PAYCE CONSOLIDATED LIMITED
ANNUAL REPORT 2009

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CHAIRMAN'S REVIEW

The unprecedented world credit crisis was a major hurdle for the company in September 2008 together with the subsequent demise of Babcock & Brown as it was. Total debt at 30 June 2008 was $299M and clearly major decisions needed to be and were made to focus on debt management.

Fortunately the assets held and controlled by Payce were of the quality to enable realisation and re-alignment in many ways and fortunately in a low interest rate environment.

The company reported a loss before income tax for the year ended June 2009 of $40.7M which reflected the harsh nature of decisions to reduce debt.

The drawdown debt at 30 June 2009 was $65M with a current maturity profile as follows -

Facility	Amount Drawn at June 2009 $'M	Maturity date
Corporate Facility	$48M	31/01/2012
Undeveloped Land Facility	$17M	08/05/2011

The achieved debt reduction was a combined result of continued strong sales of residential apartments at the award winning "The Waterfront" as well as the completion of a joint venture with Sekisui House Ltd (Japan's leading home builder) at Homebush Bay and the sale of the Company's interests in the undeveloped lands at Ripley Valley to Sekisui House.

Further to the Company's ongoing capital management strategies, an Extraordinary General Meeting of shareholders was held on 16 October 2009, to consider the special resolution to allow the Company to buy-back 6,957,143 shares (being 15% of Payce's issued shares) held by entities controlled by Babcock and Brown. This was approved by shareholders.

There are positive signs of credit market improvement and global economic recovery, however the Company continues to divest of non-core assets, and effectively position the balance sheet to be able to take advantage of the green shoots of economic recovery.

THE WATERFRONT AT WENTWORTH POINT

On 2 October 2009, the NSW Government officially renamed Homebush Bay as Sydney's newest suburb "Wentworth Point", in honour of the early pioneer land owners. This milestone recognises the important transformation of the precinct to a vibrant and growing residential community.

During the past financial year Payce settled the sale of 157 apartments and following continuing strong demand anticipates completing the sale of all remaining apartments within the next 6 months.

The Joint Venture with Sekisui House, wherein Payce retains a 25% interest, is currently receiving strong initial demand from off-the-plan purchasers for the 215 unit "Corsica" building, with construction commencement anticipated in the next 12 months. Corsica is stage 1 of the joint venture development plan to construct up to 2,000 high quality and affordable homes over the next 5-8 years within a maturing and sought after waterfront estate.
Payce continues to own 100% of the industrial site currently leased to TNT Australia, located at Homebush Bay. This lease expires in 2015 and is subject to rent review in 2010.
Over the past years, the Company invested in several other property developments and businesses, including;

- Ripley Valley
- Childcare
- Chiswick
- Victoria Park
- BRIC
- Babcock & Brown Residential Land Partners (BLP)

All these investments, other than BLP, were joint ventures with Babcock & Brown which proved problematic in recent times. In Victoria Park, Babcock & Brown continues to be a fellow investor.

RIPLEY VALLEY, QUEENSLAND

In May 2009, the Company sold down 75% of its interests in entities controlling 170ha of land at Ripley in joint venture with Sekisui House. Subsequent to year end, the Company sold its remaining interests to Sekisui House.
Whilst remaining enthusiastic about the project, the Company has focused its strategy on projects with nearer dated return of capital profiles.

CHISWICK, SYDNEY

Payce continues to hold 50.1% interest in the Chiswick site located in Sydney's inner-west, approved for the development of 129 residential apartments and commercial space. Following strong pre-sale commitments received to date, Payce and its new joint venture partner, are excited by the prospect of commencing construction within the next 12 months.

BRIC, MELBOURNE & SYDNEY

The previously advised program of selling down formerly leased apartments, situated in Port Melbourne and Homebush Bay, has now been completed, with the surplus of cash proceeds after repaying all loans in the process of being returned to the joint venture investors.

CHILDCARE

During the financial year, the Company consolidated its position in the childcare business, by acquiring all shares held by its prior partners. Collectively, Ramsay Bourne and World of Learning, own and operate 32 childcare centres (±2,400 places) and manage a further 30 centres (±1,900 places) on behalf of third parties. The business continues to grow strongly in reputation, occupancy and EBIT profitability.
Subsequent to year end Payce agreed to sell a 75% interest in the childcare business to Wallace Infrastructure Pty Ltd, with the joint strategy of continuing to grow the business.

VICTORIA PARK, SYDNEY

The Company continues to own a 50% interest in Victoria Park, 5km south of the Sydney CBD, which currently holds 3 undeveloped land sites totalling approximately 2.5ha, proposed for mixed-use development of residential, retail and commercial. The Company's investment has been fully provided for in the year end results.
Various options to co-develop or sell these lands are being assessed.

BABCOCK & BROWN RESIDENTIAL LAND PARTNERS (BLP)

Payce holds 4.96% of the issued shares in BLP which have been marked-to-market in the Company's balance sheet at June 2009. Payce continues to monitor the investment.

DIVIDEND

Whilst the Company continues to manage its debt position, the Directors do not recommend the payment of a dividend.

Many hard decisions and actions were taken over the past 18 months and I personally thank our Directors, management and staff for a massive effort in achieving a position for the company to prosper in the future.

Our Annual General Meeting will be held at "The Waterfront" on 27th November 2009. We invite all shareholders to attend.

D. H. Macintosh
CHAIRMAN

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 2009.

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
Age 53

David Macintosh 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, 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 held at Children's Hospital Westmead and Benefactor. He has been actively involved in the Surf Life Saving movement for over 40 years. He is a life member at Long Reef SLSC, Distinguished Service Member at Collaroy SLSC and Sydney Northern Beaches Surf Life Saving. He has degrees in Business and Accounting and is a Fellow of the Institute of Chartered Accountants.

MR. BRIAN M. BOYD
Managing Director
Age 60

Brian Boyd was appointed a Director and Managing Director in 1987. He has over 28 years experience in the property industry.

MR. ROGER R. SHORT
Independent Non-Executive Director
Age 64

Roger Short was appointed a Director in 1996. He has been a lawyer for over 32 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 22 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 Committee.

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 38, 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 53, was appointed as Company Secretary in 2004. He has been a lawyer for 27 years, the last 12 as a partner of Morgan Lewis Attorneys. He has worked extensively in the property development field for the last 22 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
D. H. Macintosh	5	5	4	4
B. M Boyd	5	5	-	-
R. R. Short	5	5	4	4

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

The Remuneration Committee was disbanded on 1 July 2007, with remuneration for key management personnel being determined by the Managing Director, and for non-executive directors by the Board.

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 loss of the consolidated entity after providing for income tax and eliminating minority equity interests amounted to $33,693,000.

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

The current year's loss has been impacted by the following items:

	$'000
Loss before Income Tax	($40,668)
Add back:	
Net financing costs	2,845
Income from debt forgiveness	(40,348)
Loss from debts forgiven	4,629
Childcare impairments	3,853
Impairment in securities in listed entity	5,335
Impairment of equity accounted investments	5,121
Impairment of property, plant and equipment	2,036
Loss on revaluation of investment property	3,253
Write-down of property held for development and resale to net realisable value	23,262
Provisioning against receivables	4,163
Share of losses from equity accounted investments	5,647
Adjusted loss from operations	($20,872)

OPERATIONS - FINANCING ACTIVITIES

1. Debt reduction

During the financial year, the consolidated entity focused its attention on reducing its financial liabilities, which have been successfully reduced by 78% from 30 June 2008 as follows:

	$'000
Financial liabilities as at 30 June 2008	298,887
Net reduction in financial liabilities during the year	(233,872)
Financial liabilities as at 30 June 2009	65,015

The reduction of financial liabilities has primarily occurred due to two events:

1. On-going sale of completed residential apartments at Homebush Bay.

During the year the consolidated entity settled 157 residential apartments (prior period 180). The net sales proceeds of approximately $72 million were applied to repay the Corporate Facility.

The remaining residential apartments are expected to be sold and settled during the 2010 financial year.

2. Successful completion of the Sekisui House joint ventures

On 8 May 2009, the consolidated entity announced the $190 million joint venture with Sekisui House, Ltd. ("Sekisui House") to develop almost 4,500 units and homes at Sydney's Homebush Bay and in the Ripley Valley, south-west of Brisbane.

Sekisui House acquired a 75% interest in these projects, whilst the consolidated entity retained a 25% stake. Subsequent to year end, as announced to the market on 1 September 2009, the consolidated entity completed an Agreement to dispose of its remaining interest in the Ripley Valley joint venture to Sekisui House.

As part of the Sekisui House transaction the limited recourse Senior Facilities held over the Homebush Bay undeveloped lands were reduced and refinanced until May 2011, of which the consolidated entity has recorded its 25% share.

The consolidated entity continues to retain 100% ownership of the industrial site (Lot 3) and its retail assets and unsold completed residential apartments at Homebush Bay. The consolidated entity retains a facility over the Lot 3, which has now been extended to 31 January 2012 – refer below to Extension of Corporate Facility.

The $63.9 million loan payable to the Babcock and Brown Apartments Investment Trust joint venture was partially repaid from the Sekisui House transaction proceeds and the remainder forgiven by the joint venture.

Given the consolidated entity's reduced interest to 25% in Ripley Valley the retained investment is treated as an equity accounted investment, thereby removing the previously consolidated debt facilities from the consolidated entity's financial statements.

2. Extension of Corporate Facility

As announced on 13 August 2009, the consolidated entity has agreed with its Senior Lender to extend the Corporate Facility to 31 January 2012 inclusive of the facility over Lot 3 (industrial site). The extension also includes the removal of several covenants including the net tangible assets and rate of sales covenants – refer to Note 23 for further details.

OPERATIONS - OTHER ACTIVITIES

Childcare

During the year under review, the consolidated entity acquired all the interests held by other shareholders in the childcare businesses, giving 100% ownership to the consolidated entity. The childcare results have been consolidated in the consolidated entity's results since December 2008. The childcare business was cashflow positive for the year under review and has no external debt facilities. As announced to the market on 14 September 2009, the Company has entered into unconditional agreements to reduce its interests in childcare, selling 75% of Payce Child Care Pty Ltd to Wallace Infrastructure Pty Ltd.

BRIC (Built Residential Investment Consortium)

During the year, the joint venture entity completed the sale of all remaining apartments and repaid all outstanding liabilities. The remaining asset in the entity is cash, which will be returned equally to the joint venture shareholders following completion of its financial accounts. BRIC is expected to be liquidated within the next 12 months.

BDS Australia (BDS)

Following completion of the Sekisui House joint venture, the BDS joint venture activities were wound down, with staff transferred to other businesses or made redundant. BDS is expected to be liquidated within the next 12 months.

Chiswick

Subsequent to year end, the consolidated entity's joint venture partner in the development disposed of their interests in the Chiswick vehicle to a developer syndicate. The consolidated entity will seek to co-develop the site into 129 residential apartments and commercial space, which is DA approved. The joint venture entity is in discussions with the Senior Lender to extend the expired facility.

Babcock & Brown Apartment Investment Group (BBAIG)

The joint venture with Babcock & Brown continues to own undeveloped lands at Victoria Park, Sydney. During the year under review, the stapled entity was de-stapled into two separate equally owned vehicles.

During the year, the sale of the Victoria Park land for $19 million settled and was equity accounted for in the consolidated entity's year end results. The consolidated entity's investment in both entities has been fully provided for during the year. The joint venture partners continue to assess the development and sale options for the land.

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 decreased from $133.7 million at 30 June 2008 to $102.4 million at 30 June 2009.

During the year, the consolidated entity's total asset position decreased by $280.7 million to $176.4 million at 30 June 2009, whilst total liabilities decreased by $249.5 million to $74.0 million at 30 June 2009.

The decrease in assets is predominantly due the sale of properties held for development and resale.

The decrease in liabilities is predominantly due to reduction in borrowings.

10. EVENTS SUBSEQUENT TO BALANCE DATE

CHILDCARE

On 14 September 2009, Payce executed unconditional agreements to reduce its interests in childcare, selling 75% of Payce Child Care Pty Ltd to Wallace Infrastructure Pty Limited. The sale price represents a small gain compared with the carrying value in the consolidated entity's financial statements at 30 June 2009.

CONDITIONAL SELECTIVE BUY-BACK OF ORDINARY SHARES

On 1 September 2009, the consolidated entity announced that it had entered into a conditional selective buy-back agreement (Buy-Back Agreement) with Babcock & Brown Asset Holdings Pty Limited (BBA).

