PAYCE CONSOLIDATED LIMITED

ABN 19 001 566 310

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

PAYCE CONSOLIDATED LIMITED

ANNUAL REPORT 2010

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CHAIRMAN'S REVIEW

Payce Consolidated Limited and its controlled, associated and jointly controlled entities ("**the Group**") is pleased to report a return to profit, recording an after tax profit of $1.5M for the year ended June 2010. The Group successfully reduced its debt profile over that period to a drawn down debt balance of $47M (2009: $65M) with a current maturity profile as follows:

Facility	Amount Drawn at 30 June 2010	Maturity Date
Corporate Facility	$21.6M	31 January 2012
Land Facility – Wentworth Point	$18.9M	8 May 2011
Land Facility – Victoria Park	$6.5M	30 June 2011

Subsequent to year end and as advised to the market in September 2010, the Group completed the sale of its 25% interest in the Wentworth Point joint ventures and other related assets to its joint venture partner, Sekisui House, for a total cash consideration of $39 million, including the disposal of the $18.9M Wentworth Point land facility. Whilst the Group banked a substantial amount of the total cash consideration on completion, a portion has been deferred and secured and will be settled progressively until March 2013.

Following this disposal, the Group's outstanding debt balance now stands at approximately $27.5M.

The Group continues to retain full ownership of both the Piazza retail precinct and the TNT leased industrial site at Wentworth Point. The TNT lease expires in 2015 and is currently undergoing a rent review.

As part of its on-going capital management initiatives and as approved by shareholders, the Group successfully conducted 2 selective share buybacks and an on-market general buy-back over the past 12 months buying back and cancelling in aggregate 14.1M shares in the Company at an average buy-back price of $1.13 per share.

The Group has also continued the rationalisation of its business strategy, disposing of non-core assets, outsourcing non-essential services and substantially reducing its workforce. The Company is well positioned and sufficiently funded to take advantage of the improved current market and economic conditions and is currently focussing its activities and interests in controlled long term property initiatives including projects at Victoria Park, Riverwood North and Chiswick. The Group continues to seek out additional quality opportunities in this space.

In April 2010, the Group acquired a 6,700sqm site, at Victoria Park, Sydney to construct up to 148 residential units and commercial space, to take advantage of the continued strong demand for inner-city affordable dwellings. This transaction was partly funded by a 12 month $6.5 million land facility from Suncorp-Metway Bank Limited.

The Group recently announced (September 2010), that it had reached agreement with the NSW Government for an urban renewal project involving integrated social and private housing, located at Riverwood, Sydney. The project includes the replacement of 150 social housing units and the construction of up to 450 private units on the four hectare site over the next 9 years. The Group's acknowledged skill and experience in creating sustainable and integrated communities was a substantial factor in the project being awarded.

The development of the inner-west joint venture project at Chiswick in Sydney to construct 129 residential apartments and commercial space is progressing well, with completion anticipated in the third quarter of 2011. The Group continues to hold 50.1% of the joint venture.

In relation to its Childcare investment and following its partial divestment to Wallace Infrastructure and subsequent merger with G8 Education Limited, the Group now holds approximately 14% of the shares in the ASX listed (ASX:GEM) for-profit childcare operator. The business continues to perform well and grow through selective acquisition.

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

I would like to personally thank our Directors, management and staff for the effort in guiding the Company through these challenging years, including the now well documented global financial crisis. In particular I extend a note of thanks to David Macintosh, our former Chairman, who resigned from the Board after 23 years of devoted and distinguished service.

B.M. Boyd
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 2010.

1. DIRECTORS

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

Name and independence status	Age	Qualifications, experience, special responsibilities and other directorships
Mr. Brian M. Boyd Chairman and Managing Director	61	Brian Boyd was appointed a Director and Managing Director in 1987 and Chairman of the Board on 8 July 2010. Brian has over 29 years experience in the property industry.
Mr. Roger R. Short Non-Executive Director Independent	65	Roger Short was appointed a Director in 1996. He practised as a lawyer for over 33 years involved in large scale property development projects and commercial and public infrastructure, retiring from practice with McCullough Robertson in 2005. He has been a director of public companies for more than 25 years and continues to be involved in company governance in the construction and infrastructure industries. During the past 4 years Roger has also served as a director of Sedgman Limited. Roger is a member of the Audit Committee.
Mr. Christopher I. Gabriel (appointed 8 July 2010) Non-Executive Director Independent	62	Chris Gabriel was appointed as a Non-Executive Independent Director on 8 July 2010. Chris brings substantial knowledge to the Board from over 30 years of advisory, accounting and tax experience to mid-tier businesses across a broad spectrum of industries. Chris has been a Fellow with the Institute of Chartered Accountants of Australia since 1973, has been a principal in practice since 1976 and is a registered company auditor. Chris has also been appointed as a member of the Audit Committee.
Mr. David H. Macintosh (retired 8 July 2010) Chairman Executive Director	54	David Macintosh retired as Chairman and Executive Director on 8 July 2010. David was a Director since 1990 and Chairman since 1992 and was a member of the Audit Committee since 2005. The Company sincerely thanks David for his very substantial contribution to the Company over the past 23 years. David's commitment, drive and energy, combined with his wise counsel and leadership, have been invaluable to the development of the consolidated entity over this period.

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. Brian H. Bailison (appointed 15 October 2009)
Brain Bailison, aged 39, was appointed as Company Secretary on 15 October 2009. He has a degree in Commerce and is a Chartered Accountant with extensive experience in accounting and reporting for both public and private companies.

Mr. Stephen M. Wainwright (resigned 15 October 2009)
Mr. Wainwright, aged 39, was appointed as Company Secretary in 2002 and resigned on 15 October 2009.

Mr. Mark E. Morgan (resigned 16 February 2010)
Mr. Morgan, aged 55, was appointed as Company Secretary in 2004 and resigned on 16 February 2010.

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:

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

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, development and the sale of completed apartments. There were no significant changes in the activities of the consolidated entity during the year other than the disposal of the entity's interest in the childcare subsidiary.

5. OPERATING RESULTS

The consolidated profit of the consolidated entity after providing for income tax and eliminating minority equity interests amounted to $1,518,000.

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 profit before income tax has been impacted by the following items:

	$'000
Profit before income tax	**588**
Adjust for:	
Net financing income	(995)
Income from debt forgiveness	(525)
Doubtful debts and provisioning against receivables	3,146
Profit on disposal of equity investment in associate	(1,077)
Share of losses from equity accounted investments	(86)
Adjusted profit from operations	**1,051**

Operations - Financing Activities

Finance Facilities

During the financial year, the consolidated entity continued its focus on the reduction of its financial liabilities as follows:

	$'000
Financial liabilities as at 30 June 2009	**65,015**
Net reduction in financial liabilities during the year	(18,032)
Financial liabilities as at 30 June 2010	**46,983**

The reduction of financial liabilities resulted primarily from the completion of sale of the remaining completed residential apartments at Wentworth Point during the year (112 units) and the application of a portion of the net sales proceeds to further amortise the Corporate Facility. The Corporate Facility was successfully extended to mature in January 2012.

The consolidated entity continues to account for its 25% share of the Wentworth Point undeveloped land facility, as part of the joint venture with Sekisui House. The consolidated entity entered into a $6.5m land facility from Suncorp-Metway Limited secured over the Victoria Park development site acquired during the year – refer below.

Refer to Note 23 for further details of the consolidated entities financial facilities.

