PAYCE CONSOLIDATED LIMITED
ABN: 19 001 566 310

HALF-YEAR REPORT

31 DECEMBER 2009

Payce Consolidated Limited
Half-Year Report – 31 December 2009

Contents

Results for Announcement to the Market

1. The reporting period is the financial half-year ending 31 December 2009 including comparative information for the half-year ending 31 December 2008.

2. Results for announcement to the market

		$000's				$000's
Change in revenues from ordinary activities *(item 2.1)* *	up	$19,192	or	55%	to	$54,396
Change in loss from ordinary activities after tax attributable to members *(item 2.2)* *	down	$30,585	or	87%	to	$4,526
Change in net loss for the period attributable to members *(item 2.3)* *	down	$30,585	or	87%	to	$4,526

2.4 & 2.5 Dividends:

No dividends have been paid or declared during the period and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2009.

3. Net Tangible Assets

	Current period	Previous corresponding period
Net Tangible Asset backing per Ordinary Share	$2.37	$1.89

4. On 1 September 2009, Payce completed the sale of its 25% interest in Ripley Valley to Sekisui House. The transaction resulted in a small loss of $58,000 in the current period.

   On 30 October 2009, Payce completed the sale of 75% of its interests in Payce Child Care Pty Ltd (and its controlled entities) to Wallace Infrastructure Pty Ltd, recognising a gain on sale of $978,000. Payce retains interests of 25%.

5. Details of dividends paid or payable:

   Not applicable.

6. The company does not operate a dividend reinvestment plan.

*On 30 October 2009, Payce completed the sale of 75% of its interests in Payce Child Care Pty Ltd. The comparative statement of comprehensive income has been re-presented to show the Childcare business as a discontinued operation separately from continuing operations ï see note 8 for further details.

7. Interests in associated and jointly controlled entities:

Name	Principal activity	Company and Group's ownership interest		Share of profits/(losses)	
		2009 %	2008 %	2009 $'000	2008 $'000
BRIC Holdings Pty Ltd	Investment in residential property	50.0	50.0	25	(276)
Henlia No. 7 Pty Ltd	Property development	50.1	50.1	-	(3,842)
BDS Australia Pty Ltd	Project & development management	50.0	50.0	-	525
Payce Child Care Pty Ltd	Investment in Childcare facilities	25.0	100.0	44	-
Ramsay Bourne Holdings Pty Ltd	Childcare facilities	-	66.67	-	3,440
World of Learning Pty Ltd	Childcare facilities	-	100.0	-	1,180
Ripley Town Holdings Pty Ltd	Property development	-	49.17	-	(63)
PITB Pty Ltd (formerly Wingate Babcock Pty Ltd)	Project & development management	33.3	33.3	-	(97)
Babcock and Brown Apartment Investment Trust	Property development	50.0	50.0	-	-
Babcock and Brown Apartment Investment Company Limited	Property development	50.0	50.0	-	(100)
The Waterfront Partnership	Real Estate agency	50.0	50.0	185	89
				254	856

All entities have a 30 June reporting date.

8. The company is not a foreign entity.

9. The accounts are not subject to any audit dispute or qualification. This report is based on accounts that have been subject to an independent review. A copy of the Half-year Accounts are attached.

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

	$'000
Loss before income tax from continuing operations	**(5,741)**
Add back:	
Net financing costs	52
Net provisioning against receivables	1,922
Loss on disposal of investment in Ripley Valley	58
Bad debts written off	251
Business restructuring costs	667
Adjusted loss from continuing operations	**(2,791)**

Continued debt reduction and increase in cash reserves

During the half year under review, the consolidated entity continued to reduce its financial liabilities, achieving a reduction from $65 million at 30 June 2009 to $34 million at 31 December 2009. During the same period the consolidated entity increased its available cash reserves from $9 million to $22 million.

As previously announced the earliest facility is due to mature on 8 May 2011, with all loans being fully compliant within their facility terms and covenants.