BBA currently holds 6,957,143 fully paid ordinary shares which represent approximately 15% of Payce's total issued capital. Under the Buy-Back Agreement, the consolidated entity has agreed to acquire all of BBA's shares in Payce at $0.70 per share, equalling a total consideration of $4,870,000, which will be funded through a combination of surplus cash, un-drawn finance facilities and the proceeds of asset sales.

The Buy-Back Agreement is subject to shareholder approval being obtained at the Extraordinary General Meeting to be held on 16 October 2009.

SALE OF RIPLEY VALLEY

On 12 August 2009, the consolidated entity entered into an agreement to dispose of its 25% stake in Ripley Valley, to its joint venture partner, Sekisui House. The sale was transacted at the same price paid by Sekisui House to acquire their initial 75% stake in May 2009 and as such has no additional profit or loss impact to the consolidated entity for the 2010 financial year.

All conditions precedent have been satisfied and the sale completed on 1 September 2009.

FINANCING

As advised to the market on 13 August 2009, the consolidated entity agreed with its senior financier to merge its two facilities scheduled to expire on 30 November 2009 and extend the new facility under 31 January 2012.

Refer Note 23 for further details.

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 the consolidated entity during the year ended 30 June 2009.

14. DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Details of each director's relevant interest in the shares of the company at the date of this report are:

D.H. Macintosh	4,426,925
B.M. Boyd	13,987,694
R.R. Short	65,000

Refer to Note 30 for detailed information.

15. SHARE OPTIONS

OPTIONS GRANTED OVER UNISSUED SHARES

As at the date of this report the company has 1,800,000 options to unissued ordinary shares.

No options over unissued shares have been granted during or since the end of the year.

For details of options granted in the prior year to officers of the company, please refer to the Remuneration Report (section 18 Directors' Report).

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No shares have been issued during or since the end of the year as a result of the exercise of an option of unissued shares.

16. INDEMNIFICATION OF OFFICERS AND AUDITORS

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 7 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.

During the year, the Company entered into an agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the Annual Financial Report, except where the liability arises out of conduct involving a lack of good faith.

17. 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.

18. REMUNERATION REPORT - AUDITED

18.1 PRINCIPLES OF COMPENSATION

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

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 being:
  - 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 performance linked compensation.

Fixed 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.

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.

Short-term Incentive Bonus (STI)

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance.

On an annual basis, the overall performance of the Company is considered along with the individual executive's performance in determining any bonus amount.

Long-term Incentives (LTI)

LTI's are provided to executives through an executive option scheme.

Company Performance and Remuneration

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

	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Net (loss)/profit	(33,693)	(17,443)	26,513	1,581	11,314
Share price at year-end	$0.75	$2.45	$3.00	$3.00	$2.90

Service Agreements

Remuneration and other terms of employment for executives are formalised in service contracts, with the exception of Mr Klevansky which is in the process of being finalised. For executive directors no formalised service contracts exist.

Mr S.M. Wainwright
Company Secretary & Chief Financial Officer

> Employment commenced 7 January 2002;
> Fixed remuneration, inclusive of superannuation, of $257,250 per annum, reviewed annually by Managing Director;
> May resign from position giving one months' written notice. The Company may make payment in lieu of notice or part of that period.

Mr B.H. Bailison
Head of Corporate Finance

> Employment commenced 13 May 2008;
> Fixed remuneration, inclusive of superannuation, of $315,000 per annum, reviewed annually by Managing Director;
> May resign from position by giving one month's written notice. The Company may make payment in lieu of notice or part of that period;
> Entitled to participate in share option scheme.

18.2 DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (COMPANY AND CONSOLIDATED)

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
	Salary, fees & commissions	Primary cash bonus (A)	Non-cash benefits	Super-annuation
DIRECTORS				
Non-executive				
R.R. Short				
> 2009	60,000	-	-	5,400
> 2008	48,348	-	-	4,352
Executive				
D.H. Macintosh				
> 2009	239,375	-	17,145	20,625
> 2008	239,375	-	14,967	20,625
B.M. Boyd				
> 2009	108,725	-	161,435	18,298
> 2008	108,725	-	150,979	18,298
Total compensation: - Directors (consolidated)				
> 2009	408,100	-	178,580	44,323
> 2008	396,448	-	165,946	43,275
Total compensation: - Directors (company)				
> 2009	60,000	-	-	5,400
> 2008	48,348	-	-	4,352
EXECUTIVES				
B.J. Klevansky				
General Manager				
> 2009	307,500	-	20,786	27,675
> 2008	800,000	-	3,794	4,500
S.M. Wainwright				
Company Secretary/Chief Financial Officer				
> 2009	198,433	-	37,852	17,859
> 2008	193,257	186,916	9,326	17,393
B. Bailison				
Head of Corporate Finance – (appointed 13 May 2008)				
> 2009	289,500	150,000	11,643	18,000
> 2008	37,756	-	2,785	3,398
Total				
> 2009	795,433	150,000	70,281	63,534
P. Munnings				
General Manager – Operations – (position made redundant 21 January 2008)				
> 2008	194,402	-	5,585	84,410
Total				
> 2008	1,225,415	186,916	21,490	109,701

NOTES TO THE TABLE OF DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

(A). The short-term incentive bonus included as compensation for the relevant year relates to that financial year.

Note: In order to satisfy Corporations Act requirements to disclose five highest paid executives, the two executive directors in the Directors table must be included.

Other long term	Termination	Share based payments	TOTAL	% of remuneration performance related	Value of options as proportion of remuneration
-	-	-	65,400	0.0%	0.0%
-	-	-	52,700	0.0%	0.0%
4,628	-	-	281,773	0.0%	0.0%
3,911	-	-	278,878	0.0%	0.0%
4,422	-	-	292,880	0.0%	0.0%
3,670	-	-	281,672	0.0%	0.0%
9,050	-	-	640,053		
7,581	-	-	613,250		
-	-	-	65,400		
-	-	-	52,700		
538	-	-	356,499	0.0%	0.0%
8	-	478,323	1,286,625	37.2%	37.2%
24,057	-	-	278,201	0.0%	0.0%
2,493	-	-	409,385	45.7%	-
494	-	134,568	604,205	47.1%	22.3%
6	-	16,153	60,098	26.9%	26.9%
25,089	-	134,568	1,238,905		
-	423,737	-	708,134	0.0%	0.0%
2,507	423,737	494,476	2,464,242		

18.3 ANALYSIS OF BONUSES INCLUDED IN REMUNERATION

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 $'000	% vested in year	% forfeited in year
Executives			
B.H. Bailison	150	100 %	-

18.4 EQUITY INSTRUMENTS

18.4.1 Options and rights over equity instruments granted as compensation

No options have been granted as compensation during or since the end of the year; however options were granted in the prior year, a proportion of which vested during the current year.

	Number of options granted during 2008	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	First exercise date	Last exercise date	Number of options vested during 2009	Number of options vested during 2008
Executives									
B.H. Bailison	200,000	04/06/2008	$0.39	$3.00	12/05/2013	12/05/2009	12/05/2013	200,000	-
B.H. Bailison	200,000	04/06/2008	$0.39	$3.00	12/05/2013	12/05/2010	12/05/2013	-	-
B.H. Bailison	200,000	04/06/2008	$0.39	$3.00	12/05/2013	12/05/2011	12/05/2013	-	-
B.J. Klevansky	1,200,000	04/06/2008	$0.40	$3.00	04/06/2013	04/06/2008	04/06/2013	-	1,200,000

The options were provided at no cost to the recipients.
All vested options expire on their expiry date. All unvested options expire on termination of the individual's employment.

18.4.2 Modification of terms of equity-settled share-based payment transactions

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.

18.4.3 Exercise of options granted as compensation

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

18.4.4 Analysis of options and rights over equity instruments granted as compensation

Details of vesting profile of the options granted as remuneration are detailed below:

	Options granted number	Options granted date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
Executives					
B.H. Bailison	200,000	04/06/2008	100%	-	Year ended 30/06/2009
B.H. Bailison	200,000	04/06/2008	-	-	Year ended 30/06/2010
B.H. Bailison	200,000	04/06/2008	-	-	Year ended 30/06/2011
B.J. Klevansky	1,200,000	04/06/2008	100%	-	Year ended 30/06/2008

18.4.5 Analysis of movements in options

During the financial year, no options were granted, exercised or lapsed.

19. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company are important.

The Board of Directors has considered the position and is satisfied that the provision of non-audit service is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditors' independence requirements of the Corporations Act for the following reasons:

> The non-audit services did not impact the impartiality and objectivity of the auditor; and
> None of the general services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditors own work, acting in a management or decision sharing capacity for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the Company and its related practices:

Services	2009 $	2008 $
1.Audit Services		
Audit and review of financial reports and other audit work under the Corporations Act 2001		
KPMG Australia	625,000	-
Weston Woodley & Robertson	-	196,630
2. Other Services		
Accounting Advice		
KPMG Australia	50,000	-
Review and analysis services		
Weston Woodley & Robertson	-	7,900
Total Remuneration	**675,000**	**204,530**

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

The Lead Auditor's Independence Declaration is set out on page 16 and forms part of the directors' report for the financial year ended 30 June 2009.

21. 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
30th September 2009

KPMG

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 2009 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.

KPMG

KPMG

Nigel Virgo
Partner

Sydney

30 September 2009

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 of non-compliance has been included at the end of this statement.

BOARD OF DIRECTORS

The Board is accountable to shareholders for the performance of the company and its key responsibilities are 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;
- monitor financial performance and liaise with the Company's external auditor;
- oversee the processes for identifying the major risks facing the Company and ensure that appropriate and adequate control, monitoring and reporting mechanisms are in place;
- appoint and assess the performance of the Managing Director, and oversee succession plans for senior management;
- maintain high business standards and ethical behaviour.

BOARD COMPOSITION AND SIZE

At the date of this report the Board comprised the following directors:

Name	Position
David Macintosh	Executive Director and Chairman
Brian Boyd	Managing Director
Roger Short	Non-executive Director

The roles of Chairman and Managing Director are not exercised by the same individual.

Further details of the Board are set out on page 7 of the Directors' 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 has established an Audit Committee to assist in the execution of its duties (see below for further details).

DIRECTOR INDEPENDENCE

The Board considers Mr R.R. Short as non-executive director to meet the criteria for independence per the ASX Best Practice Recommendations as 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.

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.

BOARD COMMITTEES

AUDIT COMMITTEE

This committee comprises Roger Short and David Macintosh. Meetings are held as required throughout the year and are attended by the Managing Director, Chief Financial Officer 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 AND PERFORMANCE

Due to the structure and size of the Company, the Board considers it appropriate that the Board, in consultation with the Managing Director, be responsible for the determination of remuneration and subsequent performance assessment. Accordingly a remuneration committee has not been established.

Board Remuneration and Performance Review

Non-executive director remuneration is by way of fees and superannuation contributions only. The non-executive director does not receive options or bonus payments nor is provided with retirement benefits, other than superannuation.

The Board reviews its performance annually to ensure that individual directors and the Board collectively are fulfilling their duties as set out above. The review takes into account the attendance at and involvement in board meetings, their performance and other matters identified by the Board.

Executive Remuneration and Performance Review

Executive remuneration packages comprise a balance of fixed and incentive pay, which varies with the level of the role, complexity of the role and relevant market practice. Please refer to Remuneration Report for further details.

The Board annually assesses the performance of executives against group and individual performance targets against Company and individual performance targets, with the assistance of the Managing Director.

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 or 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 Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Company's process of risk management and internal compliance and control includes:

- Establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- Continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- Monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls.
- Assessing the effectiveness and efficiency in the use of the Company's resources;
- Compliance with applicable laws and regulations;
- Preparation of reliable published financial information.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management.

The Managing Director and Chief Financial Officer 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.

COMMUNICATION WITH SHAREHOLDERS

Information is communicated to shareholders through:

- the Annual Report and Interim Report;
- disclosures made to the Australian Securities Exchange;
- the AGM (Annual General Meeting) and any related notices and explanatory memoranda;
- occasional letters from the Chairman and Managing Director to specifically inform shareholders of key matters of interest.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The company advises that it does not comply with the following ASX Corporate Governance Principles and Recommendations:

RECOMMENDATION 2.1 A MAJORITY OF THE BOARD SHOULD BE INDEPENDENT DIRECTORS

As aforementioned the Board considers Mr R R 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 sufficient input to 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, Mr D.H. 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 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

Currently the Board of Directors performs these functions. 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 4.2 & 4.3 STRUCTURE AND FORMAL CHARTER 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.

