PAYCE CONSOLIDATED LIMITED

ABN 19 001 566 310

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

PAYCE CONSOLIDATED LIMITED
ANNUAL REPORT 2011

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CHAIRMAN'S REVIEW

Payce Consolidated Limited, and its associated entities ("the Group"), is pleased to report a successive year of profit, recording an after tax profit of $12.8 million for the year ended June 2011. The Group completed its strategy of divestment of non-core assets and business units to effect the continued recapitalisation of the Group's balance sheet, accumulation of cash and the repayment of corporate debt. Current balance sheet debt is $26.4 million (2010: $47 million) which is specific in purpose, terms and recourse to particular assets.

Major divestment transactions during the year, as announced to the market, included the sale of the Group's remaining 25% interest in the Wentworth Point property development joint venture with Sekisui House and the divestment of shares in the ASX listed childcare operator G8 Education Limited.

As such, the Group remains well placed financially and structurally to pursue its medium and long-term development projects into the future, including projects at Victoria Park, Riverwood North and Wentworth Point. The Group also continues to seek out and evaluate additional medium to long term quality property opportunities.

As part of its on-going capital management initiatives and as approved by shareholders, the Group successfully conducted a selective share buyback and an on-market general buy-back funded from available cash reserves during the year under review, buying back and cancelling in aggregate 2.5 million shares in the Company at an average buy-back price of $3.00 per share.

Following the 2010 land acquisition and DA Approval of 153 residential units at Victoria Park, the Group has substantially progressed the project, known as "APEX", with off-the-plan pre-sales largely completed, construction works commenced and project completion anticipated for late 2012.

The Group continues to progress the Riverwood North urban renewal project with the NSW Government to replace 150 existing social housing units and construct up to 500 private units on the four hectare site over the next 9 years.

The 129 residential unit development, known as "Artisan", in Sydney's inner-west suburb of Chiswick reached practical completion in June 2011, with completion expected by the end of September. The Group holds a 50.1% interest in the joint venture.

Whilst the Company continues to manage its cash reserves and 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 past challenging economic conditions and positioning the Group for its future prospects.

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 2011.

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	62	Brian Boyd was appointed a Director and Managing Director in 1987 and Chairman of the Board on 8 July 2010. Brian has over 30 years experience in the property industry.
Mr. Roger R. Short Non-Executive Director Independent	66	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 26 years and continues to be involved in company governance in the construction and infrastructure industries. During the past 5 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	63	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	55	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 SECRETARY

Mr. Brian H. Bailison

Brain Bailison, aged 40, 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.

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 Committee	
Director	**A**	**B**	**A**	**B**
B. M. Boyd	5	5	-	-
R. R. Short	5	5	2	2
C.I. Gabriel	5	5	2	2

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

4. PRINCIPAL ACTIVITY

The principal activities of the consolidated entity during the year were property investment, development and the sale of undeveloped land and completed apartments. There were no significant changes in the activities of the consolidated entity during the year.

5. OPERATING RESULTS

The consolidated profit of the consolidated entity after providing for income tax and eliminating minority equity interests amounted to $12,797,000.

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 was derived as follows:

	$'000
Profit from operations	3,835
Net financing income	2,410
Income from debt forgiveness	150
Doubtful debts and provisioning against receivables	(400)
Profit on disposal of investments in associates	11,262
Share of profits from equity accounted investments	521
Profit before Income Tax	**17,778**

Operations – Divestments and Financing

During the financial year under review, the consolidated entity continued and effectively completed the remaining sale of non-core assets and operating businesses, the repayment of corporate debt and the sustained refocus of its activities on wholly owned major developments.

On 24 September 2010, the consolidated entity divested of its remaining 25% interest in the Wentworth Point joint venture to its joint venture partner Sekisui House for a total consideration of $39 million. This transaction resulted in a recorded profit of $13 million.

Following the successful merger of Payce Child Care in March 2010 with ASX listed childcare operator G8 Education Limited, the consolidated entity exited its entire holding by way of on-market sale of shares (at 86c per share) in November 2010, resulting in a recorded profit on sale of associate of $10.8 million.

The consolidated entity utilised these proceeds to fully repay the Corporate Facility in March 2011, resulting in further de-gearing and discharge of the balance sheet. At 30 June 2011, the consolidated entity's recorded financial liabilities were $26.4 million, which are limited in recourse against specific assets.

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 a selective share buy-back and an 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 entities associated with Basil Klevansky	29 March 2011	727,173	3.00	2,210
On-Market General Buy-Back	30 April 2011	1,826,682	3.00	5,579
		2,553,855		**7,789**

Operations – Other Activities

APEX development - Victoria Park

During the year under review the consolidated entity progressed the development of the 6,700sqm development site, located at 6 Defries Avenue Victoria Park, known as "APEX", having near fully pre-sold the 153 residential units and commenced construction. As announced to the market on 3 June 2011, Westpac Banking Corporation Limited ("Westpac") agreed to provide a 2 year Cash Advance Facility to fund the development. The project is forecast to complete by the end of 2012.

Artisan development - Chiswick

The joint venture development team reached practical completion of the 129 unit residential development, known as "Artisan", in Sydney's inner-west in June 2011. Subsequent to year-end the joint venture commenced the settlement of the completed units and repayment of construction finance, with final completion expected by the end of September 2011. The consolidated entity's interest in the joint venture is accounted for using the equity method of accounting.

Victoria Park Central – Victoria Park

During the year the consolidated entity acquired an additional 45% interest in Henlia Holdings Ltd (formerly known as Babcock & Brown Apartment Investment Company Ltd) increasing the Group's equity interest to 95%. The investment, previously an equity accounted associate, is now recorded as a consolidated subsidiary. Henlia Holdings owns a mixed-use development site at Victoria Park which includes future approval for a mix of retail, commercial and residential usages. The consolidated entity is currently progressing the development of this site.

Riverwood North Urban Renewal project

Following the 2010 project announcement, the consolidated entity is proceeding with this urban renewal project with the NSW Government to create integrated social and private housing at Riverwood North, Sydney. The project includes the replacement of 150 social housing units and the construction of up to 500 private units on the four hectare site over the next 9 years.

