
Ordinary shares participate in dividends and the proceeds on winding up of the parent company in proportion to the number of ordinary shares held.
The voting rights are governed by the company's Constitution. In summary, every member present in person or by proxy shall have one vote and upon a poll, the members with ordinary fully paid shares have one vote for each share held.

NOTE 24. RESERVES

Capital Profits
Upon disposal of non-current assets, capital profits are transferred to the capital profits reserve.

Asset Revaluation
The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets. This reserve relates to previously revalued land and buildings (consolidated entity) and shares in controlled entities (Parent). This reserve is not available for future asset write-downs as a result of using the deemed cost election under previous accounting standard AASB1041.

Available-for-sale Investments Revaluation
Changes in the fair value on translation of investments such as equities classified as available-for-sale financial assets are taken to the available-for-sale investment revaluation reserve. Amounts are revalued when the associated assets are sold or impaired.

Asset Realisation
Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to the asset realisation reserve.

Forfeited Shares
Where partly paid shares are forfeited, the amount paid is transferred to the forfeited shares reserve.

NOTE 25. CONTINGENT LIABILITIES

	PARENT 2007 $'000	2006 $'000
a. Guarantees given in the ordinary course of business for borrowings and commitments of controlled entities	94,529	68,587
b. Guarantees given in the ordinary course of business for borrowings and commitments of an associated company.	750	-
c. Assignment of loans related to the purchase of consolidated entity property held for development and resale by third parties.	5,000	-

In respect of the foregoing contingent liabilities no losses giving rise to actual liabilities are anticipated.

d. A superannuation fund on a cash accumulation basis provides employees or their dependants with benefits on retirement, resignation, disability or death. The members and the consolidated entity make contributions as specified in the rules of the fund. The assets of the fund are sufficient to satisfy all benefits that would be payable in the event of the fund's termination, or the voluntary or compulsory termination of employment of each employee. In addition, contributions are made to the superannuation fund in order to satisfy the legal entitlements of employees.
e. As at balance date there was no contingent liability for termination benefits under service agreements with directors or employees of the Parent Company or its controlled entities.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
NOTE 26. FORWARD COMMITMENTS				
a. Capital expenditure in relation to development properties, contracted for but not provided for in the financial report				
payable not later than one year	4,184	78,370	-	-
later than one year but not later than 5 years	-	7,934	-	-
	4,184	86,304	-	-
b. Non-cancellable operating lease commitments				
payable not later than one year	330	326	-	-
later than one year but not later than 5 years	199	533	-	-
	529	859	-	-

The consolidated entity leases office space at 8 Baywater Drive, Homebush Bay. The property lease is a non-cancellable lease with a four-year term, with rent payable monthly in advance. The lease contains annual rent increases of 4% per annum.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
c. Finance lease payment commitments				
payable not later than one year	-	19	-	-
later than one year but not later than 5 years	-	-	-	-
Total Commitments	-	19	-	-
Less: Future finance charges	-	-	-	-
	-	19	-	-

NOTE 27. RELATED PARTY TRANSACTIONS

(a) Transactions with Related Parties

Details of transactions with directors, director related entities and other related parties are set out in:

Directors' Report	Remuneration Report
Note 4	Net Financing Costs
Note 6	Key Management Personnel Compensation
Note 11	Trade and Other Receivables
Note 19	Trade and Other Payables

All transactions with director related entities are conducted in the normal course of business under commercial terms and conditions and have been approved by the independent directors.

NOTE 28. FINANCIAL INSTRUMENTS

(a) Accounting policy

The accounting policy for each class of financial assets and financial liabilities is set out in Note 1 or in the note applicable to the specific asset or liability.