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Revenue	**5**	**202,077**	**99,754**	**-**	**-**
Cost of sales	6	(213,896)	(96,459)	-	-
Gross (loss)/profit		**(11,819)**	**3,295**	**-**	**-**
Other income	5	40,364	773	-	-
Administration expenses		(29,970)	(16,822)	(30,085)	(308)
Property expenses		(5,281)	(3,220)	-	-
Marketing expenses		(1,202)	(965)	-	-
Impairment of property, plant and equipment		(2,036)	(8,357)	-	
Impairment of available for sale financial assets		(5,335)	-	-	
Change in fair value of investment properties		(3,253)	(3,481)	-	
Impairment of equity accounted investment		(5,121)	-	-	
Impairment of goodwill		(3,853)	-	-	
Loss from debts forgiven		(4,629)	-	-	
Loss on dilution of investment		(41)	-	-	-
Loss before tax and net financing costs		**(32,176)**	**(28,777)**	**(30,085)**	**(308)**
Finance income		7,747	10,748	9,089	10,777
Finance costs		(10,592)	(17,724)	(8,134)	(10,363)
Net financing (costs)/income	**7**	**(2,845)**	**(6,976)**	**955**	**414**
Share of profits/(losses) of associated company jointly controlled entity accounted for using the equity method	32	(5,647)	10,963	-	-
(Loss)/profit before income tax		**(40,668)**	**(24,790)**	**(29,130)**	**106**
Income tax benefit	8	7,740	7,218	2,536	7,072
(Loss)/profit for the year		**(32,928)**	**(17,572)**	**(26,594)**	**7,178**
Profit/(Loss) attributable to minority interest		765	(129)	-	-
(Loss)/profit attributable to equity holders of the parent		**(33,693)**	**(17,443)**	**(26,594)**	**7,178**
Earnings per share (cents per share)					
Basic	11	(72.6c)	(38.2c)		
Diluted	11	(72.6c)	(38.1c)		

The income statements are to be read in conjunction with the notes to the financial statements.

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Current Assets					
Cash and cash equivalents	13	9,071	25,688	2	3
Trade and other receivables	14	6,378	20,026	90,814	108,604
Properties held for development and resale	15	58,841	258,053	-	-
Investments accounted for using the equity method	16	4,789	-	-	-
Other	21	806	892	68	70
Total Current Assets		**79,885**	**304,659**	**90,884**	**108,677**
Non-Current Assets					
Trade and other receivables	14	4,140	29,157	-	-
Properties held for development and resale	15	33,957	27,437	-	-
Investments accounted for using the equity method	16	3,295	50,322	-	-
Property, plant and equipment	17	4,897	5,111	-	-
Investment properties	18	34,248	37,804	-	-
Financial assets	19	437	2,623	77,833	77,833
Deferred tax assets	25	5,465	-	5,465	
Intangible assets	20	10,056	16	-	-
Total Non-Current Assets		**96,495**	**152,470**	**83,298**	**77,833**
Total Assets		**176,380**	**457,129**	**174,182**	**186,510**
Current Liabilities					
Trade and other payables	22	5,205	12,424	11	82
Financial liabilities	23	47,657	208,101	139,945	123,166
Short-term provisions	24	1,557	811	-	-
Total Current Liabilities		**54,419**	**221,336**	**139,956**	**123,248**
Non-Current Liabilities					
Trade and other payables	22	1,695	10,013	-	-
Financial liabilities	23	17,358	90,786	-	-
Deferred tax liabilities	25	-	1,290	-	2,536
Long-term provisions	24	480	11	-	-
Total Non-Current Liabilities		**19,533**	**102,100**	**-**	**2,536**
Total Liabilities		**73,952**	**323,436**	**139,956**	**125,784**
Net Assets		**102,428**	**133,693**	**34,226**	**60,726**
Equity					
Issued capital	26	68,053	68,053	68,053	68,053
Reserves		19,016	16,718	907	813
Retained earnings		15,359	49,052	(34,734)	(8,140)
Parent interest		102,428	133,823	34,226	60,726
Minority equity interest		-	(130)	-	-
Total Equity		**102,428**	**133,693**	**34,226**	**60,726**

The balance sheets are to be read in conjunction with the notes to the financial statements.

	Issued Ordinary $'000	Retained Earnings $'000	Capital Profits Reserve $'000
CONSOLIDATED			
Balance at 1 July 2007	**60,963**	**66,495**	**2,021**
Shares issued during the year	**7,090**	**-**	**-**
Equity-settled transactions, net of tax	-	-	-
Transfer revaluation increment to asset realisation reserve being increment realised on sale of land held for development	-	-	-
Revaluation of shares available for sale	-	-	-
Loss attributable to equity holders of the parent	-	(17,443)	-
Loss attributable to minority interest	-	-	-
Balance at 30 June 2008	**68,053**	**49,052**	**2,021**
Transfer revaluation increment to asset realisation reserve being increment realised on sale of land held for redevelopment	-	-	-
Equity-settled transactions, net of tax	-	-	-
Revaluation of shares available for sale	-	-	-
Loss attributable to equity holders of the parent	-	(33,693)	-
Profit attributable to minority interest	-	-	-
Adjustment on acquisition of minority interest	-	-	-
Balance at 30 June 2009	68,053	15,359	2,021
COMPANY			
Balance at 1 July 2007	**60,963**	**(15,318)**	**1**
Shares issued during the year	7,090	-	-
Equity-settled transactions, net of tax	-	-	-
Profit attributable to equity holders of the parent	-	7,178	-
Balance at 30 June 2008	**68,053**	**(8,140)**	**1**
Equity-settled transactions, net of tax	-	-	-
Loss attributable to equity holders of the parent	-	(26,594)	-
Balance at 30 June 2009	**68,053**	**(34,734)**	**1**

The Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements.

Share Based Payments Reserve $'000	Asset Revaluation Reserve $'000	Available-For-Sale Investments Revaluation Reserve $'000	Asset Realisation Reserve $'000	Forfeited Shares $'000	Minor Equity Interests $'000	TOTAL $'000
-	**4,976**	**(245)**	**11,575**	**4**	**(1)**	**145,788**
-	**-**	**-**	**-**	**-**	**-**	**7,090**
346	-	-	-	-	-	346
-	(397)	-	397	-	-	-
-	-	(1,959)	-	-	-	(1,959)
-	-	-	-	-	-	(17,443)
-	-	-	-	-	(129)	(129)
346	**4,579**	**(2,204)**	**11,972**	**4**	**(130)**	**133,693**
-	(2,923)	-	2,923	-	-	-
94	-	-	-	-	-	94
-	-	2,204	-	-	-	2,204
-	-	-	-	-	-	(33,693)
-	-	-	-	-	765	765
-	-	-	-	-	(635)	(635)
440	1,656	-	14,895	4	-	102,428
-	**462**	**-**	**-**	**4**	**-**	**46,112**
-	-	-	-	-	-	7,090
346	-	-	-	-	-	346
-	-	-	-	-	-	7,178
346	**462**	**-**	**-**	**4**	**-**	**60,726**
94	-	-	-	-	-	94
-	-	-	-	-	-	(26,594)
440	**462**	**-**	**-**	**4**	**-**	**34,226**

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash receipts from customers		211,588	84,853	-	-
Cash paid to suppliers and employees		(43,130)	(34,535)	(508)	(298)
Dividends received		-	637	-	-
Partnership distributions received		200	175	-	-
Finance income received		7,747	10,748	9,089	10,777
Finance costs paid		(27,989)	(31,265)	(8,134)	(10,363)
Net cash provided by operating activities	**34a**	**148,416**	**30,613**	**447**	**116**
Cash flows from investing activities					
Payments for property, plant and equipment		(271)	(1,415)	-	-
Proceeds from sale of property, plant, and equipment		82	2,169	-	-
Payments for investments		-	(2,272)	-	-
Payments for investments in associates		(2,387)	(25,804)	-	-
Payments for investment properties		(100)	(137)	-	-
Proceeds from sale of investment properties		418	752	-	-
Payments for intangibles		-	(1,106)	-	-
Acquisition of subsidiary, net of cash acquired	9	737	-	-	-
Proceeds on disposal of subsidiaries		-	484	-	-
Proceeds from repayment of loans to associates		9,398	10,907	-	53,937
Proceeds from redemption of units in associate		7,500	-	-	-
Proceeds from issue of shares in subsidiary		8,050	-	-	-
Loans to other entities		(4,403)	(35,381)	448	(61,143)
Net cash from (used in) investing activities		**19,024**	**(51,803)**	**448**	**(7,206)**
Cash flows from financing activities					
Proceeds from the issue of share capital		-	7,090	-	7,090
Proceeds from borrowings		16,880	232,705	-	-
Repayment of borrowings		(200,937)	(194,177)	-	-
Net cash (used In) from financing activities		**(184,057)**	**45,618**	**-**	**7,090**
Net (decrease) increase in cash held		**(16,617)**	**24,428**	**(1)**	**-**
Cash at beginning of financial year	13	25,688	1,260	3	3
Cash at end of financial year	**13**	**9,071**	**25,688**	**2**	**3**

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

NOTE 1. REPORTING ENTITY

Payce Consolidated Limited (the "Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Company for the financial year ended 30 June 2009 comprise the Company and its controlled entities and interests in associates and jointly controlled entities (together referred to as the "consolidated entity").

The nature of the operations and principal activities of the consolidated entity are described in Note 33: Segment Reporting.

NOTE 2. BASIS OF PREPARATION

(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 International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial report was authorised for issue in accordance with a resolution of the directors on 30th September, 2009.

(B) HISTORICAL COST CONVENTION AND FUNCTIONAL CURRENCY

The financial report is presented in Australian dollars and been prepared on a historical cost basis, except for investment properties and available-for-sale financial assets which have been measured at fair value. The methods used to measure fair values are discussed further in Note 4.

(C) USE OF ESTIMATES AND JUDGEMENTS

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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period 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.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes to the financial statements:

> Business combinations – measurement of fair value of acquired assets and liabilities
> Trade and other receivables – assessment of recoverable amounts
> Intangible assets – measurement of recoverable amounts of cash generating units containing intangible assets
> Employee benefits – measurement of share-based payments
> Investment Properties – measurement of fair value
> Tax assets and liabilities – recognition of deferred tax assets.

(D) GOING CONCERN BASIS

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In respect of the year ended 30 June 2009, the consolidated entity reported a net loss of $33,693,000 (2008: $17,443,000). At 30 June 2009 current assets amounted to $79,885,000 (2008: $304,659,000) and current liabilities amounted to $54,419,000 (2008: $221,336,000) leaving a surplus of $25,466,000 ($2008: $83,323,000). Current assets include properties held for development and resale of $58,841,000, which the consolidated entity expects to realise and apply to the continued reduction of debt.

At 30 June 2009 current liabilities of the consolidated entity included $47,657,000 in loans relating to facilities with an expiry date of 30 November 2009. All facility covenants were complied with as at 30 June 2009. Subsequent to the end of the financial year the consolidated entity has agreed with its senior financier to merge and extend the maturity date of its loan facilities until 31 January 2012 (see note 37).

In consideration of the above circumstances the directors have determined that the preparation of the financial report on a going concern basis to be appropriate.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

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. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Company for the financial year ended 30 June 2009 comprise the Company and its controlled entities and interests in associates and jointly controlled entities (together referred to as the "consolidated entity").

Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity 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 are presently exercisable or convertible are considered when assessing whether control exists.

The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date that control ceases. A list of controlled entities is contained in Note 36 to the financial statements. The financial statements of controlled entities are prepared for the same reporting period as the parent entity using consistent accounting policies. Adjustments are made to align any dissimilar accounting policies which may exist.

Associates and jointly controlled entities

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operational decisions.

Associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the consolidated entity's share of the income and expenses and equity movements of equity accounted investees, after any adjustments necessary to realign accounting policies that are dissimilar to those of the consolidated entity, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. If and when the consolidated entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or made commitments on behalf of the investee.

Jointly controlled assets

The interest of the consolidated entity in jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities it incurs and the expenses it incurs in maintaining and developing those assets.

Transactions eliminated on consolidation

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in the preparation of the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the consolidated entity's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the consolidated entity's interest in such entities is disposed of.

Minority interests

Minority interests in the results and equity of subsidiaries attributable to equity interests held by persons outside the consolidated entity are shown separately in the consolidated income statement and balance sheet respectively.

(B) BUSINESS COMBINATIONS

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair value of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of the assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(C) SEGMENT REPORTING

A business segment is a distinguishable component of the consolidated entity that is engaged in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment) which is subject to risks and returns that are different to those of other business segments.

Segment information is presented in respect of the consolidated entity's business segments. The consolidated entity only operates within Australia.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and corporate assets and expenses, and income tax assets and liabilities.

(D) TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense/benefit is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is not probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity from 1 July 2003 (the date of consolidation). The head entity within the tax consolidated group is Payce Consolidated Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

NATURE OF TAX FUNDING AND TAX SHARING ARRANGEMENTS

The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangements and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(E) 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.