8. ENVIRONMENTAL REGULATION

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

9. FINANCIAL POSITION

The net assets of the consolidated entity increased from $88.2 million at 30 June 2010 to $93.1 million at 30 June 2011. During the year, the consolidated entity's total asset position decreased by $16.2 million to $122.9 million at 30 June 2011, whilst total liabilities decreased by $21.1 million to $29.8 million at 30 June 2011. The decrease in assets is predominantly due the sale of investment properties and 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 2011.

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 over 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 - Audited

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

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group including the five most highly remunerated Company and Group executives.

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.

18. REMUNERATION REPORT (continued) - *Audited*

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.

	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Net profit /(loss)	12,797	1,518	(33,693)	(17,443)	26,513
Share price at year end	$3.01	$1.50	$0.75	$2.45	$3.00

Service Agreements

Remuneration and other terms of employment for executives are formalised in service contracts. For executive directors no formalised service contracts exist.

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 section 18.4 of the Directors' Report.

18. REMUNERATION REPORT (continued) -*Audited*

18.2 Directors' and senior executives' remuneration (Company and Consolidated) - Audited

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

				Short-term	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**	**Non-cash benefits**	**Super-annuation**						
B.J. Klevansky (resigned 15 April 2011) *General Manager*	2011	249,375	-	-	22,444	-	66,635	-	338,454	0.0%	0.0%
	2010	315,000	-	32,074	28,350	279	-	-	375,703	0.0%	0.0%
B.H. Bailison *Company Secretary / Chief Financial Officer*	2011	297,000	900,000	3,427	18,000	473	-	23,131	1,242,031	74.3%	1.9%
	2010	297,000	-	15,992	18,000	266	-	61,772	393,030	15.7%	15.7%
D.J. Sullivan *Project Director*	2011	204,564	137,615	37,692	30,796	15,054	-	-	425,721	32.3%	0.0%
	2010	152,385	18,349	28,184	15,366	10,719	-	-	225,003	8.2%	0.0%
Total	2011	750,939	1,037,615	41,119	71,240	15,527	66,635	23,131	2,006,206	52.9%	1.2%
Total	2010	764,385	18,349	76,250	61,716	11,264	-	61,772	993,736	8.1%	6.2%

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) - Audited

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

		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	2011	40,000	-	30,000	6,300	-	-	-	76,300	0.0%	0.0%
	2010	63,150	-	-	2,250	-	-	-	65,400	0.0%	0.0%
C.I. Gabriel (appointed 8 July 2010)	2011	70,000	-	-	6,300	-	-	-	76,300	0.0%	0.0%
	2010	-	-	-	-	-	-	-	-	-	-
Executive											
D.H. Macintosh (resigned 8 July 2010)	2011	-	229,358	-	22,714	-	212,466	-	464,538	49.4%	0.0%
	2010	159,583	-	-	13,750	2,622	-	-	175,955	0.0%	0.0%
B.M. Boyd	2011	108,725	-	139,858	18,298	3,986	-	-	270,867	0.0%	0.0%
	2010	108,725	-	191,915	18,298	2,740	-	-	321,678	0.0%	0.0%
Total (Consolidated)	2011	218,725	229,358	169,858	53,612	3,986	212,466	-	888,005	25.8%	0.0%
	2010	331,458	-	191,915	34,298	5,362	-	-	563,033	0.0%	0.0%
Total (Company)	2011	110,000	-	30,000	12,600	-	-	-	152,600	0.0%	0.0%
	2010	63,150	-	-	2,250	-	-	-	65,400	0.0%	0.0%

18. REMUNERATION REPORT (continued) - *Audited*

18.3 Analysis of bonuses included in remuneration - Audited

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 - Audited

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	100%	-	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:

	2011 $	2010 $
1. Audit Services		
Audit and review of financial reports and other audit work under the Corporations Act 2001		
KPMG Australia	246,730	295,930
2. Other Services		
Accounting Advice		
KPMG Australia	10,000	10,915
Total Remuneration	**256,730**	**306,845**

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

The Lead Auditor's Independence Declaration is set out overleaf and forms part of the directors' report for the financial year ended 30 June 2011.

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
22 August 2011

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 2011 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

Nigel Virgo
Partner

Sydney

19 August 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

The Audit Committee 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.

SECURITIES TRADING POLICY

The Board has established and adopted a securities trading policy in relation to directors and employees holding and dealing in the Company's securities as was lodged with the ASX on 29 December 2010.

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; and
- 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**
2.2 and 2.3 Chairperson should be an independent director and should be separate from the Managing Director	The Chairman and Managing Director, Mr B.M. Boyd, has been an integral part of the Company and is 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/person.
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.
3.2, 3.3 & 3.4 Diversity Policy	Due the small number of staff employed by the Company, there is no formal Diversity Policy at this time. Notwithstanding the above, females constitute 50% of full time equivalent employees.
8.1 & 8.2 Remuneration	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.

OTHER INFORMATION

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

		Consolidated	
	Note	2011 $'000	2010 $'000
Continuing Operations			
Revenue	5	62,917	66,467
Cost of sales	6	(45,216)	(60,763)
Gross profit		17,701	5,704
Other income	5	11,502	1,602
Change in fair value of investment properties		-	5,650
Administration expenses		(10,075)	(10,998)
Property expenses		(1,107)	(1,383)
Marketing expenses		(2,325)	(684)
Impairment of trademarks		(26)	-
Impairment of available for sale financial assets		(33)	-
Impairment of property, plant and equipment		(398)	-
Loss from debts forgiven		-	(384)
Loss on disposal of investment properties		(182)	-
Loss on disposal of subsidiary		(210)	-
Profit/(loss) before tax and net financing costs		14,847	(493)
Finance income		4,267	3,370
Finance costs		(1,857)	(2,375)
Net financing income	7	2,410	995
Share of profits of equity accounted investments	32	521	86
Profit before income tax		17,778	588
Income tax (expense) / benefit	8	(4,981)	302
Profit from continuing operations		12,797	890
Profit from discontinued operation (net of income tax)	9	-	628
Profit for the period		12,797	1,518