(b) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date, are as follows:-

	Fixed interest rate maturing within 1 year $'000	Fixed interest rate maturing within Over 1–5 years $'000	Floating Interest Rate $'000	Non-interest Bearing $'000	Total $'000	Average Interest Rate
2007						
Financial assets						
Cash on hand	-	-	-	5	5	-%
Cash at bank	-	-	1,255	-	1,255	5.23%
Trade and other receivables	347	23,890	337	4,080	28,654	13.88%
	347	23,890	1,592	4,085	29,914	
Financial liabilities						
Trade and other payables	-	-	-	14,948	14,948	-%
Notes (secured)	-	-	262,544	-	262,544	7.60%
Loans (secured)	-	-	6,303	-	6,303	7.62%
Margin facility (secured)	-	-	1,946	-	1,946	8.80%
	-	-	270,793	14,948	285,741	
2006						
Financial assets						
Cash on hand	-	-	-	8	8	-%
Cash at bank	-	-	560	-	560	5.4%
Accounts receivable	8,663	2,442	796	3,769	15,670	15.0%
	8,663	2,442	1,356	3,777	16,238	
Financial liabilities						
Trade and other payables	-	-	-	15,855	15,855	-%
Notes (secured)	-	-	236,027	-	236,027	7.2%
Loans (secured)	-	7,766	-	-	7,766	20.0%
Margin facility (secured)	-	-	2,451	-	2,451	8.2%
Lease liabilities (secured)	19	-	-	-	19	7.2%
	19	7,766	238,478	15,855	262,118	

Net fair values of financial assets and financial liabilities at balance date are disclosed in the balance sheet and the notes to the financial statements. Fair values are materially in line with carrying values. Interest rate fluctuation will not have a material effect on the carrying value of these financial assets and liabilities as interest rates for the notes are set by the bank monthly, based on the bank's current bill rate.

The Note facility expiry dates is disclosed at Note 20.

NOTE 28. FINANCIAL INSTRUMENTS (continued)

(c) Receivables
Trade debtors are carried at actual amounts due less any provision for doubtful debts. Collectibility of debts is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists. Trade debtors are normally collected within 30 days.

(d) Trade payables
These amounts represent liabilities to the consolidated entity for goods and services received, which remain unpaid at the end of the financial year. These amounts are unsecured. Trading terms vary from 7 to 90 days.

(e) Financial Risk Management
The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable, interest bearing notes and loans and leases.

The main purpose of non-derivative financial instruments is to raise finance for consolidated entity operations.

The consolidated entity has not entered into any derivative contracts throughout the year and has no derivative financial instruments at balance date.

Financial Risks
The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk
Interest rate risk is managed by monitoring the bank bill rates and then determining for the period to roll over note facilities. For further details on interest rate risk refer to Note 28(b).

Liquidity risk
The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables.

NOTE 29. ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

			Consolidated entity's ownership interest		Consolidated entity's carrying amounts of investment		
Name	Principal activity	Country of incorporation	2007 %	2006 %	2007 $'000	2006 $'000	Reporting date
BRIC Holdings Pty Ltd	Investment in residential property	Australia	50.0%	50.0%	2,140	2,309	30 June
Henlia No.7 Pty Ltd	Property development	Australia	50.1%	100.0%	-	-	30 June
Ramsay Bourne Holdings Pty Ltd	Child care facilities	Australia	33.3%	33.3%	-	-	30 June
Ripley Town Holdings Pty Ltd	Property development	Australia	49.17%	0.0%	4,385	-	30 June

During the year the consolidated entity disposed of 49.9 percent of the issued capital of Henlia No. 7 Pty Limited which resulted in nil profit or loss. Although the consolidated entity at balance date maintained 50.1% interest, Henlia No. 7 Pty Ltd has been deemed not to be a controlled entity as it does not retain majority voting rights or management control.

NOTE 29. ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (continued)

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000
a. Movements during the year in equity accounted investment in associated companies and jointly controlled entities		
Balance at the beginning of the year	2,309	-
New investments during the year	5,150	2,309
Share of associated company and jointly controlled entity loss after income tax	(934)	-
Balance at the end of the financial year (refer Note 13)	6,525	2,309
b. Equity accounted profits of associated companies and jointly controlled entities are broken down as follows:		
Share of associated company and jointly controlled entity loss before income tax expense	(934)	-
Share of associated company and jointly controlled entity's income tax expense	-	-
Share of associated company and jointly controlled entity loss after income tax	(934)	-
c. Summarised presentation of aggregate assets, liabilities and performance of associated companies and jointly controlled entities		
Current assets	1,891	4,950
Non-current assets	92,789	2,228
Total assets	94,680	7,178
Current liabilities	37,394	3,090
Non-current liabilities	57,091	2,065
Total Liabilities	94,485	5,155
Net assets	195	2,023
Revenue	10,487	262
Loss after income tax of associated companies and jointly controlled entities	(6,343)	(857)
d. Unrecognised share of losses of an associated companies and jointly controlled entities		
Ramsay Bourne Holdings Pty Ltd		
Current year	(1,468)	(286)
Cumulative	(1,754)	(286)
Henlia No.7 Pty Ltd		
Current year	(34)	-
Cumulative:	(34)	-

The parent entity is not aware of any significant events or transactions which have occurred after the reporting date that could materially effect the financial position or operating performance of the associates for the next financial year.