(F) FINANCIAL INSTRUMENTS

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Held-to-maturity investments

If the consolidated entity has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The consolidated entity's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly to equity. When an investment is disposed of or determined to be impaired, the cumulative gain or loss in equity is transferred to the income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The consolidated entity holds no derivative financial instruments.

(G) 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 statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(H) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.
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.
The collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established where there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivable. The amount of any such provision required is recognised in the income statement.

(I) 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.
Where an investment property changes to being held for development and resale its transfer value is based upon the carrying value at the date of transfer. Any subsequent loss as a consequence of remeasurement to net realisable value is immediately recognised in the income statement.

(J) 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. In undertaking this review the Directors have taken into consideration independent valuations obtained as at balance date and the relevant terms and conditions of leasing arrangements pertaining to the consolidated entity's freehold land and buildings.
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.

(K) 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 subsequent to determination by a registered independent valuer at each reporting date. This determination has been made on the basis for which the properties could be exchanged between willing parties in an arm's length transaction and has taken into consideration current prices in an active market for similar properties in the same location

and condition and subject to similar leases.

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.

(L) 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 intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on intangible assets with finite lives, this expense is included within administration expenses in the income statement.

Intangible assets of indefinite life are reviewed at each reporting date to determine whether there is any indication of impairment in accordance with accounting policy 3(m): Impairment of assets. Any impairment loss arising from this review is recognised in the income statement.

Childcare licences

Childcare licences acquired in a business combination are considered to be indefinite life and carried at fair value less impairment losses.

Trademarks

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

(M) IMPAIRMENT OF ASSETS

Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is only reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amount of the consolidated entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is assessed at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill and intangible assets acquired in a business combination, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses in respect of goodwill are not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(N) 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.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

(O) LEASES

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.

(P) 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.

(Q) SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(R) REVENUE RECOGNITION

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:

Property development

Revenue from the sale of apartments and land held for development and resale is recognised when the significant risks and rewards of ownership have been transferred to the purchaser and where there is no continuing management involvement, which normally coincides with settlement of the contract for sale.

Rental income

Rental income is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income over the term of the lease.

Childcare revenue

Revenue from the provision of childcare services and management of childcare centres for external clients is recognised upon delivery of the service.

Interest income

Interest income is recognised in the income statement as it accrues using the effective interest method. Interest income on impaired loans is recognised using the original effective interest rate.

(S) 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.

(T)SHARE-BASED PAYMENT TRANSACTIONS

At the Directors' discretion options to acquire shares of the Company may be granted to nominated employees. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the recipients become unconditionally entitled to the options.

The fair value of the options granted is measured using a Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The fair value of shares granted is measured by reference to the closing ASX market price of shares at the grant date, adjusted as necessary for any term or conditions attached to the shares.

(U) EARNINGS PER SHARE

The consolidated entity presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares, which comprise share options granted to employees. Options granted to employees which are accounted for as share-based payments are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

(V) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting 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 2009, but have not been applied in preparing this financial report. An assessment of the impact of these relevant standards and interpretations is set out below:

(i) AASB 3 Business Combinations

Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the consolidated entity's operations: the definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations; contingent consideration will be measured at fair value, with subsequent changes therein recognised in through the income statement; transaction costs, other than share and debt issue costs, will be expensed as incurred; any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in the income statement; any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. The revised standard, which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on any amounts reported in the current financial year.

(ii) AASB 8 Operating Segments

Amendments to Australian Accounting Standards arising from AASB 8 will become mandatory for the consolidated entity's 30 June 2010 financial statements and will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity's key decision makers in order to assess each segment's performance and to allocate resources to them. The application of AASB 8 may result in the disclosure of different segments, segment results and other information in the segment reporting note to the financial statements. However, it will not affect the measurement of any of the amounts recognised in the financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated financial statements.

(iii) AASB 101 Presentation of Financial Statements

Revised AASB 101 Presentation of Financial Statements introduces the term: "total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. The consolidated entity proposes to report total comprehensive income in a single statement of comprehensive income in its 30 June 2010 financial statements when the revised standard AASB 1010 becomes mandatory.

(iv) AASB 123 Borrowing Costs

Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.

(v) AASB 127 Consolidated and Separate Financial Statements

Amended AASB 127 Consolidated and Separate Financial Statements require accounting for changes in ownership interests by the consolidated entity in a subsidiary, whilst maintaining control, be recognised as an equity transaction. When the consolidated entity loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with any gain or loss recognised in the income statement. The amendments to AASB 127, which become mandatory for the consolidated entity's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.

(vi) AASB 2008-1 Amendments to Australian Accounting Standard – Share Based Payment; Vesting Conditions and Cancellations

AASB 2008-1 Amendments to Australian Accounting Standard – Share Based Payment; Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. The consolidated entity has not yet determined the potential effect of the amending standard on its 30 June 2010 financial statements, when adoption becomes mandatory.

(vii) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) and AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)

AASB 2008-5 and AASB 2008-6 consist of 24 IASB amendments to 15 standards that results in accounting changes for presentation, recognition or measurement purposes. They also contain 10 terminology or editorial amendments to 8 standards that the IASB believes will have either no or minimal effect on accounting practices. The amendments have been issued as 2 standards: AASB 2008-5 is applicable to the consolidated entity's 30 June 2010 financial statements, whilst AASB 2008-6 relates to the revised AASB 127 Consolidated and Separate Financial Statements and has the same application date as this revised standard. The consolidated entity has not yet determined the potential effect of the revised standards on its financial statements disclosures.

(viii) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled entity or Associate (July 2008)

AASB 2008-7 makes a number of further amendments to AASB 127 Consolidated and Separate Financial Statements and AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. The changes include removing the definition of cost method in AASB 127, requiring that all dividends from subsidiaries, jointly controlled entities or associates be recognised as income in the separate financial statements of the investor. AASB 2008-7 also states that the receipt of a dividend may be an indicator of impairment if certain criteria are met. The consolidated entity has not yet determined the potential effect of the revised standard on its 30 June 2010 financial statements, when adoption becomes mandatory.

(ix) AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (April 2009)

AASB 2009-3 introduces a 3 level hierarchy for determining the amount of information to be disclosed regarding the estimation of fair values quantitative disclosure on liquidity risk. This amending standard requires significant new disclosure changes. The consolidated entity has not yet determined the potential effect of the revised standard on its 30 June 2010 financial statements, when adoption becomes mandatory.

NOTE 4. DETERMINATION OF FAIR VALUE

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings are based on the quoted market prices for similar items.

Investment properties

An independent external valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the consolidated entity's investment property portfolio at each reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Intangible assets

The fair value of childcare licences acquired in a business combination is based on the discounted cash flows expected to be derived from the utilisation of the assets. The consolidated entity engages independent external valuers to determine the fair values of the cash-generating units containing these intangible assets of indefinite life.

Trade and other receivables

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The valuation methodology used to determine the share based payment expense was the Black-Scholes option pricing model. As required by AASB 2 Share-based Payment, the model took into account the exercise price of the option, the life of the option, the current price of the underlying shares, expected volatility of the share price, expected dividends on the shares and the risk free interest rate for the life of the option.

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
NOTE 5. REVENUE AND OTHER INCOME				
Sales revenue				
Property development sales	180,770	91,204	-	-
Rent received	5,530	5,387	-	-
Childcare revenue	14,621	-	-	-
Commissions	-	17	-	-
Other sales income	1,132	2,303	-	-
Other	24	843	-	-
Total revenue	202,077	99,754	-	-
Other Income				
Debt forgiveness	40,348	-	-	-
Dividends received – other corporations	-	637	-	-
Gain on sale of investment property	16	121	-	-
License fee income	-	15	-	-
Total other income	40,364	773	-	-
NOTE 6. EXPENSES EXCLUDING NET FINANCING COSTS				
Cost of sales	190,634	86,359	-	-
Write down of properties held for development and resale to net realisable value	23,262	10,100	-	-
Total cost of sales	213,896	96,459	-	-
Loss on revaluation of investment properties	3,253	3,481	-	-
			-	-
Depreciation				
Buildings	87	701	-	-
Plant and equipment	743	879	-	-
Total depreciation	830	1,580	-	-
Impairment of receivables				
Impairment of current trade and other receivables	4,139	3,363	29,646	-
Impairment of non-current trade and other receivables	24	75	-	-
Total impairment of receivables	4,163	3,438	29,646	-
Rental expense on operating leases				
Minimum lease payment	2,051	332	-	-
Direct property expenditure from investment property generating rental income	4,534	4,701	-	-
Employee benefits expense				
Wages and salaries	12,844	4,508	60	48
Other associated personnel expenses	1,127	273	3	3
Contributions to defined contribution superannuation funds	1,077	393	5	4
Equity settled share based payments	135	494	-	-
Decrease in employee benefits provisions	929	(132)	-	-
Total employee benefits expense	16,112	5,536	68	55

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
NOTE 7. NET FINANCING COSTS				
Interest income				
Controlled entities	-	-	9,089	10,777
Associated companies	2,882	6,303	-	-
Other entities	4,865	4,445	-	-
Finance income	7,747	10,748	9,089	10,777
Interest expense:				
Controlled entities	-	-	8,134	10,363
Associated companies	9,345	7,461	-	-
Other entities	18,644	23,804	-	-
	27,989	31,265	8,134	10,363
Amount capitalised	(17,397)	(13,541)	-	-
Finance expenses	10,592	17,724	8,134	10,363
Net financing (costs)/income	(2,845)	(6,976)	955	414
NOTE 8. INCOME TAX EXPENSE				
The components of expense comprise				
Current tax	(5,465)	-	(5,343)	-
Deferred tax	(2,980)	(7,200)	2,807	(7,054)
Under/(over) provision from prior year	705	(18)	-	(18)
	(7,740)	(7,218)	(2,536)	(7,072)
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% (2008: 30%)	(12,200)	(7,437)	(8,739)	32
Non-allowable items	2,495	44	8,861	44
Under/(over) provision for income tax in prior year	1,965	(18)	(2,658)	(18)
Loss of subsidiaries not part of the tax consolidation group	-	193	-	193
Expense recognised on tax consolidation under the Act	-	-	-	(7,323)
	(7,740)	(7,218)	(2,536)	(7,072)

NOTE 9. ACQUISITION OF SUBSIDIARIES

On 13 December 2008 the consolidated entity increased its holding in Ramsay Bourne Holdings Pty Limited from 33.33% to 66.67% for $334 in cash. On 19 June 2009, the consolidated entity further increased its holding to 100%, by acquiring the 33.33% minority interest for $45,000 cash.

On 13 December 2008 the consolidated entity acquired 100% control of World of Learning Pty Limited for $105,000 cash. This acquisition occurred in a stepped process whereby the initial 37.5% interest occurred in a prior period followed by a 12.5% acquisition of shares on 11 September 2008 and the remaining 50.0% on 13 December 2008.

The acquired entities own, operate and manage childcare centres throughout Australia. In the period to 30 June 2009, the entities contributed a loss of $26,000. If the acquisition had occurred on 1 July 2008, management estimates that consolidated revenue would have been $29,217,000 and consolidated loss for the period would have been $7,500,000 (after impairment of intangible assets of $9,667,000) for the year ended 30 June 2009.

The acquisitions had the following aggregate effect on the consolidated entity's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acquisitions $'000
Property, plant and equipment	2,489	-	2,489
Intangible assets	20,115	(6,917)	13,198
Trade and other receivables	2,376	-	2,376
Cash and cash equivalents	1,053	-	1,053
Loans and borrowings	(33,067)	14,119	(18,948)
Trade and other payables	(2,126)	-	(2,126)
Provisions	(1,035)	-	(1,035)
Net identifiable assets and liabilities	(10,195)	7,202	(2,993)
Acquisition of minority interests in net fair value			2,206
Discount on acquisition			(173)
Goodwill on acquisition attributable to parent			1,276
Consideration paid, satisfied in cash*			316
Cash acquired			(1,053)
Net cash (inflow)			(737)

* Includes legal fees of $166,000.

The goodwill recognised on the acquisition is attributable mainly to the skills and operational talent of the acquired childcare workforce.