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

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Profit for the period		12,797	1,518
Other comprehensive income			
Revaluation of available for sale financial assets (net of tax)		(116)	80
Total comprehensive profit for the period		12,681	1,598
Profit attributable to:			
Owners of the Company		12,797	1,518
Profit for the period		12,797	1,518
Total comprehensive profit attributable to:			
Owners of the Company		12,681	1,598
Total comprehensive profit for the period		12,681	1,598
Earnings per share			
Basic earnings per share (cents per share)	11	40.4	3.9
Diluted earnings per share (cents per share)	11	40.4	3.9
Continuing operations			
Basic earnings per share (cents per share)	11	40.4	2.3
Diluted earnings per share (cents per share)	11	40.4	2.3

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

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Current Assets			
Cash and cash equivalents	13	9,442	11,494
Trade and other receivables	14	12,566	15,242
Properties held for development and resale	15	2,856	43,647
Other assets	21	1,625	1,582
Total Current Assets		26,489	71,965
Non-Current Assets			
Trade and other receivables	14	10,529	1,000
Properties held for development and resale	15	79,687	47,452
Investments accounted for using the equity method	16	1,866	4,813
Property, plant and equipment	17	598	1,190
Investment properties	18	-	5,683
Financial assets	19	385	551
Deferred tax assets	25	1,851	5,754
Intangible assets	20	-	26
Other assets	21	1,510	700
Total Non-Current Assets		96,426	67,169
Total Assets		122,915	139,134
Current Liabilities			
Trade and other payables	22	2,607	2,160
Financial liabilities	23	-	25,401
Short-term provisions	24	608	891
Total Current Liabilities		3,215	28,452
Non-Current Liabilities			
Trade and other payables	22	178	821
Financial liabilities	23	26,379	21,582
Long-term provisions	24	38	39
Total Non-Current Liabilities		26,595	22,442
Total Liabilities		29,810	50,894
Net Assets		93,105	88,240
Equity			
Issued capital	26	45,382	52,172
Reserves	27	19,048	19,191
Retained earnings		28,675	16,877
Total Equity attributable to equity holders of the company		93,105	88,240

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

	Issued Capital	Retained Earnings	Capital Profits Reserve	Share Based Payments Reserve	Asset Revaluation Reserve	Available-For-Sale Investments Revaluation Reserve	Asset Realisation Reserve	Shares Forfeited	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated									
Balance at 1 July 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**
Transfer revaluation increment to asset realisation reserve being increment realised on sale of land held for redevelopment	-	-	-	-	(1,357)	-	1,357	-	-
Shares repurchased	(6,790)	(999)	-	-	-	-	-	-	(7,789)
Equity-settled transactions, net of tax	-	-	-	23	-	-	-	-	23
Revaluation of shares available for sale	-	-	-	-	-	(166)	-	-	(166)
Profit attributable to owners of the Company	-	12,797	-	-	-	-	-	-	12,797
Balance at 30 June 2011	**45,382**	**28,675**	**2,021**	**525**	**26**	**(53)**	**16,525**	**4**	**93,105**

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

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers		32,607	68,665
Payments to suppliers and employees		(25,191)	(28,937)
Payments for the acquisition of development properties		(1,500)	-
Finance income received		2,201	1,196
Finance costs paid		(3,487)	(82)
Partnership distributions received		-	300
Income taxes paid		(1,079)	(141)
Net cash provided by operating activities	34a	3,551	41,001
Cash flows from investing activities			
Payments for investments		-	(547)
Dividends and distributions received		427	258
Proceeds from sale of investment properties		5,520	-
Payment for investment in subsidiary		(494)	-
Disposal of discontinued operation, net of cash disposed of		-	4,004
Payments for investments in associates		(3,046)	(5,997)
Payments for the acquisition of development properties		-	(10,754)
Proceeds on disposal of investment in associate		17,460	4,982
Proceeds from return of capital by associate		-	2,948
Loans to other entities		(1,969)	(691)
Proceeds from repayment of loans to other parties		7,460	5,379
Proceeds from repayment of loans to associates		-	400
Payments for property, plant and equipment		(447)	(774)
Proceeds from sale of property, plant, and equipment		272	52
Payments for intangibles		-	(10)
Net cash from investing activities		25,183	(750)
Cash flows from financing activities			
Buy back of own shares		(7,789)	(15,881)
Proceeds from borrowings		26,379	6,500
Repayment of borrowings		(49,376)	(28,447)
Net cash used in from financing activities		(30,786)	(37,828)
Net (decrease) increase in cash held		(2,052)	2,423
Cash at beginning of financial year	13	11,494	9,071
Cash at end of financial year	13	9,442	11,494

The Consolidated Statement of cashflows 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 2011 comprise the Company and its controlled entities and interests in associates and jointly controlled entities (together referred to as the "Group").

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 consolidated financial statements are general purpose financial statements which have 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") adopted by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorised for issue by the Board of Directors on 22 August 2011.

(b) Basis of measurement and functional currency

The financial report is presented in Australian dollars (the Group's functional currency) and has 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 consolidated 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. (Note 14).
- Intangible assets – measurement of recoverable amounts of cash generating units containing intangible assets. (Note 20).
- Employee benefits – measurement of share-based payments. (Note 35).
- Investment Properties – measurement of fair value. (Note 18).
- Tax assets and liabilities – recognition of deferred tax assets. (Note 25.)
- Properties held for development and resale. (Note 15).

Note 2. Basis of Preparation (continued)

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

(a) Basis of consolidation

The consolidated financial statements of the Group for the financial year ended 30 June 2011 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 Group. 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. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes a deficit balance for the non-controlling interests.

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.

Note 3. Significant Accounting Policies (continued)

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.

(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

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.

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.

Note 3. Significant Accounting Policies (continued)

(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.

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.

Note 3. Significant Accounting Policies (continued)

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.

Note 3. Significant Accounting Policies (continued)

(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.