Ramsay Bourne Holdings Pty Ltd has capital commitments of $8,463,000 as at year end relating to the acquisition of 18 childcare centres, 14 of which have subsequently settled. For the period to August 2008, the holders of 66.7% of the shares in Ramsey Bourne Holdings Pty Limited intend to continue to support Ramsey Bourne Holdings Pty Limited and it controlled entities provided there are no adverse changes to its structure or operations.

Neither associate has any contingent liabilities as at year end.

The parent entity is not aware of any dissimilar accounting policies adopted by the associates that would materially affect the amounts of the consolidated entity's share of net assets, the profit or loss and the reserves of the associates.

NOTE 30. SEGMENT REPORTING

Primary Reporting - Business Segments

	RENTAL PROPERTIES		DEVELOPMENT PROPERTIES		CONSOLIDATED	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Revenue						
External Sales	3,977	2,864	119,369	29,823	123,346	32,687
Unallocated revenue					3,203	1,916
Total revenue					126,549	34,603
Result						
Segment Result	38,053	8,050	20,858	4,246	58,911	12,296
Unallocated expenses					(21,638)	(10,330)
Profit before income tax					**37,273**	**1,966**
Income Tax Expense					(10,761)	(385)
Profit after income tax					**26,512**	**1,581**
Assets						
Segment assets	106,109	66,424	269,104	275,786	375,213	342,210
Unallocated assets					80,560	56,478
Total assets					455,773	398,688
Liabilities						
Segment liabilities	1,931	5,871	230,165	208,227	232,096	214,098
Unallocated liabilities					77,889	65,069
Total liabilities					309,985	279,167
Other						
Investments accounted for using the equity method					6,525	2,309
Depreciation and amortisation of segment assets	103	115	-	-	103	115
Acquisition of non-current segment assets	4,094	1,524	16,792	41,755	20,896	43,279

Secondary Reporting – Geographical Segments
The consolidated entity's Business segments are located and operate in Australia.

Intersegmental Transfers
Segment revenues, expenses and results include transfers between segments. The prices charged on intersegmental transactions are the same as those charged for similar transactions outside of the consolidated entity at an arm's length. These transfers are eliminated on consolidation.

Business Segments
The consolidated entity has the following two business segments;

- Development Properties – the entity owns land on which it is developing residential apartments for sale.
- Rental Properties – the entity owns industrial and retail property from which it derives rental income.

The Directors determined the revenue and result for HomeLinX, Bay Partners and the World of Learning Pty Limited group as insignificant for the year ended 30 June 2007, as the revenue and result of these segments forms less than 10% of the revenue and result of the consolidated entity for the year ending 30 June 2007.

NOTE 31. CASH FLOW INFORMATION

	CONSOLIDATED		PARENT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit (Loss) after Income Tax	**26,512**	**1,581**	**(9,774)**	**480**
Non-cash flows in profit				
Depreciation and amortisation	1,319	733	3	2
Loss on disposal of property, plant and equipment	8	-	-	-
Impairment of property, plant and equipment	2,396	932	-	-
Impairment of non-current trade and other receivables	700	-	-	-
Gain on revaluation of investment properties	(36,604)	(5,963)	-	-
Share of associated companies net loss after income tax	934	-	-	-
Changes in assets and liabilities, net of the purchase of controlled entities				
(Increase) in receivables	(10,143)	(5,086)	-	-
Decrease (Increase) in prepaid expenses	(1,382)	(10)	6	-
(Increase) in other assets	(594)	-	-	-
Decrease (Increase) in commissions paid in advance	7,979	(3,077)	-	-
Decrease in income tax paid	-	13	-	-
(Increase) in property held for resale	(6,154)	(157,757)	-	-
Decrease (Increase) in deferred tax assets	3,393	(4,247)	3,376	(4,247)
(Decrease) Increase in payables	(6,040)	5,803	2	(31)
Increase in deferred tax liabilities	7,367	4,631	7,367	4,631
(Decrease) in option deposits	(4,396)	(831)	-	-
(Decrease) in rent received in advance	(195)	(56)	-	-
Increase in interest received in advance	337	-	-	-
Increase (Decrease) in provisions	(67)	118	-	-
Cash flow from operations	**(14,630)**	**(163,216)**	**980**	**835**