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
NOTE 10. AUDITORS' REMUNERATION				
Audit Services				
Auditors of the Company				
Audit and review of financial reports	625,000	-	50,000	-
Other Auditors	3,366	196,630	-	25,000
	628,366	196,630	50,000	25,000
Other Services				
Auditors of the Company				
Accounting Advice	50,000	-	-	-
Other Auditors				
Review and analysis services	-	7,900	-	-
	50,000	7,900	-	-

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000
NOTE 11. EARNINGS PER SHARE		
a. Reconciliation of earnings to profit or loss		
Loss for the year	(32,928)	(17,572)
Profit/(Loss) attributable to minority equity interest	765	(129)
Earnings used to calculate basic EPS	(33,693)	(17,443)
Earnings used in calculating Diluted EPS	(33,693)	(17,443)
	Number	**Number**
b. Weighted average number of ordinary shares outstanding during the year used in calculating basis EPS	46,400,215	45,625,413
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	46,400,215	45,758,200

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
NOTE 12. DIVIDENDS				
a. No dividends of the company have been paid, declared or recommended during the year ended 30 June 2009 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% (2008 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.

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
NOTE 13. CASH AND CASH EQUIVALENTS				
Cash on hand	5	5	-	-
Cash at bank	9,066	25,683	2	3
	9,071	25,688	2	3

The effective interest rate on short term bank deposits was 3.05% (2008: 7.32%).

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
NOTE 14. TRADE AND OTHER RECEIVABLES				
CURRENT				
Trade receivables	757	2,214	-	-
Provision for impairment of receivables	(3)	(13)	-	-
	754	2,201	-	-
Other receivables	12,368	7,718	-	-
Provision for impairment of receivables	(6,744)	(2,856)	-	-
	5,624	4,862	-	-
Amounts receivable from:				
Controlled entities	-	-	140,340	128,485
Provision for impairment of receivables	-	-	(49,526)	(19,881)
	-	-	90,814	108,604
Associated companies and jointly controlled entities	380	13,963	-	-
Provision for impairment of receivables	(380)	(1,000)	-	-
	-	12,963	-	-
	6,378	20,026	90,814	108,604
Non-current				
Other receivables	3,438	12,067	-	-
Provision for impairment of receivables	(99)	(75)	-	-
	3,339	11,992	-	-
Amounts receivable from associated companies	801	17,865	-	-
Provision for impairment of amounts receivable	-	(700)	-	-
	801	17,165	-	-
	4,140	29,157	-	-

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
NOTE 15. PROPERTIES HELD FOR DEVELOPMENT AND RESALE				
CURRENT				
Properties held for development and sale				
At cost	502	40,257	-	-
Transfer from Investment properties – at valuation	-	61,500	-	-
Amounts capitalised to development properties:				
Development expenses	52,611	136,646	-	-
Rates, taxes & interest	5,816	29,750	-	-
	58,929	268,153	-	-
Write down of properties held for development and resale to net realisable value	(88)	(10,100)	-	-
	58,841	258,053	-	-
NON-CURRENT				
Properties held for development and sale				
At cost	25,053	25,106	-	-
Amounts capitalised to development properties:				
Development expenses	23,740	898	-	-
Rates, taxes & interest	8,338	1,433	-	-
Write down of properties held for development and resale to net realisable value	(23,174)	-	-	-
	33,957	27,437	-	-
Finance costs recognised during the financial year as part of the carrying amount	17,397	13,541		
Capitalisation rate	10.6%	9.8%		
NOTE 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
CURRENT				
Associates	4,789	-	-	-
Jointly controlled entities	-	-	-	-
	4,789	-	-	-
NON-CURRENT				
Associates	250	4,149	-	-
Jointly controlled entities	3,045	46,173	-	-
	3,295	50,322	-	-

NOTE 17. PROPERTY, PLANT & EQUIPMENT

The movements in the consolidated property, plant and equipment balances are as follows:

2009	Freehold land & buildings $'000	Leasehold improve-ments $'000	Plant & Equipment $'000	Office Equipment $'000	Motor Vehicles $'000	Total $'000
Cost						
Balance at 1 July 2008	4,457	-	2,295	1,557	65	8,374
Acquired through business combinations	-	2,061	254	166	7	2,488
Intra group transfers	-	70	(70)	-	-	-
Additions	23	86	88	74	-	271
Disposals	-	(36)	(128)	(34)	(9)	(207)
Impairment loss	(1,155)	-	(1,182)	(1,406)	-	(3,743)
Balance at 30 June 2008	3,325	2,181	1,257	357	63	7,183
Accumulated depreciation						
Balance at 1 July 2008	1,273	-	805	1,160	25	3,263
Intra group transfers	-	53	(53)	-	-	-
Depreciation	87	114	328	292	9	830
Disposals	-	(2)	(60)	(29)	(9)	(100)
Impairment loss	-	-	(526)	(1,181)	-	(1,707)
Balance at 30 June 2009	1,360	165	494	242	25	2,286
Net Book Value at 30 June 2009	**1,965**	**2,016**	**763**	**115**	**38**	**4,897**

2008	Freehold land & buildings $'000	Leasehold improve-ments $'000	Plant & Equipment $'000	Office Equipment $'000	Motor Vehicles $'000	Total $'000
Cost						
Balance at 1 July 2007	13,532	-	4,372	2,561	65	20,530
Transfers to Investment Properties	(415)	-	(503)	-	-	(918)
Intra group transfers	-	-	(16)	16	-	-
Additions	1,112	-	88	215	-	1,415
Disposals	(2,214)	-	(1,114)	(968)	-	(4,296)
Impairment loss	(7,558)	-	(532)	(267)	-	(8,357)
Balance at 30 June 2008	4,457	-	2,295	1,557	65	8,374
Accumulated depreciation						
Balance at 1 July 2007	572	-	1,024	1,359	17	2,972
Transfers to Investment Properties	-	-	(8)	-	-	(8)
Depreciation	701	-	358	513	8	1,580
Disposals	-	-	(569)	(712)	-	(1,281)
Balance at 30 June 2008	1,273	-	805	1,160	25	3,263
Net Book Value at 30 June 2008	**3,184**	**-**	**1,490**	**397**	**40**	**5,111**

The Company has $nil property, plant and equipment at 30 June 2009 (2008: $Nil) and $Nil movement occurred during the year.

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
NOTE 18. INVESTMENT PROPERTIES				
Carrying amount at beginning of year	37,804	102,389	-	-
Acquisitions (subsequent expenditure)	100	137	-	-
Fair value adjustments	(3,253)	(3,481)	-	-
Transfers to properties held for development and resale	-	(61,500)	-	-
Transfers from Property plant and equipment	-	910	-	-
Disposals	(403)	(651)	-	-
	34,248	37,804	-	-

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2009 valuations were based on independent assessments made by a member of the Australian Property Institute as at balance date, based on direct comparison and the following methodologies:

> the capitalisation rate of 9.25% adopted in the valuation of the consolidated entity's retail investment properties reflects appropriate allowances for letting up periods and leasing and marketing expenditure which may be necessary for vacancies;

> the valuation of the consolidated entity's industrial property, which is under lease to a major corporate tenant until 2015, was based on the present value of the future net rental cash flows discounted at 9.00% per annum.

MINIMUM LEASE PAYMENTS RECEIVABLE ON LEASES OF INVESTMENT PROPERTIES

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

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Receivable				
not later than 1 year	2,306	2,149	-	-
later than 1 year but not later than 5 years	8,618	8,476	-	-
later than 5 years	2,296	4,415	-	-
	13,220	15,040	-	-

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
NOTE 19. FINANCIAL ASSETS				
Shares in controlled entities				
At cost	-	-	77,833	77,833
Available-for-sale financial assets				
Shares in listed securities - at fair value	437	2,623	-	-
Total other financial assets	437	2,623	77,833	77,833

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
NOTE 20. INTANGIBLES				
TRADEMARK				
At cost	16	16	-	-
Accumulated impairment losses	-	-	-	-
	16	16	-	-
Childcare licences				
At cost	19,707	-	-	-
Accumulated impairment losses	(9,667)	-	-	-
	10,040	-	-	-
	10,056	16	-	-
Carrying amount at beginning of year	16	4,910	-	-
Acquired through business combination	13,198	-	-	-
Additions	-	1,106	-	-
Disposals	(408)	(6,000)	-	-
Impairment losses	(2,750)	-	-	-
Carrying amount at end of year	10,056	16	-	-

Each childcare centre is treated as a separate cash generating unit when impairment testing the childcare licences. The recoverable amount of all childcare centres is based on fair value less costs to sell, based on indicative offer.

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
NOTE 21. OTHER ASSETS				
CURRENT				
Prepayments	603	446	68	70
Commissions paid in advance	-	281	-	-
Other	203	165	-	-
	806	892	68	70
NOTE 22. TRADE AND OTHER PAYABLES				
CURRENT				
Trade payables	908	1,668	-	-
Option deposits	-	48	-	-
Rent received in advance	518	-	-	-
Interest received in advance	-	478	-	-
Other payables and accruals	3,779	10,230	11	82
	5,205	12,424	11	82
NON-CURRENT				
Option deposits	1,695	1,545	-	-
Other payables and accruals	-	8,468	-	-
	1,695	10,013	-	-

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
NOTE 23. FINANCIAL LIABILITIES				
CURRENT				
Notes (secured)	47,657	205,525	-	-
Loans (secured)	-	2,576	-	-
Amounts payable to controlled entities	-	-	139,945	123,166
	47,657	208,101	139,945	123,166
NON-CURRENT				
Notes (secured)	-	79,170	-	-
Loans (secured)	17,358	11,616	-	-
	17,358	90,786	-	-

Details of the facilities in place at 30 June 2009:

	Limit $'000	Amount drawn 30/06/2009 $'000	Expiry
FINANCE PROVIDER			
BOSI Corporate Facility	44,374	25,537	30/11/2009
BOSI - Undeveloped Land Facility (Lot 3)	22,500	22,120	30/11/2009
		47,657	
Sekisui House Joint Venture Undeveloped Land facility	20,250	17,358	08/05/2011
		17,358	
		65,015	

NOTES

BOSI International (Australia) Ltd – Corporate Facility

During the year, the facility was reduced by approximately $72 million from the allocation of net proceeds of sales of completed residential apartments at Homebush Bay.

Subsequent to balance date and as advised to the market on 13 August 2009, the Company agreed with its financier to extend the Corporate Facility to 31 January 2012, combining it with the BOSI Undeveloped Land Facility.

The limit of the combined facility is the lesser of $48 million and 60% loan to value ("LTV"), of which approximately $35.2 million was drawn at the date of extension. The initial facility limit of $48 million will reduce by $5 million semi-annually to a minimum of $23 million in December 2011.

The extended facility removes certain of the original facility covenants including:

> $100 million Net Tangible Assets covenant. Whilst the consolidated group's unaudited NTA was $92 million at 30 June 2009, the financier advised in writing subsequent to balance date of its waiver of this covenant, in line with the agreement to remove this covenant in the extended facility.

> Rate of sales covenant. The covenant previously required in each quarter, that Net Sales Proceeds received for the quarter exceed 5% of the secured assets at the commencement of that quarter. As at 30 June 2009, this covenant had been satisfied.

BOSI International (Australia) Ltd – Undeveloped Land Facility

This Undeveloped Land Facility has an LTV covenant of 75%, which has been complied with at 30 June 2009.

During the year this facility was reduced by approximately $124 million, from the allocation of the proceeds from the Sekisui House transaction.

Subsequent to balance date, the remaining facility was repaid by incorporation into the Corporate Facility as mentioned above.

NOTE 23. FINANCIAL LIABILITIES (CONTINUED)

Sekisui House Joint Venture Undeveloped Land Facility

As part of the Sekisui House transaction, Sekisui House borrowed funds from BOS International (Australia) Ltd. A pro rata portion (consistent with the Company's 25% interest) was on lent to the consolidated entity and applied to the proceeds used in repaying the Undeveloped Land Facility.

The facility has an LTV covenant of 60%, which was complied with at 30 June 2009.

OTHER FACILITIES

Babcock & Brown Apartment Investment trust (BBAIT) – Undeveloped Land Facility

This Undeveloped Land facility was partially repaid during the year and the remainder forgiven.

Ripley Land (BCove4) Loan

As part of the Sekisui House transaction the Ripley Land (BCove4) Loan was transferred to the joint venture vehicle.

Ripley Land (Lot 179) Loan

As part of the Sekisui House transaction the Ripley Land (Lot 179) Loan was transferred to the joint venture vehicle.

SECURITY

Total Notes (secured) of $47,657,000 are secured as follows:-

a. $25,537,000 is secured by way of registered first mortgage over the freehold properties of Payce Properties Pty Limited and a fixed and floating charge over all assets of the consolidated entity other than those assets held by Payce Land Holdings Pty Limited and its controlled entities. The consolidated entity has recently extended this facility to 31 January 2012.