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 in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

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

Note 3. Significant Accounting Policies (continued)

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.

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 is made on the basis of the value at which the properties could be exchanged between willing parties in an arm's length transaction and takes into consideration current prices in an active market for similar properties in the same location and condition and subject to similar leases.

Note 3. Significant Accounting Policies (continued)

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.

(m) Impairment of assets

Financial assets

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

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

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

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

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

Non-financial assets

The carrying amount of the consolidated entity's non-financial assets, other than deferred tax assets (Note 25), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication

Note 3. Significant Accounting Policies (continued)

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.

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

Note 3. Significant Accounting Policies (continued)

cost of the assets. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(t) Share-based payment transactions

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

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

(u) Earnings per share

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

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

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) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

Note 5. Revenue and Other Income

	Consolidated	
	2011 $'000	2010 $'000
Sales revenue		
Property development sales *	57,123	58,578
Rent received	3,695	4,135
Other sales income	924	1,191
Other	1,175	2,563
Total revenue	62,917	66,467
Other Income		
Debt forgiveness	150	525
Profit on sale of associates **	11,262	1,077
Other	90	-
Total other income	11,502	1,602

* On 24 September 2010, the Group completed the sale of its remaining joint venture interests at Wentworth Point to Sekisui House by way of sale of its interests in its joint venture entity subsidiaries Henlia No 1 Pty Ltd, Henlia No 2 Pty Ltd, Henlia No 11 Pty Ltd and Henlia No 17 Pty Ltd. Total consideration for the transaction was $39 million. The transaction resulted in a recorded profit of $13 million for the year.

** Following the successful merger of Payce Child Care in March 2010 with ASX listed childcare operator G8 Education Limited, the Group divested of its holding by an on-market sale of shares (at 86c per share) in November 2010 recording a profit on sale of associate of $10.8 million.

Note 6. Expenses excluding Net Financing Costs

	Consolidated 2011 $'000	Consolidated 2010 $'000
Cost of sales		
Property development sales	45,216	60,763
Other expenses included in Administration expenses		
Depreciation		
Buildings	-	28
Plant and equipment	398	180
Total depreciation	398	208
Impairment of receivables		
Impairment of current trade and other receivables	400	1,961
Impairment of non-current trade and other receivables	-	801
Total impairment of receivables	400	2,762
Rental expense on operating leases		
Minimum lease payment	277	156
Expenditure on investment property generating rental income	327	310
Employee benefits expense		
Wages and salaries	4,910	3,808
Other associated personnel expenses	269	257
Contributions to defined contribution superannuation funds	230	253
Equity settled share based payments	23	62
(Decrease) / increase in employee benefits provisions	(283)	13
Total employee benefits expense	5,149	4,393

Note 7. Net Financing Income

	Consolidated 2011 $'000	Consolidated 2010 $'000
Finance income	4,267	3,370
Finance expense	3,488	4,159
Amount capitalised	(1,631)	(1,784)
Finance costs	1,857	2,375
Net financing income	2,410	995

Note 8. Income Tax

	Consolidated 2011 $'000	Consolidated 2010 $'000
The components of income tax comprise		
Current tax expense	2,018	1,366
Deferred tax expense	1,885	1,071
Under /(over) provision from prior year and unrecognised tax losses	1,078	(2,739)
	4,981	(302)
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax expense on profit from ordinary activities before income tax at 30% (2010: 30%)	5,333	177
Non-deductible expenses	285	369
Taxable income not recognised for accounting – permanent differences	(1,715)	1,891
Recognition of previously unrecognised tax losses	-	(4,000)
Under provision for income tax in prior year	1,078	1,261
	4,981	(302)

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 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.

	Consolidated 2011 $'000	Consolidated 2010 $'000
Results of discontinued operation		
Revenue	-	10,001
Expenses	-	(9,375)
Finance income	-	39
Finance expense	-	-
Impairment of goodwill	-	-
Result before income tax	-	665
Income tax	-	(617)
Result after income tax	-	48
Gain on sale of discontinued operation	-	580
Result for the period	-	628

	Consolidated 2011 $'000	Consolidated 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 2011 $	Consolidated 2010 $
Audit Services		
Auditors of the Company (KPMG)		
Audit and review of financial reports		
Current year	160,000	225,930
Prior year	86,730	70,000
Other Auditors	25,750	8,240
	272,480	304,170
Other Services		
Auditors of the Company (KPMG)		
Accounting Advice	10,000	10,915
Other Auditors		
Accounting and advisory services	302,489	207,044
	312,489	217,959

Note 11. Earnings per Share

	Consolidated 2011 $'000	Consolidated 2010 $'000
a. Reconciliation of earnings to profit or loss		
Profit from continuing operations	12,797	890
Earnings used to calculate basic and diluted EPS from continuing operations	12,797	890
Profit from discontinued operation (net of income tax)	-	628
Earnings used to calculate basic EPS	12,797	1,518
	Number	**Number**
b.Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	31,681,206	39,333,366
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	31,681,206	39,333,366

At 30 June 2011 1,800,000 (2010: 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.

Note 12. Dividends

	Consolidated 2011 $'000	Consolidated 2010 $'000
a. No dividends of the Company have been paid, declared or recommended during the year ended 30 June 2011 or since that date.		
b. Balance of franking account	1,451	373

Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%).

Note 12. Dividends (continued)

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

	Consolidated	
	2011 $'000	2010 $'000
Cash on hand	3	3
Cash at bank	9,439	11,491
	9,442	11,494

The effective interest rate on short term bank deposits was 4.73% (2010: 4.36%).