Operations – Capital Management

As part of the consolidated entity's on-going capital management initiatives and as approved by shareholders, the consolidated entity successfully conducted 2 selective share buybacks and 1 on-market general buy-back during the year under review. In aggregate the following number of fully paid ordinary shares in Payce Consolidated Limited were bought back and cancelled during the year:

Buy-Back	Date Completed	# Shares Bought Back	Average Price of Buy-Back	Total Buy-Back Price including Costs
			$	$'000
Selective buy-back of shares held by Babcock & Brown Asset Holdings Pty Limited	19 October 2009	6,957,143	$0.70	$4,918
Selective buy-back of shares held by entities associated with David Macintosh	26 February 2010	4,426,925	$1.50	$6,640
On-Market General Buy-Back	30 June 2010	2,717,067	$1.50	$4,323
		14,101,135		**$15,881**

Operations – Other Activities

Acquisition of Victoria Park development site

On 13 April 2010, the consolidated entity completed the acquisition of a 6,700sqm development site, located at 6 Defries Avenue Victoria Park, zoned for residential usage. The settlement of the site was facilitated by a 12 month $6.5 million land facility from Suncorp-Metway Limited, as further detailed in Note 23. The consolidated entity will seek to develop the site into 149 residential apartments and commercial space, for which a DA Approval is currently being sought. The site was acquired from the Victoria Park joint venture with Babcock and Brown.

Sale of interests in Ripley Valley

On 1 September 2009, the consolidated entity completed the disposal of its 25% stake in Ripley Valley, to its joint venture partner, Sekisui House. The sale was transacted at approximately the same price paid by Sekisui House to acquire their initial 75% stake in May 2009 and as such there is minimal profit or loss impact to the 2010 financial results.

Wentworth Point Joint Venture with Sekisui House

During the year under review, the joint venture substantially progressed the development of lands at Wentworth Point, having successfully launched and pre-sold over 450 residential units in phase 1. Construction has commenced on the building known as "Corsica", with construction on the second building due to commence shortly.

Childcare

On 2 November 2009, the consolidated entity completed the sale of 75% of its interest (retaining 25%) in Payce Child Care Pty Ltd to Wallace Infrastructure Pty Ltd recording a gain on sale of subsidiary of $580,000.

On 24 March 2010, the shareholders of ASX listed G8 Education Limited (ASX: GEM) (previously named Early Learning Services Limited) approved the merger between G8 Education Limited and Payce Childcare Pty Ltd. This transaction resulted in the consolidated entity currently holding approximately a 16.8% interest in G8 Education Limited, which is accounted for applying the equity method of accounting.

Chiswick

Following the recapitalisation of the joint venture with the new joint venture partner, the developer syndicate completed the pre-sale of all of the 129 DA approved residential apartments, with construction commencing in early 2010. The project is expected to reach practical completion in the 3rd quarter of 2011. During the year, the joint venture entity completed the refinance of the land facility with a 2 year construction facility. The consolidated entity's interest in the joint venture is accounted for using the equity method of accounting.

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 $102.4 million at 30 June 2009 to $88.2 million at 30 June 2010. During the year, the consolidated entity's total asset position decreased by $37.3 million to $139.1 million at 30 June 2010, whilst total liabilities decreased by $23.1 million to $50.9 million at 30 June 2010. 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

None

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 2010.

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:

B.M. Boyd	14,006,799
R.R. Short	65,000
C.I. Gabriel	0

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 in Section 1 of the Directors' Report 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.

The Company has not entered into any agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the Annual Financial Report.

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 currently 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.

	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Net profit /(loss)	1,518	(33,693)	(17,443)	26,513	1,581
Share price at year end	$1.50	$0.75	$2.45	$3.00	$3.00

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 (resigned 15 October 2009)
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.

Mr B.H. Bailison
Company Secretary & Chief Financial Officer
- 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 – refer to paragraph 18.4 of the Directors' Report.

18. REMUNERATION REPORT (continued)

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			Post-employment	Other long term	Termin-ation	Share based payments	TOTAL	% of remuneration performance related	Value of options as proportion of remuneration
EXECUTIVES		Salary, fees & commissions	Primary cash bonus (A)	Non-cash benefits	Super-annuation						
B.J. Klevansky *General Manager*	2010	315,000	-	32,074	28,350	279	-	-	375,703	0.0%	0.0%
	2009	307,500	-	20,786	27,675	538	-	-	356,499	0.0%	0.0%
S.M. Wainwright (resigned 15 October 2009) *Company Secretary / Chief Financial Officer*	2010	39,335	-	6,187	3,540	-	-	-	49,062	0.0%	0.0%
	2009	198,433	-	37,852	17,859	24,057	-	-	278,201	0.0%	0.0%
B.H. Bailison *Company Secretary / Chief Financial Officer*	2010	297,000	-	15,992	18,000	266	-	61,772	393,030	15.7%	15.7%
	2009	289,500	150,000	11,643	18,000	494	-	134,568	604,205	47.1%	22.3%
C.G. Ryan Development Manager	2010	218,957	36,697	6,916	23,148	13,317	-	-	299,035	12.3%	0.0%
	2009	18,246	-	19,936	1,654	3,626	-	-	43,462	0.0%	0.0%
Total	2010	870,292	36,697	61,169	73,038	13,862	-	61,772	1,116,830	8.8%	5.5%
Total	2009	813,679	150,000	90,217	65,188	28,715	-	134,568	1,282,367	22.2%	10.5%

(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 requirement to disclose five highest paid executives, the two executive directors in the Directors table in Section 18.2 must be included.

18. REMUNERATION REPORT (continued)

18.2 Directors' and senior executives' remuneration (Company and Consolidated) (continued)

		Short-term			Post-employment	Other long-term	Termin-ation	Share based payments	TOTAL	% of remuneration performance related	Value of options as proportion of remuneration
DIRECTORS		Salary, fees & commissions	Primary cash bonus	Non-cash benefits	Super-annuation						
Non-executive											
R.R. Short	2010	63,150	-	-	2,250	-	-	-	65,400	0.0%	0.0%
	2009	60,000	-	-	5,400	-	-	-	65,400	0.0%	0.0%
Executive											
D.H. Macintosh	2010	159,583	-	-	13,750	2,622	-	-	175,955	0.0%	0.0%
	2009	239,375	-	17,145	20,625	4,628	-	-	281,773	0.0%	0.0%
B.M. Boyd	2010	108,725	-	191,915	18,298	2,740	-	-	321,678	0.0%	0.0%
	2009	108,725	-	161,435	18,298	4,422	-	-	292,880	0.0%	0.0%
Total (Consolidated)	2010	331,458	-	191,915	34,298	5,362	-	-	563,033	0.0%	0.0%
	2009	408,100	-	178,580	44,323	9,050	-	-	640,053	0.0%	0.0%
Total (Company)	2010	63,150			2,250				65,400	0.0%	0.0%
	2009	60,000	-	-	5,400	-	-	-	65,400	0.0%	0.0%

18. REMUNERATION REPORT (continued)

18.3 Analysis of bonuses included in remuneration

No short-term incentive cash bonuses were awarded as remuneration during the year to any Director of the Company or any consolidated entity senior executive other than as noted in Section 18.2 of the Directors' Report.

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 or in the prior year.

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

	No. of options granted	Grant date	% vested in years	% forfeited in years	Financial years in which grant vests
Executives					
B.H. Bailison	200,000	4 June 2008	100%	-	Year ended 30 June 2009
B.H. Bailison	200,000	4 June 2008	100%	-	Year ended 30 June 2010
B.H. Bailison	200,000	4 June 2008	-	-	Year ended 30 June 2011
B.J. Klevansky	1,200,000	4 June 2008	100%	-	Year ended 30 June 2008

All vested options expire on their expiry date. All unvested options expire on termination of the individual's employment.

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 consolidated entity and its related practices:

	2010 $	2009 $
1. Audit Services		
Audit and review of financial reports and other audit work under the Corporations Act 2001		
KPMG Australia – current year	225,930	625,000
KPMG Australia – prior year	70,000	-
2. Other Services		
Accounting Advice		
KPMG Australia	10,915	50,000
Total Remuneration	**306,845**	**675,000**

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

The Lead Auditor's Independence Declaration is set out on page 17 and forms part of the directors' report for the financial year ended 30 June 2010.

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

C.I. Gabriel
DIRECTOR

Sydney, New South Wales
27th August 2010

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 2010 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

27 August 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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 have 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
Brian Boyd	Chairman & Managing Director
Roger Short	Non-executive Director - Independent
Christopher Gabriel	Non–executive Director – Independent

The roles of Chairman and Managing Director are exercised by the same individual.