Operations

During the half year, the consolidated entity completed the sale of all remaining completed apartments at Wentworth Point (previously called Homebush Bay), with 10 apartments still due to settle in early 2010. The net sales proceeds of the settled sales (being $51.4 million from the settlement of 100 apartments) were applied to amortise the Corporate Facility and increase cash reserves as described above.

Operations in the Homelinx and Warwick Williams Real Estate businesses operated as expected during the six months. Operations and leasing of industrial and retail properties at Wentworth Point performed as expected during the period under review.

Sekisui House Joint Ventures

As announced on 1 September 2009, the consolidated entity agreed to divest its 25% interests in the Ripley Valley joint venture to Sekisui House, at approximately the book value of its equity accounted investment recorded at 30 June 2009.

The consolidated entity continues to retain its 25% interest in the Wentworth Point joint venture being an 8.3 hectare, 1,946 apartment development site. In late 2009, the first stage of the development, a 215 residential apartment development known as Corsica, was released and approximately 104 off-the-plan sales were recorded as at 31 December 2009. Construction is expected to commence in 2010.

Childcare

During the prior financial year, the consolidated entity acquired the remaining interests in Payce Child Care. As announced on 2 November 2009, the consolidated entity sold a 75% interest in Payce Child Care to Wallace Infrastructure Pty Ltd (ñ**Wallace**ò), recording a gain on sale of approximately $1.0 million. The results of Payce Child Care were recorded on a consolidated basis up to the date of sale, and since disposal, the remaining 25% interest has been equity accounted. The childcare business was profitable and cashflow positive for the period under review and has no external debt facilities.

On 18 December 2009, the consolidated entity announced that it had acquired a 4.975% interest in Early Learning Services Limited (ñ**ELY**ò), an ASX listed childcare services provider, for 25c per share.

ELY independently announced its proposal to merge with Payce Child Care, for a combination of cash and issue of shares in ELY at 25c per share. The proposal is subject to ELY shareholder and financier approval, expected in March 2010.

Chiswick

As advised to the market during the period under review, the consolidated entityôs joint venture partner in the development disposed of their interests in the Chiswick vehicle to a developer syndicate. The joint venture has progressed the development of 129 residential apartments and commercial space on the site, with 115 off-the-plan sales recorded at 31 December 2009. Constr uction is expected to commence in the first quarter of 2010.

Babcock & Brown Apartment Investment Group (BBAIG)

Whilst the joint venture with Babcock & Brown continues to own undeveloped lands at Victoria Park, Sydney, the consolidated entityôs investment in BBAIG continues to be fully provided for, given the senior non-recourse facility of approximately $68 million owed to Suncorp Metway Limited. On 22 December 2009, the consolidated entity announced the conditional acquisition of a 6,700 sqm mixed use site from the joint venture. The joint venture partners continue to assess the development and sale options for the remaining land.

Selective and General Buy-Backs

On 23 December 2009, the consolidated entity announced its intention to conduct a selective buy-back of shares (4,426,925 shares at $1.50 per share) from entities associated with Mr David Macintosh, the Chairman of Payce Consolidated Limited (ñ**Payce**ò). At the same time and in order to offer other shareholders the opportunity to exit their investment in Payce on similar terms, the consolidated entity announced its intention to conduct an on-market buy-back to acquire up to 20% of the then issued capital, being 7,003,229 shares.

The buy-backs are subject to shareholder approval at a general meeting to be held on 25 February 2010, with meeting materials, including proxy forms, explanatory memorandum and independent experts report, despatched to all shareholders on 19 January 2010.

The buy-backs are expected to be funded from the consolidated entityôs cash reserves.

Payce Consolidated Limited
Directors' Report

The directors present their report together with the consolidated financial report of Payce Consolidated Limited and its controlled entities for the half-year ended 31 December 2009 and the independent review report thereon.

Directors
The directors, at any time during or since the financial period are:

- Brian M. Boyd – Managing Director
- David H. Macintosh – Executive Chairman
- Roger R. Short - Non-executive Director.