Note 14. Trade and Other Receivables

	Consolidated	
	2011 $'000	2010 $'000
Current		
Trade receivables	693	1,571
Provision for impairment of receivables	-	(39)
	693	1,532
Other receivables	6,095	16,534
Provision for impairment of receivables	(1,687)	(8,744)
	4,408	7,790
Amounts receivable from		
Associated companies and jointly controlled entities	7,465	6,225
Provision for impairment of receivables	-	(305)
	7,465	5,920
	12,566	15,242
Non-current		
Other receivables	10,529	1,000
Provision for impairment of receivables	-	-
	10,529	1,000
Amounts receivable from associated companies	-	801
Provision for impairment of amounts receivable	-	(801)
	-	-
	10,529	1,000

Note 15. Properties held for Development and Resale

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Properties held for development and sale		
At cost	1,356	33,821
Transfer from property, plant and equipment	-	659
Amounts capitalised to development properties		
Development expenses	1,430	7,036
Rates, taxes and interest	70	2,131
	2,856	43,647
Non-current		
Properties held for development and sale		
At cost	69,146	10,605
Transfer from Investment properties – at valuation	-	36,000
Amounts capitalised to development properties		
Development expenses	8,603	583
Rates, taxes and interest	1,938	264
	79,687	47,452
Finance costs recognised during the financial year as part of the carrying amount	1,631	1,784
Capitalisation rate	7.9%	8.8%

Note 16. Investments Accounted for using the Equity Method

	Consolidated 2011 $'000	Consolidated 2010 $'000
Jointly controlled entities	1,866	4,813

Note 17. Property, Plant & Equipment

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

2011	Leasehold improvements $'000	Plant & Equipment $'000	Office Equipment $'000	Motor Vehicles $'000	Total $'000
Cost					
Balance at 1 July 2010	604	990	258	5	1,857
Transfer to administration expenses	-	-	(16)	-	(16)
Disposals through deconsolidation	(45)	(233)	(25)	(5)	(308)
Additions		214	235	-	449
Disposals	-	(961)	(157)	-	(1,118)
Balance at 30 June 2011	559	10	295	-	864
Accumulated depreciation					
Balance at 1 July 2010	72	535	58	2	667
Disposals through deconsolidation	(17)	(25)	(4)	(2)	(48)
Depreciation charge	131	87	180	-	398
Disposals	-	(594)	(157)	-	(751)
Balance at 30 June 2011	186	3	77	-	266
Net Book Value at 30 June 2011	**373**	**7**	**218**	**-**	**598**

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

Note 18. Investment Properties

	Consolidated 2011 $'000	Consolidated 2010 $'000
Carrying amount at beginning of year	5,683	34,248
Acquisitions (subsequent expenditure)	21	505
Fair value adjustments	-	5,650
Transfers to properties held for development and resale	-	(36,000)
Transfers from property plant and equipment	-	1,280
Disposals	(5,704)	-
	-	5,683

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 operating leases

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

	2011 $'000	2010 $'000
Receivable		
not later than 1 year	3,185	2,526
later than 1 year but not later than 5 years	9,820	10,748
later than 5 years	-	1,056
	13,005	14,330

Note 19. Financial Assets

	2011 $'000	2010 $'000
Available-for-sale financial assets		
Shares in listed securities - at fair value	385	551

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.

Note 20. Intangibles

	Consolidated 2011 $'000	Consolidated 2010 $'000
Trademark		
At cost	26	16
Additions	-	10
Impairments	(26)	-
	-	26
Childcare licences		
At cost	-	19,707
Accumulated impairment losses	-	(9,667)
Disposal by way of discontinued operation (see Note 9)	-	(10,040)
	-	-
Total intangibles	-	26
Carrying amounts at beginning of year	26	10,056
Additions	-	10
Disposal as part of discontinued operation (See Note 9)	-	(10,040)
Impairment losses	(26)	
Carrying amount at end of year	-	26

Note 21. Other Assets

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Prepayments	494	980
Other	1,131	602
	1,625	1,582
Non-current		
Prepayments	1,510	700

Note 22. Trade and Other Payables

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Trade payables	754	719
Interest received in advance	-	128
Other payables and accruals	1,853	1,313
	2,607	2,160
Non-current		
Option deposits	178	821
	178	821

Note 23. Financial Liabilities

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Loans (secured)	-	25,401
	-	25,401
Non-current		
Notes (secured)	-	21,582
Loans (secured)	26,379	-
	26,379	21,582

Details of the facilities in place at 30 June 2011:

Finance Provider	Limit $'000	Amount drawn at 30 June 2011 $'000	Expiry
Westpac – Henlia No. 3 – Commercial Bill Line Facility	18,000	18,000	14 February 2014
Westpac – Henlia No. 20 – Construction Facility	60,181	8,379	13 March 2013
		26,379	

Loans (secured)

Westpac – Henlia No 3 – Commercial Bill Line Facility

On 16 March 2011, the Company agreed with Westpac Banking Corporation Limited ("Westpac") a 3 year interest only Commercial Bill Line Facility. The Facility has a limit of $18 million, an LVR limit of 45% and a 1.5 times interest cover covenant, all of which were complied with at 30 June 2011.

The Facility is secured by a fixed and floating charge over Henlia No. 3 Pty Ltd and real property mortgage over the freehold property of Henlia No. 3 Pty Ltd.

Westpac – Henlia No 20 – Construction Facility

On 1 June 2011, the Company entered into a Construction Facility Agreement with Westpac Banking Corporation Limited ("Westpac") to fund the construction of the APEX development located at Victoria Park, Sydney including the refinance of the prior year $6.5 million land facility. The Facility has a limit of $60.181 million and an LVR limit of 65%, both of which were complied with at 30 June 2011.

The Facility is secured by a fixed and floating charge over Henlia No. 20 Pty Ltd, real property mortgage over the freehold property of Henlia No. 20 Pty Ltd and a limited cost overruns guarantee from Payce Consolidated Limited.