Further details of the Board are set out in Section 1 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 and Mr C.I. Gabriel as non-executive directors to meet the criteria for independence per the ASX Best Practice Recommendations as Mr Short and Mr Gabriel:

do not have substantial shareholdings in the Company;

have no material business or contractual relationship with the Company; and

have 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

Following the resignation of David Macintosh from the Audit Committee on 8 July 2010, this committee now comprises Roger Short and Christopher Gabriel. 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 directors do not receive options or bonus payments nor are provided with retirement benefits, other than superannuation.

The Board reviews their 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 in Section 18 of the Directors' 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 a Code of Conduct and expects all directors, officers and employees to comply with it when acting on behalf of 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 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, internal compliance & 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	**Further details**
2.1 A majority of the Board should be independent directors	From the date of appointment of Mr C.I. Gabriel (8 July 2010) as an Independent Non-Executive Director, the Board consists of a majority of independent directors. Whilst the majority of the Board was not independent during the year under review, the Board is satisfied that during the period, 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.
2.2 The Chairperson should be an independent director	The Chairman, currently Mr B.M. Boyd and previously Mr D.H. Macintosh, have been an integral part of the Company and each 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.
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.
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 2010 $'000	2009 $'000 Re-presented*
Continuing Operations			
Revenue	5	66,467	187,456
Cost of sales	6	(60,763)	(213,896)
Gross profit/(loss)		5,704	(26,440)
Other income	5	1,602	40,364
Change in fair value of investment properties		5,650	(3,253)
Administration expenses		(10,998)	(26,380)
Property expenses		(1,383)	(2,007)
Marketing expenses		(684)	(1,130)
Impairment of property, plant and equipment		-	(2,036)
Impairment of available for sale financial assets		-	(5,335)
Impairment of equity accounted investment		-	(5,121)
Loss from debts forgiven		(384)	(4,629)
Loss on dilution of investment		-	(41)
Loss before tax and net financing costs		(493)	(36,008)
Finance income		3,370	7,698
Finance costs		(2,375)	(10,055)
Net financing income/(costs)	7	995	(2,357)
Share of profits/(losses) of equity accounted investments	32	86	(5,647)
Profit/(loss) before income tax		588	(44,012)
Income tax	8	302	7,843
Profit/(loss) from continuing operations		890	(36,169)
Profit from discontinued operation (net of income tax)	9	628	3,241
Profit/(loss) for the period		1,518	(32,928)

The Statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

*See Note 9 – Discontinued Operation.

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000 Re-presented*
Profit/(loss) for the period		1,518	(32,928)
Other comprehensive income			
Revaluation of available for sale financial assets (net of tax)		80	1,543
Total comprehensive profit/(loss) for the period		1,598	(31,385)
Profit/(loss) attributable to:			
Owners of the Company		1,518	(33,693)
Non-controlling interest		-	765
Profit/(loss) for the period		1,518	(32,928)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		1,598	(32,150)
Non-controlling interest		-	765
Total comprehensive profit/(loss) for the period		1,598	(31,385)
Earnings per share			
Basic earnings per share (cents per share)	11	3.9	(72.6)
Diluted earnings per share (cents per share)	11	3.9	(72.6)
Continuing operations			
Basic earnings per share (cents per share)	11	2.3	(79.6)
Diluted earnings per share (cents per share)	11	2.3	(79.6)

The Statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

*See Note 9 – Discontinued Operation.

		Consolidated	
		2010	2009
	Note	$'000	$'000
Current Assets			
Cash and cash equivalents	13	11,494	9,071
Trade and other receivables	14	15,242	6,378
Properties held for development and resale	15	43,647	58,841
Investments accounted for using the equity method	16	-	4,789
Other assets	21	1,582	806
Total Current Assets		71,965	79,885
Non-Current Assets			
Trade and other receivables	14	1,000	4,140
Properties held for development and resale	15	47,452	33,957
Investments accounted for using the equity method	16	4,813	3,295
Property, plant and equipment	17	1,190	4,897
Investment properties	18	5,683	34,248
Financial assets	19	551	437
Deferred tax assets	25	5,754	5,465
Intangible assets	20	26	10,056
Other assets	21	700	-
Total Non-Current Assets		67,169	96,495
Total Assets		139,134	176,380
Current Liabilities			
Trade and other payables	22	2,160	5,205
Financial liabilities	23	25,401	47,657
Short-term provisions	24	891	1,557
Total Current Liabilities		28,452	54,419
Non-Current Liabilities			
Trade and other payables	22	821	1,695
Financial liabilities	23	21,582	17,358
Long-term provisions	24	39	480
Total Non-Current Liabilities		22,442	19,533
Total Liabilities		50,894	73,952
Net Assets		88,240	102,428
Equity			
Issued capital	26	52,172	68,053
Reserves	27	19,191	19,016
Retained earnings		16,877	15,359
Total Equity		88,240	102,428

The Statement of financial position is to be read in conjunction with the notes to the financial statements.

	Issued Capital $'000	Retained Earnings $'000	Capital Profits Reserve $'000	Share Based Payments Reserve $'000	Asset Revaluation Reserve $'000	Available-For-Sale Investments Revaluation Reserve $'000	Asset Realisation Reserve $'000	Shares Forfeited $'000	Minority Equity Interests $'000	Total $'000
Consolidated										
Balance at 1 July 2008	**68,053**	**49,052**	**2,021**	**346**	**4,579**	**(2,204)**	**11,972**	**4**	**(130)**	**133,693**
Transfer revaluation increment to asset realisation reserve being increment realised on sale of land held for redevelopment	-	-	-	-	(2,923)	-	2,923	-	-	-
Equity-settled transactions, net of tax	-	-	-	94	-	-	-	-	-	94
Revaluation of shares available for sale	-	-	-	-	-	2,204	-	-	-	2,204
Loss attributable to owners of the Company	-	(33,693)	-	-	-	-	-	-	-	(33,693)
Profit attributable to minority interest	-	-	-	-	-	-	-	-	765	765
Adjustment on acquisition of minority interest	-	-	-	-	-	-	-	-	(635)	(635)
Balance at 30 June 2009	**68,053**	**15,359**	**2,021**	**440**	**1,656**	**-**	**14,895**	**4**	**-**	**102,428**
Transfer revaluation increment to asset realisation reserve being increment realised on sale of land held for redevelopment	-	-	-	-	(273)	-	273	-	-	-
Shares repurchased	(15,881)	-	-	-	-	-	-	-	-	(15,881)
Equity-settled transactions, net of tax	-	-	-	62	-	-	-	-	-	62
Revaluation of shares available for sale	-	-	-	-	-	113	-	-	-	113
Profit attributable to owners of the Company	-	1,518	-	-	-	-	-	-	-	1,518
Balance at 30 June 2010	**52,172**	**16,877**	**2,021**	**502**	**1,383**	**113**	**15,168**	**4**	**-**	**88,240**

The Statement of changes in equity is to be read in conjunction with the notes to the financial statements.

	Note	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Cash receipts from customers		68,665	211,588
Cash paid to suppliers and employees		(28,937)	(43,130)
Partnership distributions received		300	200
Finance income received		1,196	7,747
Finance costs paid		(82)	(27,989)
Income taxes paid		(141)	-
Net cash provided by operating activities	34a	41,001	148,416
Cash flows from investing activities			
Payments for property, plant and equipment		(774)	(271)
Disposal of discontinued operation, net of cash disposed of		4,004	-
Proceeds on disposal of investment in associate		4,982	-
Proceeds from sale of property, plant, and equipment		52	82
Payments for investments		(547)	-
Payments for investments in associates		(5,997)	(2,387)
Payments for investment properties		-	(100)
Proceeds from sale of investment properties		-	418
Payments for the acquisition of development properties		(10,754)	-
Payments for intangibles		(10)	-
Acquisition of subsidiary, net of cash acquired		-	737
Dividends received		258	-
Proceeds from repayment of loans to other parties		5,379	-
Proceeds from repayment of loans to associates		400	9,398
Proceeds from redemption of units in associate		-	7,500
Proceeds from return of capital by associate		2,948	-
Proceeds from issue of shares in subsidiary		-	8,050
Loans to other entities		(691)	(4,403)
Net cash from (used in) investing activities		(750)	19,024
Cash flows from financing activities			
Buy back of own shares		(15,881)	-
Proceeds from borrowings		6,500	16,880
Repayment of borrowings		(28,447)	(200,937)
Net cash (used in) from financing activities		(37,828)	(184,057)
Net increase (decrease) in cash held		2,423	(16,617)
Cash at beginning of financial year	13	9,071	25,688
Cash at end of financial year	13	11,494	9,071

The Statement of cash flows is 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 2010 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 27 August 2010.