b. Reconciliation of cash at the end of the year
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Cash on hand and at bank	1,260	568	3	3
Net cash assets	1,260	568	3	3

c. Financing facilities
At 30 June 2007 bank financing facilities of $295,683,000 (2006: $358,018,000) were available to the consolidated entity, of which $270,793,000 (2006: $236,027,000) had been drawn down. The balance of the facility is available to finance infrastructure development costs, working capital and building construction works. The facilities are provided by BOS International (Australia) Limited, secured by a registered first mortgage over the freehold properties and a fixed and floating charge over the undertaking of Payce Consolidated Limited and some of its controlled entities.

NOTE 32. CONTROLLED ENTITIES

Aqualuna Pty Ltd
Bcove4 Pty Ltd
BRIC Property Services Pty Ltd
BDS Australia Pty Ltd
H.B. Properties Pty Ltd
Henlia Finance Pty Ltd
Henlia Finance No.2 Pty Ltd
Henlia No.1 Pty Ltd
Henlia No.2 Pty Ltd
Henlia No.3 Pty Ltd
Henlia No.4 Pty Ltd
Henlia No.8 Pty Ltd
Henlia No.9 Pty Ltd
Henlia No.10 Pty Ltd
Henlia No.11 Pty Ltd
HomeLinX Pty Ltd
Pacific Assets Ltd
Palermo Finance Pty Ltd
Palermo Finance No. 2 Pty Ltd
Payce Alora Pty Ltd
Payce Child Care Pty Ltd
Payce Child Care No.2 Pty Ltd
Payce Finance Pty Ltd
Payce Finance No.2 Pty Ltd
Payce Industries Ltd
Payce Land Holdings Pty Ltd
Payce Management Ltd
Payce Properties Pty Ltd
PRT 1 Pty Ltd
Pulse Leisure Pty Ltd
Quadratical Pty Ltd
Ravelin Pty Ltd
Sorrento Paros Finance Pty Ltd
Sorrento Paros Finance No.2 Pty Ltd
Trade Winds Finance Pty Ltd
Valencia Finance Pty Ltd
Valencia Finance No.2 Pty Ltd
Waterfront Estate Management Pty Ltd
World Of Learning Pty Ltd
World Of Learning Acquisitions Pty Ltd
World Of Learning Licences Pty Ltd

All controlled entities are wholly owned, incorporated in Australia and have the same financial year as that of the parent company.

During the year the consolidated entity disposed of 49.9% of the issued capital of Henlia No. 7 Pty Limited which resulted in nil profit or loss. Although the consolidated entity at balance date maintained 50.1% interest, Henlia No.7 Pty Ltd has been deemed not to be a controlled entity as it does not retain majority voting rights or management control.

The company also created a number of new entities primarily for the purpose of establishing new construction finance facilities with its major financier as well as to hold its investments in several new business ventures. None of these new entities have made a contribution to the current year's result.

The parent company, Payce Consolidated Limited, is incorporated and domiciled in Australia.

The registered office company is;
Payce Consolidated Limited
8 Baywater Drive
Homebush Bay NSW 2127

NOTE 33. EVENTS AFTER BALANCE SHEET DATE

Residential Property Development
Subsequent to year-end, the Company completed a 246 apartment development (Palermo) within "The Waterfront at Homebush Bay". Settlements commenced in late August 2007.

Childcare
During the year it was decided that Ramsay Bourne would concentrate on managing centres and a new childcare group, the World of Learning, would acquire centres. In January 2007, World of Learning Pty Ltd was incorporated as a wholly-owned controlled entity of Payce. The World of Learning group was created on this basis whilst shareholding arrangements and funding was organised. On 27 July 2007, these shareholding arrangements were completed and the Payce group has reduced its holding in World of Learning Pty Ltd to 37.5%. The new shareholders in this entity are subsidiaries of Babcock & Brown Limited and MFS Limited.

NOTE 34. ERROR ON TRANSITION TO AIFRS

The consolidated entity's financial reports for the years ended 30 June 2005 and 2006 were required to be prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRS').