All directors held their position as director throughout the entire period and up to the date of this report.

On 23 December 2009, Mr Macintosh's intention to retire as Chairman and Director during the first quarter of 2010 was announced to the market. A further announcement regarding Mr Macintosh's replacement will be made in the near future.

Review of Operations
In accordance with ASIC Class Order 98/2395, this information has been transferred to the Results commentary on pages 5 and 6.

Auditor's Independence Declaration under section 307C of the Corporations Act

The lead auditor's independence is set out on page 8 and forms part of the Directors' Report for the half-year ended 31 December 2009.

Rounding of amounts

The parent company is a company of the kind specified in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

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B.M. Boyd
Director

D.H. Macintosh
Director

Sydney, New South Wales
Date: 5th February 2010

KPMG

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

To: the directors of Payce Consolidated Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the financial half-year ended 31 December 2009 there have been:

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

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

KPMG

KPMG

Nigel Virgo
Partner

Sydney

5 February 2010

Payce Consolidated Limited
Consolidated statement of comprehensive income
For the half year ended 31 December 2009

	Note	Half-year ended 31 Dec 2009 $'000	Half-year ended 31 Dec 200 $'000 Re-presented
Continuing Operations			
Revenue	5	54,396	35,204
Cost of Sales	6	(52,501)	(54,888)
Gross Profit/(Loss)		1,895	(19,684)
Other income	5	-	189
Administration expenses		(6,602)	(8,053)
Property expenses		(848)	(1,264)
Marketing expenses		(330)	(464)
Loss on disposal of associate		(58)	-
Impairment of available-for-sale financial assets		-	(5,308)
Change in fair value of investment properties		-	(2,860)
Impairment of equity accounted investment		-	(4,642)
Total expenses excluding net financing costs		(7,838)	(22,591)
Loss before tax and net financing costs		**(5,943)**	**(42,0 6)**
Finance income		1,460	4,931
Finance costs		(1,512)	(6,746)
Net financing costs		(52)	(1,815)
Share of profits of equity accounted investments		254	856
Loss before income tax from continuing operations		**(5,741)**	**(43,045)**
Income tax benefit		42	12,900
Loss from continuing operations		**(5,699)**	**(30,145)**
Profit/(Loss) from discontinued operation (net of income tax)	8	1,173	(4,966)
Loss for the period		**(4,526)**	**(35,111)**
Earnings per share			
Basic earnings per share (cents per share)		(10.4)c	(72.9)c
Diluted earnings per share (cents per share)		(10.0)c	(70.2)c
Continuing operations			
Basic earnings per share (cents per share)		(13.1)c	(65.0)c
Diluted earnings per share (cents per share)		(12.5)c	(62.4)c

The statement of comprehensive income should be read in conjunction with the notes to the half-year financial statements.

*See discontinued operation – note 8

Payce Consolidated Limited
Consolidated statement of comprehensive income (continued)
For the half year ended 31 December 2009

	Half-year ended 31 Dec 2009 $'000	Half-year ended 31 Dec 200 $'000 Re-presented
Loss for the period	**(4,526)**	**(35,111)**
Other comprehensive income		
Revaluation of available-for-sale financial assets	481	3,149
Income tax on other comprehensive income	-	(945)
Other comprehensive income for the period, net of income tax	481	2,204
Total comprehensive loss for the period	**(4,045)**	**(32,907)**
Loss attributable to:		
Owners of the Company	(4,526)	(33,844)
Non-controlling interest	-	(1,267)
Loss for the period	**(4,526)**	**(35,111)**
Total comprehensive loss attributable to:		
Owners of the Company	(4,045)	(32,907)
Non-controlling interest	-	-
Total comprehensive loss for the period	**(4,045)**	**(32,907)**

The statement of comprehensive income should be read in conjunction with the notes to the half-year financial statements.