(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, trade receivables 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:

- 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.
- Properties held for development and resale.

(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 2010, the consolidated entity reported a net profit of $1,518,000 (2009: loss $33,693,000). At 30 June 2010 current assets amounted to $71,965,000 (2009: $79,885,000) and current liabilities amounted to $28,452,000 (2009: $54,419,000) leaving a surplus of $43,513,000 ($2009: $25,466,000). Current assets include properties held for development and resale of $43,647,000, which the consolidated entity expects to realise and apply to the continued reduction of debt.

At 30 June 2010 current liabilities of the consolidated entity included $18,901,000 and $6,500,000 in loans relating to facilities with expiry dates of 8 May 2011 and 30 June 2011, respectively. All facility covenants were complied with as at 30 June 2010.

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. Description of 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 to the current year's presentation.

(a) Basis of consolidation

The consolidated financial statements of the Company for the financial year ended 30 June 2010 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 Company. 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 Company 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.

Note 3. Significant accounting policies (continued)

(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 acquisition method.

The acquisition 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

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

(d) Taxation

Income tax expense/benefit 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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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 tax expenses that may arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Note 3. Significant accounting policies (continued)

Tax consolidation
The Company and its wholly-owned Australian resident entities are part of a tax consolidated group that was formed on 1 July 2003 of which Payce Consolidated Limited is the head entity.

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 as amounts payable (receivable) to or 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 head entity as an equity contribution or distribution.

The head entity 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 unused tax losses can be applied.

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 or payable equal in amount to the tax liability or asset assumed. The inter-entity receivables or 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 GST, except where the 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 expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

The statement of cash flows is prepared on a GST inclusive basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the Australian Taxation Office.

(f) Financial instruments

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.

Note 3. Significant accounting policies (continued)

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.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables (see note 14).

Derivative financial instruments
The consolidated entity holds no derivative financial instruments.

(g) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position 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 re-measurement 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.

Note 3. Significant accounting policies (continued)

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 date. In undertaking this review the Directors have taken into consideration Directors' 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 or Directors' valuation 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.

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.

Note 3. Significant accounting policies (continued)

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 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.

Note 3. Significant accounting policies (continued)

(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 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 or cancellation 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 in the ordinary course of activities is recognised at the fair value of the consideration receivable 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.

Note 3. Significant accounting policies (continued)

(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 who 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) Discontinued operations

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(w) New accounting standards and interpretations

The following standards, 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 2010, 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:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.*

- AASB 9 *will become mandator*y for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entit*y* adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

- AASB 2009-5 *further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transaction*s resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, *w*hich become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

Note 3. Significant accounting policies (continued)

- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements are not expected to have any impact on the financial statements.

- AASB 2009-14 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement* - AASB 14 makes amendments to Interpretation AASB 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

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.

(a) 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.

(b) Investment properties

An independent external valuer or Directors' valuation, 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.

(c) 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 applies Directors' valuations or engages independent external valuers to determine the fair values of the cash-generating units containing these intangible assets of indefinite life.

(d) 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.

(e) 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.

Note 4. Determination of fair value (continued)

(f) 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.

(g) Tax assets and liabilities – recognition of deferred tax assets

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. The probability that the tax benefit will be realised is based upon forecasts of the amount and timing of future taxable income.

(h) 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. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is determined by reference to the most recent and relevant available information regarding sales of comparable properties and an assessment of the costs of completion.

	Consolidated 2010 $'000	Consolidated 2009 $'000 Re-presented*
Note 5. Revenue and Other Income		
Sales revenue		
Property development sales	58,578	180,770
Rent received	4,135	5,530
Other sales income	1,191	1,132
Other	2,563	24
Total revenue	66,467	187,456
Other Income		
Debt forgiveness	525	40,348
Profit on sale of associate	1,077	-
Gain on sale of investment property	-	16
Total other income	1,602	40,364
Note 6. Expenses excluding Net Financing Costs		
Cost of sales		
Cost of sales of property development sales	60,763	190,634
Write down of properties held for development and resale to net realisable value	-	23,262
Total cost of sales	60,763	213,896
Loss on revaluation of investment properties	-	3,253
Other expenses included in Administration expenses		
Depreciation		
Buildings	28	85
Plant and equipment	180	523
Total depreciation	208	608
Impairment of receivables		
Impairment of current trade and other receivables	1,961	4,139
Impairment of non-current trade and other receivables	801	24
Total impairment of receivables	2,762	4,163
Rental expense on operating leases		
Minimum lease payment	156	2,051
Expenditure on investment property generating rental income	310	4,534
Employee benefits expense		
Wages and salaries	3,808	3,505
Other associated personnel expenses	257	474
Contributions to defined contribution superannuation funds	253	263
Equity settled share based payments	62	135
Decrease in employee benefits provisions	13	130
Total employee benefits expense	4,393	4,507

*See Note 9 – Discontinued Operation.

	Consolidated 2010 $'000	Consolidated 2009 $'000 Re-presented*
Note 7. Net Financing Income/(Costs)		
Interest income		
Associated companies	215	2,817
Other entities	3,155	4,881
Finance income	3,370	7,698
Interest expense:		
Associated companies	-	9,345
Other entities	4,159	18,107
	4,159	27,452
Amount capitalised	(1,784)	(17,397)
Finance expenses	2,375	10,055
Net financing income/(costs)	995	(2,357)
Note 8. Income Tax		
The components of income tax comprise		
Current tax expense/(benefit)	1,366	(5,465)
Deferred tax expense/(benefit)	1,071	(3,083)
(Over)/under provision from prior year and unrecognised tax losses	(2,739)	705
	(302)	(7,843)
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax expense/ (benefit) on profit from ordinary activities before income tax at 30% (2009: 30%)	177	(13,203)
Non-deductible expenses	369	2,495
Taxable income not recognised for accounting – permanent differences	1,891	487
Recognition of previously unrecognised tax losses	(4,000)	-
Over provision for income tax in prior year	1,261	2,378
	(302)	(7,843)

*See Note 9 – Discontinued Operation.

Note 9. Discontinued Operation

On 30 October 2009, the consolidated entity completed the sale of 75% of its interests in Payce Child Care Pty Ltd (and its controlled entities) to Wallace Infrastructure Pty Ltd. The childcare business was not classified as held neither for sale or as a discontinued operation at 30 June 2009. The comparative statement of comprehensive income has been re-presented to reflect the discontinued operation separately from continuing operations.