During the transition period the consolidated entity chose to adopt the fair value model under AASB 140 to measure Investment Properties under which the value in excess of the cost price is required to be transferred to Retained Earnings and any gains or losses from changes in fair value of investment property are recognised in the profit and loss in the period which they arise.

On transition to AIFRS on 1 July 2004 and in respect of the years ended 30 June 2005 and 2006 plant and equipment attaching to certain investment properties were recognised as separate assets and were not taken into account in the determination of whether the total carrying value of these assets were in excess of the fair value. This had the effect of double counting these assets.

The aggregate effect of double counting these assets on transition to AIFRS on the annual financial statements for the years ended 30 June 2005 and 2006 is as follows:-

	Previously Stated 1 July 2004 $'000	Adjustment 1 July 2004 $'000	Restated 1 July 2004 $'000	Previously Stated 2005 $'000	Adjustment 2005 $'000	Restated 2005 $'000	Previously Stated 2006 $'000	Adjustment 2006 $'000	Restated 2006 $'000
CONSOLIDATED									
Income Statement									
Administration expenses	-	-	-	(3,154)	52	(3,102)	*(8,360)	195	(8,165)
Impairment of property, Plant and equipment	-	-	-	-	(605)	(605)	-	(932)	(932)
Profit before income tax	-	-	-	15,788	(553)	15,235	2,703	(737)	1,966
Income tax expense	-	-	-	(4,087)	166	(3,921)	(606)	221	(385)
Net profit attributable to members of the parent	-	-	-	11,701	(387)	11,314	2,097	(516)	1,581
Basic earnings per share	-	-	-	34.9c	(1.1)c	33.8c	5.8c	(1.4)c	4.4c
Diluted earnings per share	-	-	-	34.9c	(1.1)c	33.8c	5.8c	(1.4)c	4.4c
Balance Sheet									
Property, plant and equipment	5,380	(1,537)	3,843	6,875	(2,090)	4,785	9,262	(2,827)	6,435
Deferred tax assets	5,519	461	5,980	12,626	627	13,253	16,651	848	17,499
Retained earnings	28,163	(1,076)	27,087	39,864	(1,463)	38,401	41,961	(1,979)	39,982
PARENT									
Income Statement									
Income tax expense	-	-	-	(4,087)	166	(3,921)	(606)	221	(385)
Net profit attributable to members of the parent	-	-	-	(4,103)	166	(3,937)	259	221	480
Balance Sheet									
Deferred tax assets	5,519	461	5,980	12,626	627	13,253	**16,331	848	17,179
Accumulated losses	(2,565)	461	(2,104)	(6,652)	627	(6,025)	(6,392)	848	(5,544)

* Administration expenses previously stated at $8,923,000. Of this amount $563,000 was reallocated from Administration expenses to Property expenses.
** After intra-group transfer of $320,000 – refer Note 22.

DIRECTORS' DECLARATION

1. The directors of Payce Consolidated Limited declare that:

(a) the financial statements and notes and the remuneration disclosures that are contained in sections 17.1, 17.2, 17.4.1, 17.4.2 and 17.4.3 of the Remuneration report in the Directors' report, set out on pages 26 to 55, are in accordance with the Corporations Act 2001, including:
  (i) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a);
(c) the remuneration disclosures that are contained in sections 17.1, 17.2, 17.4.1, 17.4.2 and 17.4.3 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and
(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Managing Director and the Company Secretary/Chief Financial Officer for the financial year ended 30 June 2007.

This declaration is made in accordance with a resolution of the Directors.

B.M. BOYD
DIRECTOR

D.H. MACINTOSH
DIRECTOR

Sydney, New South Wales
24th September, 2007

WESTON
WOODLEY
ROBERTSON
Chartered Accountants & Consultants

Independent auditor's report to the members of Payce Consolidated Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Payce Consolidated Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 26 to 55 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001,* the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures,* under the heading "remuneration report" in sections 17.1, 17.2, 17.4.1, 17,4.2 and 17.4.3 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1(a), the directors also state, in accordance with the Australian Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

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Independent auditor's report to the members of Payce Consolidated Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report (cont'd)

Auditor's responsibility (cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Payce Consolidated Limited is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in sections 17.1, 17.2, 17.4.1, 17.4.2 and 17.4.3 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

WESTON WOODLEY & ROBERTSON

Cameron Johnstone
Partner
Sydney 24th September 2007

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information presented is at 27 September 2007.