The following covenants exist over this Facility;

- The outstanding amount must not exceed 65% of the secured assets.
- If the secured assets are less than $100,000,000, the maximum loan to valuation value must not exceed 60%.
- The consolidated entity's Net Tangible Assets must be greater than $100,000,000.
- In each quarter, net sales proceeds received for the quarter must exceed 5% of the secured assets at the commencement of that quarter.
- Where the outstanding amount exceeds 60% of the secured assets at the end of a quarter, the estimated net sale proceeds from exchanged sale contracts must exceed 1.5% of the secured assets.

b. $22,120,000 is secured (limited recourse) by way of a registered first mortgage over the freehold properties and a fixed and floating charge over the assets and undertakings of Payce Land Holdings Pty Limited and its controlled entities. The land is currently leased to a major corporate tenant. Subsequent to balance date and as advised to the market on 13 August 2009, this facility was combined with the Corporate Facility.

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
THE MATURITY DATES FOR THE NOTES ARE:				
31 December 2008	-	189,214	-	-
30 November 2009	47,657	95,481	-	-
	47,657	284,695	-	-

LOANS

Security for the loan (2009: $17,358,000; 2008: $2,576,000) was provided by way of a registered first mortgage over the specific undeveloped land held by the joint ventures with Sekisui House.

SECURITY

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
The carrying amounts of assets pledged as security are:				
First mortgage				
Properties held for development and resale	92,798	285,490	-	-
Investment properties	34,248	37,804	-	-
Freehold land and buildings	1,965	3,184	-	-
Floating charge over assets	47,369	130,651	171,524	186,510
	176,380	457,129	171,524	186,510

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
NOTE 24. PROVISIONS				
CURRENT				
Employee benefits	1,487	741	-	-
Leasehold make good costs	70	70	-	-
	1,557	811	-	-
NON-CURRENT				
Employee benefits	480	11	-	-
	480	11	-	-

	Employee benefits $'000	Lease make good costs $'000	Total $'000
MOVEMENT IN PROVISIONS DURING THE YEAR:			
Opening Balance at 1 July 2008	752	70	822
Acquired in business combinations	1,035	-	1,035
Additional provisions	1,103	-	1,103
Amounts used	(895)	-	(895)
Amounts reversed	(28)	-	(28)
Balance at 30 June 2009	1,967	70	2,037

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 3(p).

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. An initial provision of $55,000 was made during the year ended 30 June 2005 and a further provision of $15,000 was made in the prior year in respect of the consolidated entity's obligation to remove leasehold improvements from the lease premises and to make good.

NOTE 25. TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

CONSOLIDATED	ASSETS 2009 $'000	ASSETS 2008 $'000	LIABILITIES 2009 $'000	LIABILITIES 2008 $'000	NET 2009 $'000	NET 2008 $'000
Trade & other receivables	-	1,394	-	-	-	1,394
Properties held for development & resale	-	-	-	(15,165)	-	(15,165)
Investments accounted for using the equity method	-	2,653	-	(2,437)	-	216
Property, plant & equipment	-	4,370	-	-	-	4,370
Investment Properties	-	-	-	(4,232)	-	(4,232)
Financial Assets	-	945	-	-	-	945
Other	-	339	-	-	-	339
Tax loss carry-forwards	5,465	10,843	-	-	5,465	10,843
Tax assets/(liabilities)	5,465	20,544	-	(21,834)	5,465	(1,290)

NOTE 25. TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities are attributable to the following:

PARENT	ASSETS		LIABILITIES		NET	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Tax loss carry-forwards	-	10,843	-	-	-	10,843
Asset/(Liability) recognised on tax consolidation under the Act	5,465	8,455	-	(21,834)	5,465	(13,379)
Tax assets/(liabilities)	5,465	19,298	-	(21,834)	5,465	(2,536)

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
NOTE 26. ISSUED CAPITAL				
ISSUED				
46,400,215 (June 2008:46,400,215) ordinary shares fully paid	68,053	68,053	68,053	68,053
	Number	Number	Number	Number
Balance at beginning of financial period	46,400,215	43,822,237	46,400,215	43,822,237
Shares issued during the period	-	2,577,978	-	2,577,978
Balance at end of financial period	46,400,215	46,400,215	46,400,215	46,400,215

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.

Options

For information on relating to share options issued to key management personnel during the financial year refer Note 35 Share-based Payments.

Capital Management

Management controls the capital of the consolidated entity in order to provide the shareholders with adequate returns and ensure that the consolidated entity can fund its operations and continue as a going concern.

The consolidated entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting the capital structure in response to changes in these risks and in the market. This includes the management of share issues. There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year. The gearing ratio for the year ended 30 June 2009 and 30 June 2008 are as follows:-

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Total borrowings	22,23	71,915	321,324	139,945	123,248
Less cash and cash equivalents	13	(9,071)	(25,688)	(2)	(3)
Net debt		62,844	295,636	139,943	123,245
Total equity		102,428	133,693	34,226	60,726
Total capital		165,272	429,329	174,169	183,971
Gearing ratio		38%	69%	80%	67%

NOTE 27. 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. When an investment is disposed of or determined to be impaired, the cumulative gain or loss in equity is transferred to the income statement.

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.

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
NOTE 28. CONTINGENT LIABILITIES				
a. Guarantees given in the ordinary course of business for borrowings and commitments of controlled entities	25,537	57,344	-	-
b. Guarantees given in the ordinary course of business for borrowings and commitments of an associated company.	-	1,695	-	1,695
c. Assignment of loans related to the purchase of consolidated entity property held for development and resale by third parties.	5,000	5,000	5,000	5,000

In respect of the foregoing contingent liabilities no material 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.

f. Payce Consolidated Limited has undertaken, if required, to provide funds or to indemnify any person against the consequences of default in payment or otherwise be responsible for any debt or monetary liability of the following controlled entities:

- Payce Industries Limited
- Payce Management Limited
- Pacific Assets Limited
- Payce Properties Pty Limited
- Ravelin Pty Limited
- Payce Finance Pty Limited
- Homelinx Pty Limited
- H.B. Properties Pty Ltd
- Quadratical Pty Limited

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
NOTE 29. 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	-	-	-	-
later than one year but not later than 5 years	-	-	-	-
later than 5 years	-	-	-	-
	-	-	-	-
b. Non-cancellable operating lease commitments				
payable not later than one year	3,253	182	-	-
later than one year but not later than 5 years	11,116	33	-	-
later than 5 years	7,473	-	-	-
	21,842	215	-	-

Operating lease commitments consist of property leases from which the consolidated entity's childcare centres operate. Lease terms vary across centres, but the majority contain options to renew the lease term for a further five years (or a multiple thereof). The leases contain annual rent increases of an average of 4% per annum.

NOTE 30. RELATED PARTY TRANSACTIONS

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation included in 'employee benefits expense' (see note 6) is as follows:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Short-term employee benefits	1,602,394	1,996,215	60,000	48,348
Other long term benefits	34,139	10,088	-	-
Post-employment benefits	107,857	152,976	5,400	4,352
Termination benefits	-	423,737	-	-
Share-based payments	134,568	494,476	-	-
	1,878,958	3,077,492	65,400	52,700

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report within the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties

No key management personnel or their related parties have entered into any loans with any company in the consolidated entity.

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

During the reporting period, the consolidated entity did not transact with these entities.

NOTE 30. RELATED PARTY TRANSACTIONS (CONTINUED)

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

The movement during the reporting period in the number of options over ordinary shares held, directly or beneficially, by each key management person, including their related parties, is as follows:

	held at 01/07/2008	Granted as compen-sation	Exercised	Other changes	held at 30/06/2009	Vested during the year	Vested and exercisable at 30/06/2009
B.J. Klevansky	1,200,000	-	-	-	1,200,000	-	1,200,000
B.H. Bailison	600,000	-	-	-	600,000	200,000	200,000
	1,800,000	-	-	-	1,800,000	200,000	1,400,000

	held at 01/07/2007	Granted as compen-sation	Exercised	Other changes	held at 30/06/2008	Vested during the year	Vested and exercisable at 30/06/2008
B.J. Klevansky	-	1,200,000	-	-	1,200,000	1,200,000	1,200,000
B.H. Bailison	-	600,000	-	-	600,000	-	-
	-	1,800,000	-	-	1,800,000	1,200,000	1,200,000

MOVEMENTS IN SHARES

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially, by each key management person including their related parties is as follows:

	Held at 01/07/2008	Received during the year as remunerations	Other changes	Held at 30/06/2009
D.H. Macintosh	4,426,925	-	-	4,426,925
B.M. Boyd	13,987,694	-	-	13,987,694
R.R. Short	65,000	-	-	65,000
B.J. Klevansky	727,273	-	(100)	727,173
	19,206,892	-	(100)	19,206,792

	Held at 01/07/2007	Received during the year as remunerations	Other changes	Held at 30/06/2008
D.H. Macintosh	4,417,177	-	9,748	4,426,925
B.M. Boyd	13,987,694	-	-	13,987,694
R.R. Short	65,000	-	-	65,000
B.J. Klevansky	727,273	-	-	727,273
	19,197,144	-	-	19,206,892

NOTE 30. RELATED PARTY TRANSACTIONS (CONTINUED)

OTHER RELATED PARTY TRANSACTIONS

	Note	Transaction value year ended 30/06		Balance outstanding as at 30/06	
		2009	2008	2009	2008
PARENT					
Subsidiary loans	(i)	547,888	7,649,092	5,859,067	5,311,179
CONSOLIDATED					
Associate – property management services		3,949	38,696	-	21,016
Associate–development & project management services		-	452,017	-	-
Associate – administrative management services		-	171,875	-	275,000
Associate – interest income		2,849,735	4,849,441	-	28,634,723
Associate – interest expense		9,344,602	7,461,676	-	52,068,877
Associate – debt forgiveness		27,947,725	-	-	-

(i) Loans are made by the parent to wholly-owned subsidiaries for working capital purposes. These loans are repayable on demand and interest is charged at a rate referenced to the Reserve Bank of Australia cash rate.

NOTE 31. FINANCIAL INSTRUMENTS

The consolidated entity's principal financial instruments comprise bank accounts, receivables, financial assets, payables and financial liabilities. The Company's principal financial instruments comprise receivables, financial assets and financial liabilities. The main purpose of these financial instruments is to provide operating finance to the consolidated entity. It is, and has been throughout the period under review, the consolidated entity's policy not to trade in financial instruments.

The main risks arising from the consolidated entity's financial instruments are market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company and the consolidated entity's risk management framework. Primary responsibility for identification and control of financial risks rests with the Audit Committee under the authority of the Board. Management's overall risk management strategy seeks to assist the consolidated entity in meeting financial targets whilst minimizing potential adverse effects on financial performance.

a. Market risk

Market risk is the risk that changes in market prices such as interest rates and share prices will affect income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

The consolidated entity's exposure to interest rates relates primarily to the consolidated entity's financial liabilities as disclosed in Note 23.

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

At balance date, the consolidated entity and Company had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
FINANCIAL ASSETS				
Cash and cash equivalents	9,071	25,688	2	3
Trade and other receivables	3,417	5,720	-	-
Amounts receivable from controlled entities	-	-	90,807	108,597
	12,488	**31,408**	**90,809**	**108,600**
FINANCIAL LIABILITIES				
Trade & other payables	-	2,593	-	-
Notes (secured)	47,657	232,626	-	-
Loans (secured)	-	11,616	-	-
Amounts payable to controlled entities	-	-	139,945	123,166
	47,657	246,835	139,945	123,166
Net exposure	**(35,169)**	**(215,427)**	**(49,136)**	**(14,566)**

The consolidated entity constantly analyses its rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of variable and fixed interest rates.
The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet dates.
At 30 June 2009, and at 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:*	Post Tax Profit Higher/(lower)		Equity Higher/(lower)	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Consolidated				
+1% (100 basis points)	(498)	(806)	(498)	(806)
-1% (100 basis points)	498	806	498	806
Parent				
+1% (100 basis points)	34	(13)	34	(13)
-1% (100 basis points)	(34)	13	(34)	13

The movements in profit/(loss) are due to higher/lower interest costs from cash balances, variable rate receivable and debt (Consolidated) and cash balances and amounts receivable from/payable to controlled entities (Parent).

* A 100 basis point increase and a 100 basis point decrease is used and represents management's assessment of the reasonably possible change in interest rates.

(ii) Price risk

The consolidated entity is exposed to equity securities price risk. This arises from shares in listed securities held by the consolidated entity and classified in the balance sheet as available for sale.

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

b. Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, and trade and other receivables. 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 provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The consolidated entity's and parent's exposure to credit risk arises from potential default of the counter party under a financial instrument or contract with a maximum exposure equal to the carrying amount of those instruments or contracts. The consolidated entity and parent, wherever possible, obtain sufficient collateral or other forms of security such as first mortgages, caveats, fixed & floating charges and personal guarantees to mitigate the risk of financial loss.