	2010 $'000	2009 $'000
Results of discontinued operation		
Revenue	10,001	14,621
Expenses	(9,375)	(6,936)
Finance income	39	49
Finance expense	-	(537)
Impairment of goodwill	-	(3,853)
Result before income tax	665	3,344
Income tax	(617)	(103)
Result after income tax	48	3,241
Gain on sale of discontinued operation	580	-
Result for the period	628	3,241

	2010 $'000
Effect of disposal on the financial position of the Group	
Cash and cash equivalents	(1,997)
Trade and other receivables	(949)
Property, plant and equipment	(2,325)
Intangible assets	(10,040)
Trade and other payables	1,667
Provisions	1,798
Net assets	(11,846)
Portion of consideration received in cash	5,601
Cash and cash equivalents disposed of	(1,997)
Net cash inflow	3,604

Note 10. Auditors' Remuneration

	Consolidated 2010 $	Consolidated 2009 $
Audit Services		
Auditors of the Company		
Audit and review of financial reports		
Current year	225,930	625,000
Prior year	70,000	-
Other Auditors	8,240	3,366
	304,170	628,366
Other Services		
Auditors of the Company		
Accounting Advice	10,915	50,000
Other Auditors		
Review and analysis services	207,044	-
	217,959	50,000

Note 11. Earnings per share

	Consolidated 2010 $'000	Consolidated 2009 $'000
a. Reconciliation of earnings to profit or loss		
Profit/(loss) from continuing operations	890	(36,169)
Profit attributable to minority equity interests	-	(765)
Earnings used to calculate basic EPS from continuing operations	890	(36,934)
Profit from discontinued operation (net of income tax)	628	3,241
Earnings used to calculate basic EPS	1,518	33,693
	Number	**Number**
b. Weighted average number of ordinary shares outstanding during the year used in calculating basis EPS	39,333,366	46,400,215
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	39,333,366	46,400,215

At 30 June 2010 1,800,000 (2009 1,800,000) options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Note 12. Dividends		
a. No dividends of the Company have been paid, declared or recommended during the year ended 30 June 2010 or since that date.		
b. Balance of franking account	373	160

Franking credits available for subsequent financial years based on a tax rate of 30% (2009 30%)

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

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

Note 13. Cash and Cash Equivalents

	2010 $'000	2009 $'000
Cash on hand	3	5
Cash at bank	11,491	9,066
	11,494	9,071

The effective interest rate on short term bank deposits was 4.36% (2009: 3.05%).

	Consolidated 2010 $'000	Consolidated 2009 $'000
Note 14. Trade and Other Receivables		
Current		
Trade receivables	1,571	757
Provision for impairment of receivables	(39)	(3)
	1,532	754
Other receivables	16,534	12,368
Provision for impairment of receivables	(8,744)	(6,744)
	7,790	5,624
Amounts receivable from:		
Associated companies and jointly controlled entities	6,225	380
Provision for impairment of receivables	(305)	(380)
	5,920	-
	15,242	6,378
Non-current		
Other receivables	1,000	3,438
Provision for impairment of receivables	-	(99)
	1,000	3,339
Amounts receivable from associated companies	801	801
Provision for impairment of amounts receivable	(801)	-
	-	801
	1,000	4,140

Note 15. Properties held for Development and Resale

	Consolidated 2010 $'000	Consolidated 2009 $'000
Current		
Properties held for development and sale		
At cost	33,821	502
Transfer from property, plant and equipment	659	-
Amounts capitalised to development properties:		
Development expenses	7,036	52,611
Rates, taxes and interest	2,131	5,816
	43,647	58,929
Write down of properties held for development and resale to net realisable value	-	(88)
	43,647	58,841
Non-current		
Properties held for development and sale		
At cost	10,605	25,053
Transfer from Investment properties – at valuation	36,000	-
Amounts capitalised to development properties:		
Development expenses	583	23,740
Rates, taxes and interest	264	8,338
	47,452	57,131
Write down of properties held for development and resale to net realisable value	-	(23,174)
	47,452	33,957
Finance costs recognised during the financial year as part of the carrying amount	1,784	17,397
Capitalisation rate	8.8%	10.6%

Note 16. Investments accounted for using the equity method

	2010 $'000	2009 $'000
Current		
Associates	-	4,789
Jointly controlled entities	-	-
	-	4,789
Non-current		
Associates	-	250
Jointly controlled entities	4,813	3,045
	4,813	3,295

Note 17. Property, Plant & Equipment

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

2010	Freehold land & buildings $'000	Leasehold improvements $'000	Plant & Equipment $'000	Office Equipment $'000	Motor Vehicles $'000	Total $'000
Cost						
Balance at 1 July 2009	3,325	2,181	1,257	357	63	7,183
Category transfer	-	-	(31)	31	-	-
Transfer to Investment Properties	(1,515)	-	-	-	-	(1,515)
Transfer to Inventory	(1,810)	-	-	-	-	(1,810)
Disposals through deconsolidation	-	(2,111)	(254)	(167)	(7)	(2,539)
Additions		558	33	183	-	774
Disposals	-	(70)	(15)	(156)	(56)	(297)
Proportional consolidation of JV	-	46	-	10	5	61
Balance at 30 June 2010	-	604	990	258	5	1,857
Accumulated depreciation						
Balance at 1 July 2009	1,360	165	494	242	25	2,286
Transfer to Investment Property	(235)	-	-	-	-	(235)
Transfer to Inventory	(1,151)	-	-	-	-	(1,151)
Disposals through deconsolidation	-	(159)	(43)	(103)	(2)	(307)
Depreciation charge	26	119	96	51	10	302
Disposals	-	(70)	(12)	(135)	(33)	(250)
Proportional consolidation of JV	-	17	-	3	2	22
Balance at 30 June 2010	-	72	535	58	2	667
Net Book Value at 30 June 2010	**-**	**532**	**455**	**200**	**3**	**1,190**

2009	Freehold land & buildings $'000	Leasehold improvements $'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
Category transfer	-	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 2009	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
Transfer to Investment Properties	-	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**

	Consolidated 2010 $'000	Consolidated 2009 $'000
Note 18. Investment Properties		
Carrying amount at beginning of year	34,248	37,804
Acquisitions (subsequent expenditure)	505	100
Fair value adjustments	5,650	(3,253)
Transfers to properties held for development and resale	(36,000)	-
Transfers from property plant and equipment	1,280	-
Disposals	-	(403)
	5,683	34,248

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.

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:

	2010 $'000	2009 $'000
Receivable		
not later than 1 year	2,526	2,306
later than 1 year but not later than 5 years	10,748	8,618
later than 5 years	1,056	2,296
	14,330	13,220

Note 19. Financial Assets

	2010 $'000	2009 $'000
Shares in controlled entities		
At cost	-	-
Available-for-sale financial assets		
Shares in listed securities - at fair value	551	437
Total other financial assets	551	437

The shares in listed securities are classified as a Level 1 financial instrument by the Consolidated Entity, being a financial instrument valued at the unadjusted quoted balance date closing price in an active market for identical assets.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Note 20. Intangibles		
Trademark		
At cost	16	16
Additions	10	-
	26	16
Childcare licences		
At cost	19,707	19,707
Accumulated impairment losses	(9,667)	(9,667)
Disposal by way of discontinued operation (see Note 9)	(10,040)	-
	-	10,040
	26	10,056
Carrying amounts at beginning of year	10,056	16
Acquired through business combination		13,198
Additions	10	-
Disposal as part of discontinued operation (see Note 9)	(10,040)	(408)
Impairment losses		(2,750)
Carrying amount at end of year	26	10,056
Note 21. Other Assets		
Current		
Prepayments	980	603
Other	602	203
	1,582	806
Non-current		
Prepayments	700	-
Note 22. Trade and Other Payables		
Current		
Trade payables	719	908
Rent received in advance	-	518
Interest received in advance	128	-
Other payables and accruals	1,313	3,779
	2,160	5,205
Non-current		
Option deposits	821	1,695
	821	1,695

	Consolidated 2010 $'000	Consolidated 2009 $'000
Note 23. Financial Liabilities		
Current		
Notes (secured)	-	47,657
Loans (secured)	25,401	-
	25,401	47,657
Non-current		
Notes (secured)	21,582	-
Loans (secured)	-	17,358
	21,582	17,358

Details of the facilities in place at 30 June 2010:

Finance Provider	Limit $'000	Amount drawn at 30 June 2010 $'000	Expiry
BOSI Corporate Facility	38,000	21,582	31 January 2012
Suncorp Lot 3A2 Facility	6,500	6,500	30 June 2011
Sekisui House Joint Venture Undeveloped Land Facility	20,250	18,901	8 May 2011
		46,983	

Notes

BOS International (Australia) Ltd ("BOSI") – Corporate Facility

The Company agreed with BOSI to combine the Undeveloped Land Facility with the Corporate Facility (both due to expire on 30 November 2009) and to extend the combined facility to 31 January 2012.