Secured assets

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

	2011	2010
First mortgage		
Properties held for development and resale	55,126	91,099
Investment properties	-	5,683
Floating charge over assets	1,934	42,352
	57,060	139,134

Note 24. Provisions

Current		
Employee benefits	608	891
Non-current		
Employee benefits	3	4
Leasehold make good costs	35	35
	38	39

	Employee benefits $'000	Lease make good costs $'000	Total $'000
Movement in provisions during the year			
Balance at 1 July 2010	895	35	930
Additional provisions	167	-	167
Amounts used	(451)	-	(451)
Balance at 30 June 2011	611	35	646

(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 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 2010	5,754
Movement for the year	(3,903)
Balance at 30 June 2011	1,851

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets 2011 $'000	Liabilities 2011 $'000	Net 2011 $'000	Net 2010 $'000
Properties held for development & resale	-	(13,186)	(13,186)	(2,829)
Investments accounted for using the equity method	127	-	127	(657)
Property, plant & equipment	439	-	439	(103)
Investment properties	-	-	-	(1,917)
Other	8,388	-	8,388	3,159
Tax loss carry-forwards	6,083	-	6,083	8,101
Tax assets/(liabilities)	15,037	(13,186)	1,851	5,754

Note 26. Issued Capital

	Consolidated 2011 $'000	Consolidated 2010 $'000
Issued		
29,745,225 (June 2010: 32,299,080) ordinary shares fully paid	45,382	52,172

	Number	Number
Balance at beginning of financial period	32,299,080	46,400,215
Shares bought back and cancelled during the period	(2,553,855)	(14,101,135)
Balance at end of financial period	29,745,225	32,299,080

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 relating to share options issued to key management personnel during the financial year refer to 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 a selective share buy-back and an 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 entities associated with Basil Klevansky	29 March 2011	727,173	3.00	2,210
On-Market General Buy-Back	30 April 2011	1,826,682	3.00	5,579
		2,553,855		**7,789**

The gearing ratio for the year ended 30 June 2011 and 30 June 2010 are as follows:-

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Total borrowings (including payables)	22, 23	29,164	49,964
Less cash and cash equivalents	13	(9,442)	(11,494)
Net debt		19,722	38,470
Total equity		93,105	88,240
Total capital		112,827	126,710
Gearing ratio		17%	30%

Note 27. Reserves

	Consolidated	
	2011	2010
	$'000	$'000
Reserves	19,048	19,191

(a) Capital Profits

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

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

Note 28. Contingent Liabilities

Consolidated and Company

	2011 $'000	2010 $'000
a. Guarantees given in the ordinary course of business for borrowings and commitments of controlled entities	5,400	29,082
b. Guarantees given in the ordinary course of business for borrowings and commitments of an associated company	2,500	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 Pty Limited
Payce Management Pty Limited
Pacific Assets Pty Limited
Payce Properties Pty Limited
Payce Finance Pty Limited
H.B. Properties Pty Limited
Quadratical Pty Limited

Note 29. Forward Commitments

	Consolidated 2011 $'000	2010 $'000
Non-cancellable operating lease commitments		
payable not later than one year	218	282
later than one year but not later than 5 years	391	629
later than 5 years	-	-
	609	911

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 2011 $'000	2010 $'000
Short-term employee benefits	2,447,614	1,382,357
Other long term benefits	19,513	16,626
Post-employment benefits	124,852	96,014
Termination benefits	279,101	-
Share-based payments	23,131	61,772
	2,894,211	1,556,769

Note 30. Related Party Transactions (continued)

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.

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 2010	Granted as compens-ation	Exercised	Other changes	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
B.J. Klevansky	1,200,000	-	-	-	1,200,000	-	1,200,000
B.H. Bailison	600,000	-	-	-	600,000	200,000	600,000
	1,800,000	-	-	-	1,800,000	200,000	1,800,000

	Held at 1 July 2009	Granted as compens-ation	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

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 2010	Received during the year as remuneration	Other changes	Held at 30 June 2011
B.M. Boyd	14,006,799	-	-	14,006,799
R.R. Short	65,000	-	-	65,000
B.J. Klevansky	727,173	-	(727,173)	-
	14,798,972	-	(727,173)	14,071,799

	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

Note 30. Related Party Transactions (continued)

Other related party transactions

	Transaction value year ended 30 June		Balance outstanding as at 30 June	
	2011	2010	2011	2010
Consolidated				
Associate - development & project management services	1,012,636	2,350,775	11,109	1,086,618
Associates - loans to associates	1,309,706	-	7,465,042	5,904,146
Associate - interest income	485,845	215,127	-	215,127
Associate - interest expense	308,727	1,263,782	-	1,263,782
Associate - debt forgiveness received	150,294	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	
	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	9,442	11,494
Trade and other receivables	-	559
	9,442	12,053
Financial liabilities		
Notes (secured)	-	21,582
Loans (secured)	26,379	6,500
	26,379	28,082
Net exposure	(16,937)	(16,029)

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.

Note 31. Financial Risk Management (continued)

At 30 June 2011, and at 30 June 2010, 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)	
	2011 $,000	2010 $,000	2011 $,000	2010 $,000
Consolidated				
+1% (100 basis points)	(76)	(27)	(76)	(27)
-1% (100 basis points)	76	27	76	27

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

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	
	2011 $'000	2010 $'000
Cash and cash equivalents	9,442	11,494
Trade and other receivables	693	1,571
Provision for impairment	-	(39)
	693	1,532
Vendor property financing	78	1,307
Provision for impairment	-	(385)
	78	922
Loans and other receivables	16,546	16,227
Provision for impairment	(1,687)	(8,359)
	14,859	7,868
Amounts due from associated companies and jointly controlled entities	7,465	7,026
Provision for impairment	-	(1,106)
	7,465	5,920
	32,537	27,736

Provision for Impairment Losses

At each 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.

Note 31. Financial Risk Management (continued)

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 $21,539,000 (2010: $14,848,000).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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 2011:

	Carrying Amount $'000	Contractual Cash Flow $'000	Less than 1 year $'000	Between 1 – 5 years $'000	Over 5 Years $'000
Consolidated					
2011					
Trade and other payables	2,785	2,785	2,607	-	178
Notes (secured)	-	-	-	-	-
Loans (secured)	26,379	32,070	1,362	30,708	-
	29,164	34,855	3,969	30,708	178
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

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 2011.