*See discontinued operation – note 8

Payce Consolidated Limited
Consolidated statement of financial position
As at 31 December 2009

	31 Dec 2009 $'000	30 June 2009 $'000
Current Assets		
Cash and cash equivalents	21,863	9,071
Trade and other receivables	12,861	6,378
Properties for development and resale	10,785	58,841
Investments accounted for using the equity method	2,981	4,789
Other	457	806
Total Current Assets	48,947	79,885
Non-Current Assets		
Trade and other receivables	3,032	4,140
Properties for development and resale	36,451	33,957
Investments accounted for using the equity method	3,349	3,295
Property, plant and equipment	2,800	4,897
Investment properties	34,464	34,248
Available-for-sale financial assets	1,465	437
Deferred tax assets	5,596	5,465
Intangible assets	16	10,056
Total Non-Current Assets	87,173	96,495
Total Assets	136,120	176,380
Current Liabilities		
Trade and other payables	5,716	5,205
Financial liabilities	-	47,657
Provisions	910	1,557
Total Current Liabilities	6,626	54,419
Non-Current Liabilities		
Trade and other payables	1,449	1,695
Financial liabilities	34,538	17,358
Provisions	11	480
Total Non-Current Liabilities	35,998	19,533
Total Liabilities	42,624	73,952
Net Assets	93,496	102,428
E uity		
Issued Capital	63,135	68,053
Reserves	19,528	19,016
Retained Earnings	10,833	15,359
Total E uity	93,496	102,428

The statement of financial position should be read in conjunction with the notes to the half-year financial statements.

Payce Consolidated Limited
Consolidated statement of changes in e uity

For the half-year ended 31 December 2009

	Issued Capital $'000	Retained Earnings $'000	Capital Profits Reserve $'000	Share Based Payment Reserve $'000	Asset Reserve $'000	Available-for - sale Investment Revaluation Reserve $'000	Forfeited Shares $'000	Owners of the parent $'000	Non-controlling interest $'000	Total Equity $'000
As at 1 July 2009	**6 ,053**	**15,359**	**2,021**	**440**	**16,551**	-	**4**	**102,42**	-	**102,42**
Loss for the period	-	(4,526)	-	-	-	-	-	(4,526)	-	(4,526)
Revaluation of available-for-sale financial assets	-	-	-	-	-	481	-	481	-	481
Total comprehensive income for the period	-	(4,526)	-	-	-	481	-	(4,045)	-	(4,045)
Buy-back of own shares[1]	(4,918)	-	-	-	-	-	-	(4,918)	-	(4,918)
Equity-settled transactions, net of tax	-	-	-	31	-	-	-	31	-	31
Total transactions with owners, recorded directly in e uity	(4,918)	-	-	31	-	-	-	(4,887)	-	(4,887)
As at 31 December 2009	**63,135**	**10, 33**	**2,021**	**471**	**16,551**	**4 1**	**4**	**93,496**	**-**	**93,496**

The statement of changes in equity should be read in conjunction with the notes to the half-year financial statements.

[1] As per the ASX announcement dated 19 October 2009, the Company acquired 6,957,143 shares for consideration of $4,870,000 from Babcock & Brown Assets Holdings Pty Limited. In accordance with relevant accounting standards, the incremental transactions costs directly attributable to the transaction have been recognised as a deduction from equity.