At 30 June 2010 the limit of the combined facility is the lesser of $38 million and 60% loan to value ("LTV") which was complied with. The facility limit reduces by $5 million semi-annually to a minimum of $23 million at December 2011.

Note 23. Financial Liabilities (continued)

Suncorp Lot 3A2 Facility

The group borrowed $6.5 million from Suncorp-Metway Ltd during the year to facilitate the purchase of Lot 3A2 located at 6 Defries Avenue, Victoria Park. The facility limit is $6.5m and the LTV is 80%, both of which were complied with at 30 June 2010.

Sekisui House Joint Venture Undeveloped Land Facility

The consolidated entity accounts for its 25% share by proportionately consolidating the Wentworth Point joint venture facility from BOSI. The facility has an LTV covenant of 60%, which was complied with at 30 June 2010.

Security

Notes

Total Notes (secured) of $21,582,869 are secured by way of registered first mortgage over the freehold properties of Payce Properties Pty Limited and Henlia No. 3 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 maturity dates for the Notes are:	Consolidated	
	2010	**2009**
	$'000	**$'000**
30 November 2009	-	47,657
31 January 2012	21,582	-
	21,582	47,657

Loans

Security for the loan of $18,901,000 was provided by way of a registered first mortgage over the specific undeveloped land held by the joint ventures with Sekisui House.

Security for the loan of $6,500,000 was provided by way registered first mortgage over the freehold property of Henlia No. 20 Pty Limited and a residual loss guarantee from Payce Consolidated Limited.

Secured assets

The carrying amounts of assets pledged as security against all financial liabilities are:

First mortgage		
Properties held for development and resale	91,099	92,798
Investment properties	5,683	34,248
Freehold land and buildings	-	1,965
Floating charge over assets	42,352	47,369
	139,134	176,380

Note 24. Provisions

Current		
Employee benefits	891	1,487
Leasehold make good costs	-	70
	891	1,557
Non-current		
Employee benefits	4	480
Leasehold make good costs	35	-
	39	480

Note 24. Provisions (Continued)

Movement in provisions during the year:	Employee benefits $'000	Lease make good costs $'000	Total $'000
Balance at 1 July 2009	1,967	70	2,037
Disposed through discontinued operation	(1,086)	-	(1,086)
Additional provisions	237	35	272
Amounts used	(223)	(70)	(293)
Balance at 30 June 2010	895	35	930

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

Payce Management Limited entered into a lease for premises at Level 37 Chifley Tower, 2 Chifley Square, Sydney commencing 1 January 2010 and ending 13 May 2014. In accordance with the lease agreement, Payce Management Limited is responsible for removing the office fit out at the end of the lease. A provision of $35,000 has been made for the obligation to remove the fit out from the lease premises and to make good.

Note 25. Tax assets and liabilities

	$'000
Balance at 1 July 2009	5,465
Movement for the year	289
Balance at 30 June 2010	5,754

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets 2010 $'000	Liabilities 2010 $'000	Net 2010 $'000
Properties held for development & resale	-	(2,829)	(2,829)
Investments accounted for using the equity method	-	(657)	(657)
Property, plant & equipment	-	(103)	(103)
Investment Properties	-	(1,917)	(1,917)
Provisions	2,776	-	2,776
Other	383	-	383
Tax loss carry-forwards	8,101	-	8,101
Tax assets/(liabilities)	11,260	(5,506)	5,754

Note 26. Issued Capital

	Consolidated 2010 $'000	Consolidated 2009 $'000
Issued		
32,299,080 (June 2009:46,400,215) ordinary shares fully paid	52,172	68,053
	Number	**Number**
Balance at beginning of financial period	46,400,215	46,400,215
Shares bought back and cancelled during the period	(14,101,135)	-
Balance at end of financial period	32,299,080	46,400,215

Note 26. Issued Capital (Continued)

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 and share buy-backs. As part of the consolidated entity's on-going capital management initiatives and as approved by shareholders, the consolidated entity successfully conducted 2 selective share buy-backs and 1 on-market general buy-back during the year under review.

In aggregate the following number of fully paid ordinary shares in Payce Consolidated Limited were bought back and cancelled during the year:

Buy-Back	Date Completed	# Shares Bought Back	Average Price of Buy-Back	Total Buy-Back Price including Costs
			$	$'000
Selective buy-back of shares held by Babcock & Brown Asset Holdings Pty Ltd	19 October 2009	6,957,143	$0.70	$4,918
Selective buy-back of shares held by entities associated with David Macintosh	26 February 2010	4,426,925	$1.50	$6,640
On-Market General Buy-Back	30 June 2010	2,717,067	$1.50	$4,323
		14,101,135		**$15,881**

The gearing ratio for the year ended 30 June 2009 and 30 June 2008 are as follows:-

		Consolidated	
		2010	2009
	Note	$'000	$'000
Total borrowings (including payables)	22, 23	49,964	71,915
Less cash and cash equivalents	13	(11,494)	(9,071)
Net debt		38,470	62,844
Total equity		88,240	102,428
Total capital		126,710	165,272
Gearing ratio		30%	38%

Note 27. Reserves

Capital Profits

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

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. This reserve is not available for future asset write-downs as a result of using the deemed cost election under the previous accounting standard AASB 1041.

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.

Share Based Payments Reserve

The receipt of goods or services by the group as consideration for its own equity instruments under share-based payment arrangements is accounted for as an expense in the Statement of comprehensive income and an increase in the Share based payment reserve.

Forfeited Shares

Where partly paid shares are forfeited, the amount paid is transferred to the forfeited shares reserve. No shares were forfeited during the year.

	Consolidated and Company	
	2010 $'000	2009 $'000
Note 28. Contingent Liabilities		
a. Guarantees given in the ordinary course of business for borrowings and commitments of controlled entities	29,082	25,537
b. Guarantees given in the ordinary course of business for borrowings and commitments of an associated company.	2,500	-
c. Assignment of loans related to the purchase of consolidated entity property held for development and resale by third parties.	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

Note 29. Forward Commitments

	Consolidated	
	2010	2009
	$'000	$'000
Non-cancellable operating lease commitments		
payable not later than one year	282	3,253
later than one year but not later than 5 years	629	11,116
later than 5 years	-	7,473
	911	21,842

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	
	2010	2009
	$	$
Short-term employee benefits	1,491,531	1,640,576
Other long term benefits	19,224	37,765
Post-employment benefits	107,336	109,511
Share-based payments	61,772	134,568
	1,679,863	1,922,420

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 1 July 2009	Granted as compensation	Exercised	Other changes	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
B.J. Klevansky	1,200,000	-	-	-	1,200,000	-	1,200,000
B.H. Bailison	600,000	-	-	-	600,000	200,000	400,000
	1,800,000	-	-	-	1,800,000	200,000	1,600,000

	Held at 1 July 2008	Granted as compensation	Exercised	Other changes	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 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

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 1 July 2009	Received during the year as remuneration	Other changes	Held at 30 June 2010
D.H. Macintosh	4,426,925	-	(4,426,925)	-
B.M. Boyd	13,987,694	-	19,105	14,006,799
R.R. Short	65,000	-	-	65,000
B.J. Klevansky	727,173	-	-	727,173
	19,206,792	-	(4,407,820)	14,798,972

	Held at 1 July 2008	Received during the year as remuneration	Other changes	Held at 30 June 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

Other related party transactions

	Transaction value year ended 30 June		Balance outstanding as at 30 June	
	2010	2009	2010	2009
Consolidated				
Associate – property management services	-	3,949	-	-
Associate– development & project management services	2,350,775	-	1,086,618	-
Associates – loans to associates	-	-	5,904,146	796,307
Associate – interest income	215,127	2,849,735	215,127	-
Associate – interest expense	1,263,782	9,344,602	1,263,782	-
Associate – debt forgiveness granted	-	27,947,725	-	-
Associate – debt forgiveness received	525,000	-	-	-

Note 31. Financial Risk Management

The consolidated entity's principal financial instruments comprise bank accounts, receivables, financial assets, payables 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 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.