The carrying amount of the consolidated entity's financial assets, described above, represent the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at balance date was:

	CARRYING AMOUNT	
	2009 $'000	2008 $'000
Cash and cash equivalents	9,071	25,688
Trade receivables	757	2,214
Provision for impairment	(3)	(13)
	754	2,201
Vendor property financing	5,485	7,340
Provision for impairment	(276)	(146)
	5,209	7,194
Loans and other receivables	10,321	12,444
Provision for impairment	(6,567)	(2,785)
	3,754	9,659
Amounts due from associated companies and jointly controlled entities	1,181	31,828
Provision for impairment	(380)	(1,700)
	801	30,128
	19,589	74,871

Provision For Impairment Losses

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 and based upon information known at the end reporting date the consolidated entity makes a formal estimate of recoverable amount. In determining if the carrying amount of an asset exceeds its recoverable amount the consolidated entity considers whether the receivable is past due and the value of the pledged collateral or other forms of security (if any). Where the carrying amount of a material asset which is past due exceeds the assessed value of the pledged collateral or other forms of security, a provision for impairment is raised. However, the consolidated entity reserves its full rights through litigation, negotiation, arbitration or otherwise to seek recovery of the gross asset and when such outcome(s) become known the provision for impairment is reassessed.

Vendor Property Financing

The consolidated entity holds collateral or other forms of security in the form of first mortgages and caveats in relation to its vendor property financing loans. The collateral did not have any selling or re-pledging restrictions and the total estimated fair value at balance date was $5,354,000 (2008: $7,210,000).

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

c. Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility by maintaining sufficient cash and through the use of notes, bank and non-bank loans and committed available credit lines. Due to the dynamic nature of the business, the consolidated entity manages its liquidity risk by monitoring cash flows and ensuring that adequate cash and utilised borrowing facilities are maintained.

The table below reflects all contractual maturities of financial liabilities including estimated interest payments (using existing interest rates) as at 30 June 2009:

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 year $'000	Between 1 – 5 years $'000	Over 5 Years $'000
CONSOLIDATED					
2009					
Trade and other payables	6,900	6,900	5,205	-	1,695
Notes (secured)	47,657	48,606	48,606	-	-
Loans (secured)	17,358	19,972	1,805	18,167	-
	71,915	75,478	55,616	18,167	1,695
2008					
Trade and other payables	22,437	22,686	12,673	8,468	1,545
Notes (secured)	284,695	306,936	270,142	36,794	-
Loans (secured)	14,192	16,330	2,732	13,598	-
	321,324	345,952	285,547	58,860	1,545
PARENT					
2009					
Trade and other payables	11	11	11	-	-
Amounts payable to controlled entities	139,945	149,461	149,461	-	-
	139,956	149,472	149,472		
2008					
Trade and other payables	82	82	82	-	-
Amounts payable to controlled entities	123,166	134,029	134,029	-	-
	123,248	134,111	134,111	-	-

For the above obligations the respective undiscounted cash flows for respective upcoming financial years are presented. Any obligation without a fixed amount or timing is based on the conditions existing at 30 June 2009.

d. Currency risk

The consolidated entity made some payments in foreign currencies during the year ended 30 June 2009. The values of the transactions were small; therefore, the consolidated entity's exposure to foreign currency risk was minimal.

e. Net fair value

The net fair value of financial assets and financial liabilities approximate the carrying amounts as disclosed in the balance sheet and notes to the financial statements.

The net fair value of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. All other financial assets together with financial liabilities are not readily traded on organised markets in a standardised form.

NOTE 31. FINANCIAL INSTRUMENTS (CONTINUED)

	Note	Weighted average interest rate	Floating interest rate $'000	Fixed interest maturing in 1 yr or less $'000	Fixed interest maturing in 1 to 5 yrs $'000	Fixed interest maturing more than 5yrs $'000	Non-interest bearing $'000	Total $'000
2009 - CONSOLIDATED								
Financial assets								
Cash and cash equivalents	13	3.05%	9,071	-	-	-	-	9,071
Trade and other receivables	14	9.72%	3,417	4,316	101	-	2,684	10,518
Available-for-sale financial assets	19	-	-	-	-	-	437	437
			12,488	4,316	101	-	3,121	20,026
Financial liabilities								
Trade and other payables	22	-	-	-	-	-	6,900	6,900
Notes (secured)	23	7.22%	47,657	-	-	-	-	47,657
Loans (secured)	23	7.00%	-	-	17,358	-	-	17,358
			47,657	-	17,358	-	6,900	71,915
Net financial assets/(liabilities)			(35,169)	4,316	(17,257)	-	(3,779)	(51,889)
2008 - CONSOLIDATED								
Financial assets								
Cash and cash equivalents	13	7.32%	25,688	-	-	-	-	25,688
Trade and other receivables	14	14.31%	5,720	16,379	22,971	-	4,113	49,183
Available-for-sale financial assets	19	-	-	-	-	-	2,623	2,623
			31,408	16,379	22,971	-	6,736	77,494
Financial liabilities								
Trade and other payables	22	1.07%	2,593	-	-	-	19,844	22,437
Notes (secured)	23	9.38%	232,626	52,069	-	-	-	284,695
Loans (secured)	23	13.55%	11,616	2,576	-	-	-	14,192
			246,835	54,645	-	-	19,844	321,324
Net financial assets/(liabilities)			(215,427)	(38,266)	22,971	-	(13,108)	(243,830)
2009 - PARENT								
Financial assets								
Cash and cash equivalents	13	3.05%	2	-	-	-	-	2
Trade and other receivables	14	7.30%	90,807	-	-	-	7	90,814
Shares in controlled entities	19	-	-	-	-	-	77,833	77,833
			90,809	-	-	-	77,840	168,649
Financial liabilities								
Trade and other payables	22	-	-	-	-	-	11	11
Amounts payable to controlled entities	23	6.80%	139,945	-	-	-	-	139,945
			139,945	-	-	-	11	139,956
Net financial assets/(liabilities)			(49,136)	-	-	-	77,829	28,693
2008 - PARENT								
Financial assets								
Cash and cash equivalents	13	7.32%	3	-	-	-	-	3
Trade and other receivables	14	9.32%	108,597	-	-	-	7	108,604
Shares in controlled entities	19	-	-	-	-	-	77,833	77,833
			108,600	-	-	-	77,833	186,440
Financial liabilities								
Trade and other payables	22	-	-	-	-	-	82	82
Amounts payable to controlled entities	23	8.82%	123,166	-	-	-	-	123,166
			123,166	-	-	-	82	123,248
Net financial assets/(liabilities)			(14,566)	-	-	-	77,748	63,192

NOTE 32. ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

		Consolidated entity's ownership interest		Consolidated entity's carrying amounts of investments and loans		Contribution towards Net (Loss)/Profit*	
Name	Principal activity	2009 %	2008 %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
BDS Australia Pty Ltd	Project & development management	50.0%	50.0%	-	1,193	(228)	(161)
BRIC Holdings Pty Ltd	Investment in residential property	50.0%	50.0%	2,957	3,850	(993)	715
Henlia No.7 Pty Ltd (note e)	Property development	50.1%	50.1%	-	2,599	(5,522)	(3,817)
PITB Pty Ltd (formerly Wingate Babcock Pty Ltd)	Project & development management	33.3%	33.33%	801	528	88	(50)
The Waterfront Partnership	Real estate agency	50.0%	50.0%	100	79	221	214
Ramsay Bourne Holdings Pty Ltd (note a)	Child care services	100.0%	33.3%	-	9,826	3,245	(2,195)
World of Learning Pty Ltd (note a)	Child care services	100.0%	37.5%	-	1,153	635	(509)
Henlia No.9 Pty Ltd (note b)	Property development	25.0%	100.0%	4,777	-	-	-
Ripley Town Holdings Pty Ltd (note c)	Property development	-	49.17%	-	9,807	493	(250)
SHDS Unit Trust	Development management	25.0%	-	250	-	-	-
Babcock and Brown Apartment Investment Trust Group (note d)	Property development	-	50.0%	-	51,415	-	17,016
Babcock and Brown Apartment Investment Trust (the "Trust")	Property development	50.0%	-	-	-	757	-
Babcock and Brown Apartment Investment Company Limited (the "Company")	Property development	50.0%	-	-	-	(4,343)	-
Total				8,885	80,450	(5,647)	10,964

Contribution towards Net (Loss)/Profit is after taking into consideration the elimination of upstream and downstream transactions between Payce Consolidated Limited and the relevant associated company or jointly controlled entity. All associated companies and jointly controlled entities were incorporated in Australia and have a 30 June reporting date.

Note a – Ramsay Bourne Holdings and World of Learning Pty Limited became controlled entities on 13 December 2008. Contribution towards net profit/(loss) is only to the date on which the companies became controlled entities.
Note b – On 8 May 2009, Henlia No. 9 Pty Limited (formerly a controlled entity) issued additional share capital to Sekisui House Australia Holdings Pty Limited resulting in a dilution of the Company's interest to 25%. The result of Henlia No. 9 Pty Limited since 8 may 2009 is insignificant for reporting purposes.
Note c – Ripley Town Holdings Pty Limited became a controlled entity of Henlia No. 9 Pty Limited on 8 May 2009.
Note d – The Stapling Deed dated 3 October 2007 was terminated in 8 May 2009 such that shares in the company and units in the trust are no longer stapled.
Note e – the consolidated entity at balance date maintained 50.1% interest in Henlia No. 7 Pty Limited however it has been deemed not to be a controlled entity as it does not retain majority voting rights or management control.

NOTE 32. ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

	CONSOLIDATED	
	June 2009 $'000	June 2008 $'000
a. Movements during the year in equity accounted investments in and loan borrowings to/(from) associated companies and jointly controlled entities		
Balance at the beginning of the year	80,450	21,987
New investments during the year	5,139	25,804
Return of investment during the year	(7,500)	-
New loan advances during the year	3,108	16,930
Loan repayments during the year	(10,363)	-
Share of associated company and jointly controlled entity (loss)/profit after income tax	(5,647)	10,963
Investment balance originating on de-recognition of associates	(7,635)	-
Loan balance originating on de-recognition of controlled entity	-	5,286
Loan balance originating on de-recognition of associates	(20,518)	-
Share of losses to date of de-recognition of controlled entities	-	(345)
Debt forgiveness	(27,949)	-
Partnership profit distribution received	(200)	(175)
Balance at the end of the financial year	8,885	80,450
b. Equity accounted profits of associated companies and jointly controlled entities are broken down as follows:		
Share of associated company and jointly controlled entity profit/(loss) before income tax expense	(6,465)	12,780
Share of associated company and jointly controlled entity's income tax expense	818	(1,817)
Share of associated company and jointly controlled entity profit/(loss) after income tax	(5,647)	10,963
c. Summarised presentation of aggregate assets, liabilities and performance of associated companies and jointly controlled entities		
Current assets	9,347	14,191
Non-current assets	136,710	224,346
Total assets	146,057	238,537
Current liabilities	103,308	55,724
Non-current liabilities	31,004	116,039
Total Liabilities	134,312	171,763
Net assets	11,745	66,774
Revenue	68,934	156,169
Expenses	(138,926)	(140,602)
Profit/(loss) after income tax of associated companies and jointly controlled entities	(69,992)	15,567

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.

No associate had 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 33. SEGMENT REPORTING

The consolidated entity has the following three business segments:

Development Properties – the entity owns land on which it is developing residential apartments for sale.
Rental Properties – the entity owns industrial and retain property from which it derives rental income.
Childcare – the entity owns and operates childcare centres on its own behalf and on behalf of third parties.

PRIMARY REPORTING – BUSINESS SEGMENTS

	Development Activities		Rental Properties		Childcare		Consolidated	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue								
External sales	180,769	91,204	5,530	5,387	14,621	-	200,920	96,591
Unallocated revenue							1,157	3,163
Total revenue							202,077	99,754
Result								
Segment Result	(30,013)	(2,408)	(3,900)	(11,085)	(26)	-	(33,939)	(13,493)
Unallocated expenses							(6,729)	(11,297)
(Loss)/Profit before income tax							(40,668)	(24,790)
Income Tax Benefit/(Expense)							7,740	7,218
(Loss)/Profit after income tax							(33,928)	(17,572)
Assets								
Segment assets	92,798	285,490	36,261	41,244	15,027	-	144,086	326,734
Unallocated assets							32,294	150,939
Total assets							176,380	477,673
Liabilities								
Segment liabilities	42,895	235,884	22,120	34,179	2,590	-	67,605	270,063
Unallocated liabilities							6,347	73,917
Total liabilities							73,952	343,980
Other								
The segment result includes the following non-cash items:								
Loss on revaluation of investment property	-	-	(3,253)	(3,481)	-	-	(3,253)	(3,481)
Write down of properties held for resale to net realisable value	(23,262)	(10,100)	-	-	-	-	(23,262)	(10,100)
Depreciation and amortisation of segment assets	-	-	(123)	(732)	(292)	-	(415)	(732)
Impairment of goodwill	-	-	-	-	(3,853)	-	(3,853)	-
Impairment of property plant and equipment	-	-	(1,520)	-	-	-	(1,520)	-

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.