CLASSES OF SHARES AND VOTING RIGHTS

There were 780 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Article 55 of the Company's Articles of Association, are:

"(1) Subject to Sub-Article (2) of this Article 55, an entitlement to receive notice of general meetings shall confer on members the right to attend and vote thereat.

(2) Subject to any rights or restrictions with respect to voting rights that are attached to or affect any class or classes of shares, on a show of hands each person present as a member, proxy, attorney or representative has one vote and on a poll each member present in person or by proxy, attorney or representative has:

(a) one vote for every fully paid share held by him;

(b) one vote for each partly paid share held by him which was part of an issue of partly paid shares offered pro rata to shareholders; and

(c) in respect of each partly paid share held by him that was not part of an issue offered pro rata to shareholders, a vote pro rata to the proportion of the total issue price then paid up on each such share."

There were no quoted or unquoted options over unissued ordinary shares of the Company.

DISTRIBURION OF SHAREHOLDERS

Category	Number Of Ordinary Shareholders	Number Of Ordinary Shares	Shares %
1 – 1,000	401	204,976	0.5
1,001 – 5,000	246	629,308	1.4
5,001 – 10,000	58	456,332	1.0
10,001 – 100,000	56	1,659,923	3.8
100,001 and over	19	40,871,698	93.3
	780	43,822,237	100.0

At 27 September 2007 40 shareholders held less than a marketable parcel of shares which, based on the quoted market price, was calculated at that date to be the equivalent of 176 shares.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

RESTRICTED SECURITES

There were no restricted holdings of securities.

ASX ADDITIONAL INFORMATION
For The Year Ended 30 June 2007

TWENTY LARGEST SHAREHOLDERS
Ordinary Shares (quoted)

Name	Number of ordinary shares held	Percentage of capital held
Lanox Pty Limited	13,959,850	31.9
KMSJ Pty Limited	6,766,060	15.4
AGSO Property Pty Limited	4,379,165	10.0
Hurlcla Pty Limited	4,063,794	9.3
KTWO Pty Limited	4,057,844	9.3
Firetest Pty Limited	3,116,513	7.1
Skyglow Pty Ltd (Klevansky Family Account)	726,336	1.7
Merrill Lynch (Australia) Nominees Pty Limited	605,655	1.4
UBS Wealth Management Australia Nominees Pty Ltd	502,820	1.1
Naumov Pty Limited	472,811	1.1
Mr Frederick Bruce Wareham	406,056	0.9
Assiduous Pty Limited	359,333	0.8
Ulbister Pty Limited	316,000	0.7
Riverbel Investments Pty Limited	279,111	0.6
Pendrill Pty Limited	225,780	0.5
Appreciation Holdings Pty Limited	210,018	0.5
Citicorp Nominees Pty Limited	208,671	0.5
Mrs Alisa Margaret Wareham	113,781	0.3
Wildflower Investments Pty Ltd (Evans Family Super Fund Account)	102,100	0.2
Mr Frederick Bruce Wareham and Mrs Alisa Margaret Wareham	99,000	0.2
	40,970,698	93.5

SUBSTANTIAL SHAREHOLDERS
As at 27 September 2007

Brian Michael Boyd	13,959,850
Gary James Boyd	13,946,367
David Hugh Macintosh	4,417,177
Lanox Pty Limited	13,959,850
KMSJ Pty Limited	6,766,060
AGSO Property Pty Limited	4,379,165
Hurlcla Pty Limited	4,063,794
KTWO Pty Limited	4,057,844
Firetest Pty Limited	3,116,513

CORPORATE DIRECTORY
Payce Consolidated Limited

DIRECTORS
Mr D.H. Macintosh (Chairman)
Mr B.M. Boyd (Managing Director)
Mr R.R. Short

SECRETARIES
Mr M.E.Morgan
Mr S.M. Wainwright

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Homebush Bay NSW 2127
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(f) 02 9648 0466

SHARE REGISTRY
Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000
(t) 02 9297 0677

AUDITORS
Weston Woodley & Robertson

SOLICITORS
Freehills
Mallesons Stephen Jaques
Minter Ellison
Morgan Lewis Alter

BANKER
BOS International (Australia) Limited
Westpac Banking Corporation

PAYCE

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PAYCE CONSOLIDATED LIMITED ANNUAL REPORT 2007

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