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.

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

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Financial assets		
Cash and cash equivalents	11,494	9,071
Trade and other receivables	559	3,417
	12,053	12,488
Financial liabilities		
Notes (secured)	21,582	47,657
Loans (secured)	6,500	-
	28,082	47,657
Net exposure	(16,029)	(35,169)

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 dates.

At 30 June 2010, and at 30 June 2009, 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)	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
+1% (100 basis points)	(27)	(498)	(27)	(498)
-1% (100 basis points)	27	498	27	498

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

Note 31. Financial Risk Management (Continued)

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 statement of financial position as available for sale.

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 statement of financial position and notes to the financial statements. The consolidated entity'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, wherever possible, obtains 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, represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at balance date was:

	Carrying Amount	
	2010	2009
	$'000	$'000
Cash and cash equivalents	11,494	9,071
Trade receivables	1,571	757
Provision for impairment	(39)	(3)
	1,532	754
Vendor property financing	1,307	5,485
Provision for impairment	(385)	(276)
	922	5,209
Loans and other receivables	16,227	10,321
Provision for impairment	(8,359)	(6,567)
	7,868	3,754
Amounts due from associated companies and jointly controlled entities	7,026	1,181
Provision for impairment	(1,106)	(380)
	5,920	801
	27,736	19,589

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.

Loans to third parties

The consolidated entity holds collateral or other forms of security in the form of first mortgages and caveats in relation to several of its loans and 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 $14,848,000 (2009: $5,354,000).

Note 31. Financial Risk Management (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 2010:

	Carrying Amount $'000	Contractual Cash Flow $'000	Less than 1 year $'000	Between 1 – 5 years $'000	Over 5 Years $'000
Consolidated					
2010					
Trade and other payables	2,981	2,981	2,578	-	403
Notes (secured)	21,582	24,275	3,579	20,696	-
Loans (secured)	25,401	27,747	27,747	-	-
	49,964	55,003	33,904	20,696	403
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

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 2010.

d. Net fair value

The net fair value of financial assets and financial liabilities approximate the carrying amounts as disclosed in the statement of financial position 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 Risk Management (continued)

	Note	Weighted average interest rate	Floating interest rate $'000	Fixed interest maturing in 1 year or less $'000	Fixed interest maturing in 1 to 5 years $'000	Non-interest bearing $'000	Total $'000
2010 - Consolidated							
Financial assets							
Cash and cash equivalents	13	4.36%	11,494	-	-	-	11,494
Trade and other receivables	14	7.66%	559	11,569	-	4,114	16,242
Available-for-sale financial assets	19	-	-	-	-	551	551
			12,053	11,569	-	4,665	28,287
Financial liabilities							
Trade and other payables	22	-	-	-	-	2,981	2,981
Notes (secured)	23	6.22%	21,582	-	-	-	21,582
Loans (secured)	23	7.38%	6,500	18,901	-	-	25,401
			28,082	18,901	-	2,981	49,964
Net financial (liabilities)/assets			(16,029)	(7,332)	-	1,684	(21,677)
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)

There were no fixed interest financial instruments maturing beyond 5 years.

Note 32. Associated Companies and Jointly Controlled Entities

Name	Principal activity	Consolidated entity's ownership interest		Consolidated entity's carrying amounts of investment and loans		Contribution towards Net (Loss)/Profit	
		2010 %	2009 %	2010 $'000	2009 $'000	2010 $'000	2009 $'000
BDS Australia Pty Ltd	Project & development management	50.0%	50.0%	-	-	-	(228)
BRIC Holdings Pty Ltd	Investment in residential property	-	50.0%	32	2,957	24	(993)
Henlia No.7 Pty Ltd (note d)	Property development	50.1%	50.1%	5,717	-	(329)	(5,522)
PITB Pty Ltd (formerly Wingate Babcock Pty Ltd)	Project & development management	33.3%	33.3%	-	801	-	88
The Waterfront Partnership	Real estate agency	50.0%	50.0%	89	100	389	221
Ramsay Bourne Holdings Pty Ltd (note a)	Child care services	-	100.0%	-	-	-	3,245
World of Learning Pty Ltd (note a)	Child care services	-	100.0%	-	-	-	635
Henlia No. 9 Pty Ltd (note b)	Property development	-	25.0%	-	4,777	-	-
Ripley Town Holdings Pty Ltd	Property development	-	-	-	-	-	493
SHDS Unit Trust (note c)	Development Management	-	25.0%	-	250	-	-
Babcock & Brown Apartment Investment Trust (the "Trust")	Property development	50.0%	50.0%	6	-	-	757
Babcock & Brown Apartment Investment Company Limited (the "Company")	Property development	50.0%	50.0%	181	-	-	(4,343)
Payce Childcare Pty Ltd	Child care services	-	100%	-		(143)	-
G8 Education Limited	Child care services	16.8%	-	4,692		145	-
Total				10,717	8,885	86	(5,647)

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%. On 1 September 2009, the consolidate entity disposed of its remaining 25% interest to Sekisui House.

Note c – On 1 September 2009, the consolidate entity disposed of its remaining 25% interest in the SHDS Unit Trust to Sekisui House.

Note d – 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 2010 $'000	Consolidated 2009 $'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	8,885	80,450
New investments during the year	7,813	5,139
Return of investment during the year	(3,206)	(7,500)
New loan advances during the year	6,520	3,108
Loan repayments during the year	(578)	(10,363)
Share of associated company and jointly controlled entity profit/(loss) after income tax	86	(5,647)
Investment balance originating on de-recognition of associates	(7,893)	(7,635)
Loan balance originating on de-recognition of associates	-	(20,518)
Debt forgiveness	-	(27,949)
Partnership profit distribution received	(400)	(200)
Impairment of loan	(725)	-
Interest on loan	215	-
Balance at the end of the financial year	10,717	8,885
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	148	(6,465)
Share of associated company and jointly controlled entity's income tax (expense)/benefit	(62)	818
Share of associated company and jointly controlled entity profit/(loss) after income tax	86	(5,647)
c. Summarised presentation of aggregate assets, liabilities and performance of associated companies and jointly controlled entities		
Current assets	4,960	9,347
Non-current assets	143,377	136,710
Total assets	148,337	146,057
Current liabilities	117,457	103,308
Non-current liabilities	46,986	31,004
Total Liabilities	164,443	134,312
Net assets	(16,106)	11,745
Revenue	45,129	68,934
Expenses	(41,716)	(138,926)
Profit/(loss) after income tax of associated companies and jointly controlled entities	3,122	(69,992)

The Company is not aware of any significant events or transactions which have occurred after the reporting date that could materially affect 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 Company 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.

In accordance with its accounting policies (refer note 3 (a) – Associates and jointly controlled entities) the consolidated entity's interests in the associates and jointly controlled entities in a net liability position are carried at nil as the consolidated entity has incurred no obligations and commitments on behalf of those investees.