NOTE 34. CASH FLOW INFORMATION

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
a. Reconciliation of Cash Flow from Operations with (Loss)/Profit after Income Tax				
(Loss)/Profit after Income Tax	**(32,928)**	**(17,572)**	**(26,594)**	**7,178**
Non-cash flows in (loss)/profit				
Depreciation and amortisation	830	1,580	-	-
Loss on disposal of property, plant and equipment	395	696	-	-
Impairment of property, plant and equipment	2,036	8,357	-	-
Impairment of trade and other receivables	4,163	3,438	29,646	-
Loss/(gain) on revaluation of investment properties	3,253	3,481	-	-
Gain on sale of investment properties	(15)	(121)	-	-
Write-down of development properties to net realisable value	23,262	10,100	-	-
Equity-settled share based payment expenses	135	494	-	-
Share of associated companies net loss/(profit) after income tax	5,647	(10,963)	-	-
Impairment of goodwill	3,853	-	-	-
Income from debt forgiveness	(40,348)	-	-	-
Loss from debts forgiven	4,629	-	-	-
Increase in employee benefit provision	929	-	-	-
Impairment of available for sale asset	5,335	-	-	-
Loss on dilution of investment	41	-	-	-
Impairment of equity investment	5,121	-	-	-
Changes in assets and liabilities, net of the purchase of controlled entities				
Change in receivables	1,446	(13,664)	-	-
Change in other assets	86	6,838	2	(71)
Change in property held for resale	168,003	50,293	-	-
Change in deferred tax asset	(5,465)	(6,438)	(5,465)	(5,600)
Change in payables	(522)	(4,303)	(71)	80
Change in financial liabilities	-	-	5,465	-
Change in deferred tax liabilities	(1,290)	(1,471)	(2,536)	(1,471)
Change in provisions	(180)	(132)	-	-
Cash flow from operations	148,416	30,613	447	116

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 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Cash on hand and at bank	9,071	25,688	2	3
Net cash assets	9,071	25,688	2	3

c. Financing facilities

At 30 June 2009 bank financing facilities of $87,124,000 (2008: $260,561,000) were available to the consolidated entity, of which $65,015,000 (2008: $244,242,000) had been drawn down.

Refer to Note 23 Financial Liabilities for further details of financing facilities.

NOTE 35. SHARE-BASED PAYMENTS

On 4 June 2008 Payce Consolidated Limited granted 1,200,000 fully vested options to Mr. B. J. Klevansky to take up ordinary shares at an exercise price of $3 each and have an exercise period of 5 years from grant date. At balance date no share option has been exercised. The options hold no voting, dividend or winding up rights and are not transferable.
On 4 June 2008 Payce Consolidated Limited granted 600,000 options to Mr. B.H. Bailison to take up ordinary shares at an exercise price of $3 each. The options hold no voting, dividend or winding up rights and are not transferable. The options vest as follows:-

Number	Vesting Date
200,000	12 May 2009
200,000	12 May 2010
200,000	12 May 2011

Options vest subject to remaining employed on Vesting date, otherwise lapse upon the date of cessation of employment. The options can be exercised during the period from the relevant Vesting date to 12 May 2013.

The number and weighted average exercise price of share options is as follows:

	Number of options	2009 Weighted average exercise price $	Number of options	2008 Weighted average exercise price $
CONSOLIDATED				
Outstanding at 1 July	1,800,000	3.00	-	-
Granted	-	-	1,800,000	3.00
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 30 June	1,800,000	3.00	1,800,000	3.00
Exercisable at 30 June	1,400,000	3.00	1,200,000	3.00

The weighted average fair value of the options granted in 2008 was $0.40.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:-

Weighted average exercise price	$3.00
Life of each option	In accordance with the terms and conditions of each grant.
Underlying share price	$2.00
Expected share price volatility	24.50%
Risk free interest rate	7.25%
Expected dividends	-

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

Included under employee benefits expense in the income statement is $135,000 (2008: $494,000) and relates in full, to equity-settled share-based payment transactions.

NOTE 36. CONTROLLED ENTITIES

Aqualuna Pty Ltd
BRIC Property Services 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. 11 Pty Ltd
Henlia No. 12 Pty Ltd
Henlia No. 14 Pty Ltd
Henlia No. 15 Pty Ltd
Henlia No. 16 Pty Ltd
Henlia No. 17 Pty Ltd
Henlia No. 18 Pty Ltd
HomeLinx Pty Ltd
Pacific Assets Ltd
Palermo Finance Pty Ltd
Palermo Finance No. 2 Pty Ltd
Payce Alora Pty Ltd
Payce Asia Pty Ltd
Payce Asia No. 2 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 ATF PRT Trust
Pulse Leisure Pty Ltd
Quadratical Pty Ltd
Ramsay Bourne Holdings Pty Ltd
Ramsay & Bourne Pty Ltd
Ramsay Bourne Licences Pty Ltd
Ramsay Bourne Acquisitions (No.1) Pty Ltd
Ramsay Bourne Acquisitions (No.2) Pty Ltd
RBL No.1 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 Licences Pty Ltd
World of Learning Acquisitions Pty Ltd
World of Learning Acquisitions (No.1) Pty Ltd

All controlled entities are 100% owned.

All controlled entities were incorporated in Australia and have the same financial year as that of the parent company.

During the year the consolidated entity had the following changes to its ownership of controlled entities:

World of Learning Pty Ltd (and controlled entities)

On 11 September 2008, the consolidated entity increased its holding in World of Learning Pty Ltd (and its controlled entities) from 37.5% to 50.0%. The consolidated entity further increased its holding to 100% on 13 December 2008.

Ramsay Bourne Holdings Pty Ltd (and controlled entities)

On 13 December 2008, the consolidated entity increased its holding in Ramsay Bourne Holdings Pty Ltd (and its controlled entities) from 33.3% to 66.67%. The consolidated entity further increased its holding to 100% on 19 June 2009.

Henlia No.9 Pty Limited (and controlled entities)

On 8 May 2009, the consolidated entity diluted its holding in Henlia No.9 Pty Ltd from 100% to 25%. As part of this dilution, the Company also lost control of Henlia No. 10 Pty Ltd, Henlia No.13 Pty Ltd, BCove4 Unit trust, BCove 4 Pty Ltd and BCove 5 Pty Ltd.

The company also created a number of new entities for the purpose of holding its investments in several new business ventures. None of these new entities have made a significant contribution to the current year's result.

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

The registered office is 8 Baywater Drive, Homebush Bay, NSW 2127.

NOTE 37. EVENTS AFTER BALANCE SHEET DATE

Childcare

On 14 September 2009, Payce executed unconditional agreements to reduce its interests in childcare, selling 75% of Payce Child Care Pty Ltd to Wallace Infrastructure Pty Limited. The sale price represents a small gain compared with the carrying value in the consolidated entity's books at 30 June 2009.

Conditional selective buy-back of ordinary shares

On 1 September 2009, the consolidated entity announced that it had entered into a conditional selective buy-back agreement (Buy-Back Agreement) with Babcock & Brown Asset Holdings Pty Limited (BBA).

BBA currently holds 6,957,143 fully paid ordinary shares which represent approximately 15% of Payce's total issued capital. Under the Buy-Back Agreement, the consolidated entity has agreed to acquire all of BBA's shares in Payce at $0.70 per share, equalling a total consideration of $4,870,000, which will be funded through a combination of surplus cash, un-drawn finance facilities and the proceeds of asset sales.

The Buy-Back Agreement is subject to shareholder approval being obtained at the Extraordinary General Meeting to be held on 16 October 2009.

Sale of Ripley Valley

On 12 August 2009, the consolidated entity entered into an agreement to dispose of its 25% stake in Ripley Valley, to its joint venture partner, Sekisui House. The sale was transacted at the same price paid by Sekisui House to acquire their initial 75% stake in May 2009 and as such has no additional profit of loss impact to the consolidated entity for the 2010 financial year.

All conditions precedent have been satisfied and the sale completed on 1 September 2009.

Financing

As advised to the market on 13 August 2009, the consolidated entity agreed with its senior financier to merge its two facilities scheduled to expire on 30 November 2009 and extend the new facility until 31 January 2012.
Refer to Note 23 for further details.

1. In the opinion of the Directors of Payce Consolidated Limited:

(a) the financial statements and notes that are set out on pages 20 to 60 and the Remuneration report in the Directors' report contained in pages 6 to 15, 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 2009 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; and

(c) 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 2009.

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

B.M. BOYD
DIRECTOR

D.H. MACINTOSH
DIRECTOR

Sydney, New South Wales
30th September, 2009

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

Report on the financial report

We have audited the accompanying financial report of Payce Consolidated Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration set out on pages 20 to 61 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial 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 the 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 2(a), the directors also state, in accordance with 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.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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 Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

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

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

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 Group's financial position as at 30 June 2009 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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporation Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Payce Consolidated Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Nigel Virgo
Partner

Sydney

30 September 2009

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report. The information presented is at 9 October 2009.

CLASSES OF SHARES AND VOTING RIGHTS

There were 763 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.

DISTRIBUTION OF SHAREHOLDERS

Category	Number Of Ordinary Shareholders	Number Of Ordinary Shares	Shares %
1 – 1,000	393	201,687	0.4
1,001 – 5,000	235	594,780	1.3
5,001 – 10,000	58	461,675	1.0
10,001 – 100,000	56	1,690,657	3.6
100,001 and over	21	43,451,416	93.7
	763	46,400,215	100.0

At 9 October 2009, 340 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 819 shares.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

RESTRICTED SECURITES

There were no restricted holdings of securities.

TWENTY LARGEST SHAREHOLDERS

Ordinary Shares (quoted) as at 9 October 2009

Name		Number of ordinary shares held	Percentage of capital held
LANOX PTY LTD		8,759,850	18.9
BABCOCK & BROWN ASSET HOLDINGS PTY LTD		6,957,143	14.9
LIANSHARE PTY LIMITED		5,200,000	11.2
RUZSHARE PTY LIMITED		5,200,000	11.2
KMSJ PTY LTD		4,532,573	9.8
HURLCLA PTY LIMITED		4,063,794	8.8
KTWO PTY LTD		3,317,177	7.1
MR DAVID HUGH MACINTOSH & MR JOHN PAUL SEALE	←THE MACINTOSH FOUNDATION A/C→	1,100,000	2.4
SKYGLOW PTY LTD		726,336	1.6
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED		605,655	1.3
BURGOYNE INVESTMENTS PTY LTD	←BURGOYNE SUPER FUND A/C→	502,820	1.1
NAUMOV PTY LTD		472,811	1.0
MR FREDERICK BRUCE WAREHAM		406,056	0.9
ULBISTER PTY LTD		316,000	0.7
RIVERBEL INVESTMENTS PTY LTD	←RIVERBEL FAMILY NO 2 A/C→	279,111	0.6
PENDRILL PTY LIMITED		225,780	0.5
APPRECIATION HOLDINGS PTY LTD	←THE DAVID BEHRENS S/F A/C→	211,758	0.5
CITICORP NOMINEES PTY LIMITED		208,671	0.5
LLANDILO PTY LIMITED		150,000	0.2
MS ALISA MARGARET WAREHAM		113,781	0.2
		43,349,316	93.4

SUBSTANTIAL SHAREHOLDERS

As at 9 October 2009

Brian Michael Boyd	13,959,850
Garry James Boyd	13,796,367
David Hugh Macintosh	4,426,925
Lanox Pty Limited	8,759,850
Lianshare Pty Limited	5,200,000
Ruzshare Pty Limited	5,200,000
KMSJ Pty Limited	4,532,573
B&B Prime Securities Pty Limited	4,379,165
Hurlcla Pty Limited	4,063,794
KTWO Pty Limited	3,317,177
Babcock & Brown Australia Real Estate Pty Limited	2,577,978

DIRECTORS

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

SECRETARIES

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

REGISTERED OFFICE

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(f) 02 9648 0466

SHARE REGISTRY

Registries Limited
Level 7, 207 Kent St
Sydney NSW 2000
(t) 02 9290 9600

AUDITORS

KPMG

SOLICITORS

Mallesons Stephen Jaques
Minter Ellison
Morgan Lewis Attorneys Pty Limited

BANKER

BOS International (Australia) Limited
Westpac Banking Corporation

www.payce.com.au