(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 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	
		2011 %	2010 %	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Associated Companies							
BRIC Holdings Pty Ltd (note e)	Investment in residential property	-	50.0%	-	32	-	24
Henlia No. 7 Pty Ltd (note a)	Property development	50.1%	50.1%	6,415	5,717	(71)	(329)
The Waterfront Partnership (note b)	Real estate agency	-	50.0%	-	89	217	389
Babcock & Brown Apartment Investment Trust	Property development	50.0%	50.0%	7	6	-	-
Henlia Holdings Limited (Formerly Babcock & Brown Apartment Investment Company Limited) (note c)	Property development	-	50.0%	-	181	-	-
G8 Education Limited (note d)	Child care services	-	16.8%	-	4,692	398	2
Jointly Controlled Entities							
PayWin Developments Pty Ltd	Property development	50.0%	-	2,892	-	(23)	-
Total				9,314	10,717	521	86

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 - 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 b - In June 2011 the consolidated entity disposed of its interest in the Waterfront Partnership.

Note c - On 6 October 2010, Henlia Holdings Limited became a controlled entity. Refer Note 39.

Note d - On 5 November 2010, the consolidated entity disposed of its interest in G8 Education Limited.

Note e - The entity was deregistered during the year under review.

Note 32. Associated Companies and Jointly Controlled Entities (continued)

	Consolidated 2011 $'000	Consolidated 2010 $'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	10,717	8,885
New investments during the year	3,070	7,813
Return of investment during the year	(6,361)	(3,206)
New loan advances during the year	1,161	6,520
Loan repayments during the year	-	(578)
Share of associated company and jointly controlled entity profit/(loss) after income tax	521	86
Investment balance originating on de-recognition of associates	-	(7,893)
Impairment of investment	(32)	-
Loan balance originating on de-recognition of associates	(181)	-
Debt forgiveness	150	-
Partnership profit distribution received	(215)	(400)
Impairment of loan	-	(725)
Interest on loan	484	215
Balance at the end of the financial year	9,314	10,717

(b) Equity accounted profits of associated companies and jointly controlled entities are broken down as follows:

	2011 $'000	2010 $'000
Share of associated company and jointly controlled entity profit before income tax expense	692	148
Share of associated company and jointly controlled entity's income tax expense	(171)	(62)
Share of associated company and jointly controlled entity profit after income tax	521	86

(c) Summarised presentation of aggregate assets, liabilities and performance of associated companies and jointly controlled entities

	2011 $'000	2010 $'000
Current assets	2,827	4,960
Non-current assets	58,882	143,377
Total assets	61,709	148,337
Current liabilities	23,451	117,457
Non-current liabilities	57,996	46,986
Total Liabilities	81,447	164,443
Net assets	(19,738)	(16,106)
Revenue	1,430	45,129
Expenses	(1,183)	(41,716)
Profit after income tax of associated companies and jointly controlled entities	247	3,413

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 associates and jointly controlled entities that are 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 business segments:

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

Primary Reporting - Business Segments

	Development Activities		Rental Properties		Childcare (Discontinued)		Consolidated	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Revenue								
External sales	59,241	60,334	1,572	2,513	-	10,001	60,813	72,848
Unallocated revenue							2,104	3,620
							62,917	76,468
Result								
Segment result	11,456	(1,757)	68	5,201	-	679	11,524	4,123
Unallocated income and expenses							6,254	(2,907)
Profit before income tax							17,778	1,216
Income tax (expense)/ benefit							(4,981)	302
Profit after income tax							12,797	1,518
Assets								
Segment assets	82,544	91,099	-	5,683	-	-	82,544	96,782
Unallocated assets							40,371	42,352
Total assets							122,915	139,134
Liabilities								
Segment liabilities	26,379	46,983	-	-	-	-	26,379	46,983
Unallocated liabilities							3,431	3,911
Total liabilities							29,810	50,894
Other								
The segment result includes the following non-cash items:								
Write-down of properties held for resale to net realisable value	(906)	-	-	-	-	-	(906)	-
Depreciation and amortisation of segment assets	-	-	(131)	(44)	-	(95)	(131)	(139)
Change in fair value of investment property	-	-	-	5,650	-	-	-	5,650

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 2011 $'000	Consolidated 2010 $'000
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after Income Tax	12,797	1,518
Non-cash flows in profit/(loss)		
Depreciation and amortisation	398	302
Loss/ (profit) on disposal of property, plant and equipment	358	(22)
Profit on disposal of associate	(11,261)	-
Impairment of trade and other receivables	-	2,762
Gain on revaluation of investment properties	-	(5,650)
Loss on sale of investment properties	182	-
Equity-settled share based payment expenses	-	62
Share of associated companies' net profit after income tax	(543)	(86)
Accrued interest earnings	(918)	-
Income from debt forgiveness	(150)	(525)
Loss from debts forgiven	-	384
Increase in employee benefit provision	-	624
Development property revenues settled by divestment of liabilities	(19,655)	-
Other non-cash items	(49)	-
Changes in assets and liabilities, net of the acquisition and disposal of controlled entities		
Change in receivables	(11,426)	(2,632)
Change in other assets	(853)	(1,841)
Change in property held for resale	31,099	49,139
Change in deferred tax asset	3,902	(289)
Change in payables	(46)	(2,722)
Change in provisions	(284)	(23)
Cash flow from operations	3,551	41,001

(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.

	2011 $'000	2010 $'000
Cash on hand and at bank	9,442	11,494
Net cash assets	9,442	11,494

(c) Financing facilities

At 30 June 2011 bank financing facilities of $78,181,000 (2010: $64,750,000) were available to the consolidated entity, of which $26,379,000 (2010: $46,983,000) 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.

Note 35. Share Based Payments (continued)

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

Consolidated	2011 Number of options	2011 Weighted Average Exercise Price $	2010 Number of options	2010 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	1,800,000	3.00	1,600,000	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 $23,131 (2010: $61,772) and relates in full to equity-settled share-based payment transactions.