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 (Discontinued)		Consolidated	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Revenue								
External sales	60,334	180,769	2,513	5,530	10,001	14,621	72,848	200,920
Unallocated revenue							3,620	1,157
							76,468	202,077
Result								
Segment result	(1,757)	(30,013)	5,201	(3,900)	679	(26)	4,123	(33,939)
Unallocated expenses							(2,907)	(6,729)
Profit/(loss) before income tax							1,216	(40,668)
Income tax benefit							302	7,740
Loss after income tax							1,518	(32,928)
Assets								
Segment assets	91,099	92,798	5,683	36,261	-	15,027	96,782	144,086
Unallocated assets							42,352	32,294
Total assets							139,134	176,380
Liabilities								
Segment liabilities	46,983	42,895	-	22,120	-	2,590	46,983	67,605
Unallocated liabilities							3,911	6,347
							50,894	73,952
Other								
The segment result includes the following non-cash items:								
Loss on revaluation of investment property	-	-	-	(3,253)	-	-	-	(3,253)
Write-down of properties held for resale to net realisable value	-	(23,262)	-	-	-	-	-	(23,262)
Depreciation and amortisation of segment assets	-	-	(44)	(123)	(95)	(292)	(139)	(415)
Change in fair value of investment property	-	-	5,650	-	-	-	5,650	-
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 2010 $'000	Consolidated 2009 $'000
a. Reconciliation of Cash Flow from Operations with Profit/(loss) after Income Tax		
Profit/(loss) after Income Tax	1,518	(32,928)
Non-cash flows in profit/(loss)		
Depreciation and amortisation	302	830
(Profit)/loss on disposal of property, plant and equipment	(22)	395
Impairment of property, plant and equipment	-	2,036
Impairment of trade and other receivables	2,762	4,163
(Gain)/loss on revaluation of investment properties	(5,650)	3,253
Gain on sale of investment properties	-	(15)
Write-down of development properties to net realisable value	-	23,262
Equity-settled share based payment expenses	62	135
Share of associated companies net (profit)/loss after income tax	(86)	5,647
Impairment of goodwill	-	3,853
Income from debt forgiveness	(525)	(40,348)
Loss from debts forgiven	384	4,629
Increase in employee benefit provision	624	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	(2,632)	1,446
Change in other assets	(1,841)	86
Change in property held for resale	49,139	168,003
Change in deferred tax asset	(289)	(5,465)
Change in payables	(2,722)	(522)
Change in deferred tax liabilities	-	(1,290)
Change in provisions	(23)	(180)
Cash flow from operations	41,001	148,416

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.

	2010	2009
Cash on hand and at bank	11,494	9,071
Net cash assets	11,494	9,071

c. Financing facilities

At 30 June 2010 bank financing facilities of $64,750,000 (2009: $87,124,000) were available to the consolidated entity, of which $46,983,000 (2008: $65,015,000) 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 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:

	Consolidated			
	2010		2009	
	Number of options	Weighted Average Exercise Price $	Number of options	Weighted Average Exercise Price $
Outstanding at 1 July	1,800,000	3.00	1,800,000	3.00
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 30 June	1,800,000	3.00	1,800,000	3.00
Exercisable at 30 June	1,600,000	3.00	1,400,000	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 $61,772 (2009: $134,568) and relates in full to equity-settled share-based payment transactions.

Note 36. Controlled Entities

H.B. Properties Pty Ltd
Henlia No. 1 Pty Ltd
Henlia No. 2 Pty Ltd
Henlia No. 3 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. 17 Pty Ltd
Henlia No. 19 Pty Ltd
Henlia No. 20 Pty Ltd
Payce Communities Pty Ltd
HomeLinx Pty Ltd
Pacific Assets Ltd
Payce Asia Pty Ltd
Payce Asia No. 2 Pty Ltd
Payce Communities Pty Ltd
Payce Finance Pty Ltd
Payce Finance No. 2
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
Ravelin Pty Ltd
Trade Winds Finance Pty Ltd

All controlled entities are 100% owned except for Henlia 18 which is 80% 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:

Payce Child Care Pty Ltd (and its controlled entities)

On 30 October 2009, the consolidated entity divested 75% of its holdings in Payce Child Care Pty Ltd (and its controlled entities) from 100% to 25%.

The Company created a number of new entities for the purpose of holdings 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 Level 37, Chifley Tower 2 Chifley Square Sydney NSW 2000.

Note 37. Events After Balance Date

None

Note 38. Company

As at 30 June 2010 and throughout the year then ended the parent company of the group was Payce Consolidated Limited.

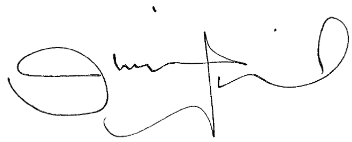
	Company	
	2010 $'000	2009 $'000
Result of the Company		
Profit/(loss) for the period	88	26,594
Other comprehensive income	-	-
Total comprehensive loss for the period	88	26,594
Financial position of the Company at year end		
Current assets	141,484	90,884
Total assets	223,594	173,422
Current liabilities	206,567	140,668
Total liabilities	206,567	140,668
Total equity of the Company comprising:		
Share capital	52,176	68,053
Reserves	969	907
Retained earnings	(36,118)	(36,206)
Total equity	17,027	32,754

Company guarantees in respect of debts of its subsidiaries
Refer to Note 28

1. In the opinion of the Directors of Payce Consolidated Limited:
   (a) the financial statements and notes that are set out on pages 21 to 65 and the Remuneration report in the Directors' report contained in pages 6 to 17, 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 2010 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 2010.

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

B.M. Boyd
DIRECTOR



C.I. Gabriel
DIRECTOR

Sydney, New South Wales
27th August 2010

KPMG

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

Report on the financial report

We have audited the accompanying financial report of the Group comprising Payce Consolidated Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year , which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration.

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 Group's financial position and of its 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 Group's financial position as at 30 June 2010 and of its 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 paragraphs 18.1 to 18.4 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Nigel Virgo
Partner

Sydney

27 August 2010

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report. The information presented is at 30 September 2010.

Classes Of Shares And Voting Rights

There were 387 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 meeting 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 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 to 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 are 1,800,000 unquoted options.

Distribution of Shareholders

Category	Number of Ordinary Shareholders	Number of Ordinary Shares	Shares %
1-1,000	210	103,385	0.320
1,001-5,000	109	265,738	0.823
5,001-10,000	29	232,543	0.720
10,001-100,000	25	831,194	2.573
100,001 and over	14	30,866,220	95.564
Totals	**387**	**32,299,080**	**100.000**

At 30 September 2010, 39 shareholders held less than a marketable parcel of shares which, based on the quotable market price, was calculated at that date to be the equivalent of 5,299 shares.

On-Market Buy-Back
There is no current on-market buy-back.

Restricted Securities
There were no restricted holdings of securities.

Twenty Largest Shareholders
Ordinary Shares (quoted) as at 30 September 2010

Name	Number of Ordinary shares held	Percentage of capital held
LANOX PTY LTD	8,806,799	27.3
LIANSHARE PTY LIMITED	5,200,000	16.1
KMSJ PTY LTD	4,532,573	14.0
RUZSHARE PTY LIMITED	4,375,758	13.5
HURLCLA PTY LIMITED	4,063,794	12.6
RUZ PTY LIMITED	824,242	2.6
APPRECIATION HOLDINGS PTY LTD	821,513	2.5
SKYGLOW PTY LTD	727,173	2.3
NAUMOV PTY LTD	472,811	1.5
MR FREDERICK BRUCE WAREHAM	459,056	1.4
CITICORP NOMINEES PTY LIMITED	208,671	0.6
LLANDILO PTY LIMITED	150,000	0.5
MS ALISA MARGARET WAREHAM	113,781	0.4
HOWARD HARGRAVE PTY LIMITED	110,049	0.3
MR FREDERICK BRUCE WAREHAM &	99,000	0.3
MR CRAIG ORGILL	66,633	0.2
JUROCORP PTY LTD	65,000	0.2
VISTABRITE PTY LTD	50,000	0.2
REVENDEN PTY LTD	30,000	0.1
KMSJ PTY LTD	46,949	0.1
	31,223,802	**96.7**

Substantial Shareholders

As at 30 September 2010

Brian Michael Boyd	14,006,799
Garry James Boyd	13,993,316
Lanox Pty Limited	8,806,799
Llanshare Pty Limited	5,200,000
KMSJ Pty Limited	4,579,522
Ruzshare Pty Limited	4,375,758
Hurlcla Pty Limited	4,063,794
Ruz Pty Limited	824,242
Llandilo Pty Limited	150,000

Directors
Mr B.M.Boyd (Chairman & Managing Director)
Mr R.S.Short (Independent Director)
Mr C.I.Gabriel (Independent Director)

Secretary
Mr B.H.Bailison

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Share Register
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Sydney NSW 2000
(P) 02 9290 9600

Auditors
KPMG

Solicitors
Mallesons Stephen Jaques
Minter Ellison
Morgan Lewis Attorneys Pty Limited
Osborne Lawyers Pty Limited

Banker
BOS International (Australia) Limited
Westpac Banking Corporation
Suncorp-Metway Limited

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