Note 36. Controlled Entities

H.B. Properties Pty Ltd
Henlia Holdings Ltd
Henlia No. 3 Pty Ltd
Henlia No. 20 Pty Ltd
Henlia No. 21 Pty Ltd
Payce Communities Pty Ltd
Pacific Assets Pty Ltd
Quadratical Pty Ltd
Matthews Civil Pty Ltd
Payce Industries Pty Ltd
Payce Finance Pty Ltd
Payce Finance No. 2 Pty Ltd
Payce Land Holdings Pty Ltd
Payce Management Pty Ltd
Payce Properties Pty Ltd
PRT 1 Pty Ltd ATF PRT Trust
Trade Winds Finance Pty Ltd

All controlled entities are 100% owned except for Henlia Holdings and Matthews Civil which are 95% and 75% owned respectively.

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:

- On 24 September 2010, the consolidated entity completed the sale of its interests in the Wentworth Point joint ventures with Sekisui House by way of sale of its interests in subsidiaries Henlia No. 1 Pty Ltd, Henlia No. 2 Pty Ltd, Henlia No. 11 Pty Ltd and Henlia No. 17 Pty Ltd.
- On 6 October 2010 the consolidated entity acquired an additional 45% of the equity in Henlia Holdings Limited (formerly Babcock and Brown Apartment Investment Company Limited). As a result the consolidated entity's equity interest increased from 50% to 95%. Refer note 39.
- In June 2011, the consolidated entity completed the sale of its interests in Ravelin Pty Limited and Homelinx Pty Ltd.

Note 36. Controlled Entities (continued)

- During the year under review, the consolidated entity deregistered several dormant companies as part of the efficient management of the corporate structure. In addition the consolidated entity created a number of new entities for the purpose of holding investments in new ventures. None of these new entities has 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 2011 and throughout the year then ended the parent company of the group was Payce Consolidated Limited.

	Consolidated	
	2011 $'000	2010 $'000
Result of the company		
(Loss)/profit before income tax	(987)	147
Income tax (expense)/ benefit	(4,981)	(59)
Total comprehensive loss for the period	(5,968)	88
Financial position of the Company at year end		
Current assets	123,165	141,484
Total assets	201,373	223,594
Current liabilities	198,081	206,567
Total liabilities	198,081	206,567
Total equity of the Company comprising:		
Share capital	45,386	52,176
Reserves	992	969
Retained earnings	(43,086)	(36,118)
Total equity	3,292	17,027

Company guarantees in respect of debts of its subsidiaries

Refer to Note 28

Note 39. Acquisition of subsidiary

On 6 October 2010 the Group acquired 45% of the equity in Babcock and Brown Apartment Investment Company Limited (BBAICL). As a result the Group's equity interest in BBAICL increased from 50% to 95%. The BBAICL group, previously an equity accounted associate of the Group, became a subsidiary. BBAICL was subsequently renamed Henlia Holdings Limited.

The consideration for the acquisition was a cash payment of $9. Acquisition costs of $493,800 were incurred relating to duties. The following summarises the recognised fair value of assets acquired and liabilities assumed at the acquisition date:

	2010 $'000
Cash	89
Receivables	1,840
Properties held for development and resale	22,542
Financial liabilities	(23,977)
	494

1. In the opinion of the Directors of Payce Consolidated Limited (the "Company"):
   - (a) The consolidated financial statements and notes that are set out on pages 21 to 61 and the Remuneration report on pages 11 to 15 of the Directors' report, are 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 2011 and of its performance for the financial year ended on that date; and
     - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations 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 2011.
3. The directors draw attention to Note 2 (a) to the consolidated financial statement, which includes a statement of compliance with the International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

B.M. Boyd
DIRECTOR

C.I. Gabriel
DIRECTOR

Sydney, New South Wales
22 August 2011

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 Payce Consolidated Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2011, 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, notes 1 to 39 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair 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 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

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 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Nigel Virgo
Partner

Sydney

19 August 2011

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report. The information presented is at 17 August 2011.

Classes of Shares and Voting Rights

There were 331 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	195	93,460	0.314
1,001-5,000	92	218,584	0.735
5,001-10,000	18	147,922	0.497
10,001-100,000	16	534,308	1.796
100,001 and over	10	28,750,951	96.657
Totals	**331**	**29,745,225**	**100**

At 17 August 2011, 24 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 1,759 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 17 August 2011

Name	Number of Ordinary shares held	Percentage of capital held
LANOX PTY LTD	8,806,799	29.6
LIANSHARE PTY LIMITED	5,200,000	17.5
KMSJ PTY LTD	4,607,573	15.5
RUZSHARE PTY LIMITED	4,375,758	14.7
HURLCLA PTY LIMITED	4,063,794	13.7
RUZ PTY LIMITED	824,242	2.8
MR FREDERICK BRUCE WAREHAM	464,054	1.6
CITICORP NOMINEES PTY LIMITED	179,001	0.6
HOWARD HARGRAVE PTY LIMITED	115,949	0.4
MS ALISA MARGARET WAREHAM	113,781	0.4
MR FREDERICK BRUCE WAREHAM & MRS ALISA MARGARET WAREHAM	99,000	0.3
LLANDILO PTY LIMITED	75,000	0.3
JUROCORP PTY LTD	65,000	0.2
KMSJ PTY LTD	46,949	0.2
MR RONALD FRANCIS OTTREY	46,250	0.2
AGO PTY LTD	30,000	0.1
MRS COLLEEN BOYD	27,844	0.1
MS FRANCES LORRAINE SIMMONDS	21,877	0.1
REVENDEN PTY LTD	20,000	0.1
MR MURRAY JAMES WAREHAM	20,000	0.1
	29,202,871	**98.2**

Substantial Shareholders
As at 17 August 2011

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	4,654,522
Ruzshare Pty Limited	4,375,758
Hurlcla Pty Limited	4,063,794
Ruz Pty Limited	824,242
Llandilo Pty Limited	75,000

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

Registered Office

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2 Chifley Square

Sydney NSW 2000

(P) 02 8080 2300

(F) 02 8080 2399

Share Register

Boardroom Pty Limited (formerly Registries Limited)

Level 7, 207 Kent Street

Sydney NSW 2000

(P) 1300 737 760

Auditors

KPMG

Solicitors

Mallesons Stephen Jaques

Minter Ellison

Morgan Lewis Attorneys

Osbornes Lawyers

Banker

Westpac Banking Corporation

PAYCE

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