Payce Consolidated Limited
Consolidated statement of changes in e uity

For the half-year ended 31 December 200

	Issued Capital $'000	Retained Earnings $'000	Capital Profits Reserve $'000	Share Based Payment Reserve $'000	Asset Reserve $'000	Available-for - sale Investment Revaluation Reserve $'000	Forfeited Shares $'000	Owners of the parent $'000	Non-controlling interest $'000	Total Equity $'000
As at 1 July 200	**6 ,053**	**49,052**	**2,021**	**346**	**16,551**	**(2,204)**	**4**	**133, 23**	**(130)**	**133,693**
Loss for the period	-	(33,844)	-	-	-	-	-	(33,844)	(1,267)	(35,111)
Revaluation of available-for-sale financial assets	-	-	-	-	-	2,204	-	2,204	-	2,204
Total comprehensive income for the period	-	(33,844)	-	-	-	2,204	-	(31,640)	(1,267)	(32,907)
Equity-settled transactions, net of tax	-	-	-	77	-	-	-	77	-	77
Total transactions with owners, recorded directly in e uity	-	-	-	77	-	-	-	77	-	77
As at 31 December 200	**6 ,053**	**15,20**	**2,021**	**423**	**16,551**	**-**	**4**	**102,260**	**(1,397)**	**100, 63**

The statement of changes in equity should be read in conjunction with the notes to the half-year financial statements.

Payce Consolidated Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2009

	Notes	Half-year ended 31 Dec 09 $'000	Half-year ended 31 Dec 0 $'000
Cash flows from operating activities			
Cash receipts from customers		63,926	39,852
Cash paid to suppliers and employees		(21,488)	(17,781)
Finance income received		408	1,352
Finance costs paid		(1)	(78)
Income tax paid		(212)	(168)
Income tax refund		80	-
Net cash provided by operating activities		42,713	23,177
Cash flows from investing activities			
Payments for property, plant and equipment		(122)	(139)
Disposal of discontinued operation, net of cash disposed of	8	4,003	-
Proceeds from sale of property, plant and equipment		29	-
Payments for available-for-sale financial assets		(547)	-
Payments for investment properties		-	(60)
Proceeds from sale of investment in associates		4,981	-
Proceeds from repayment of loans		1,222	14,802
Loans to other entities		(4,877)	(2,775)
Dividends received		100	-
Partnership distributions received		150	-
Costs incurred on acquisition of subsidiaries		-	(112)
Acquisition of subsidiaries		-	844
Net cash provided by investing activities		4,939	12,560
Cash flows from financing activities			
Buy-back of own shares		(4,918)	-
Proceeds from borrowings		2,948	-
Repayment of borrowings		(32,890)	(36,503)
Net cash used in financing activities		(34,860)	(36,503)
Net increase/(decrease) in cash held		12,792	(766)
Cash and cash equivalents at 1 July		9,071	25,688
Cash and cash e uivalents at 31 December		21,863	24,922

The statement of cash flows should be read in conjunction with the notes to the half-year financial statements.

Note 1 Reporting entity

Payce Consolidated Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial reports as at and for the half-year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

Note 2 Basis of Preparation

(a) Statement of Compliance
The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2009.

The consolidated interim financial report was approved by the Board of Directors on 5th February 2010.

(b) Historical cost convention and functional currency
The consolidated interim financial report is presented in Australian dollars and has been prepared on a historical cost basis, expect for investment properties and available-for-sale financial assets which have been measured at fair value.

(c) Use of estimates and judgements
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2009.

(d) Going concern basis
The consolidated interim 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.

Note 3 Significant accounting policies
Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009.

(i) AASB 101 *Presentation of Financial Statements*
From 1 July 2009, the Group applies revised AASB 101, which separates owner and non-owner changes in equity. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these interim financial statements as of and for the half-year ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(ii) AASB 8 *Operating Segments*
As of 1 July 2009 the Group adopted AASB 8, which replaced AASB 114 Segment Reporting. In accordance with AASB 8, the Group determines and presents operating segments based on the information that is internally provided to the Managing Director, who is the Group's chief operating decision maker. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114.

Note 4 Financial risk management
The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2009.

Note 5 Revenue and other income from continuing operations

	31 Dec 09 $'000	31 Dec 0 $'000 Re-presented
Revenue from continuing operations:		
Property development sales	51,411	31,870
Rental income	2,051	2,810
Other sales income	631	474
Other income	303	50
Total revenue from continuing operations	54,396	35,204
Other income from continuing operations		
Discount on acquisition of subsidiaries	-	189
Total other income from continuing operations	-	189

Note 6 Expenses excluding net financing costs from continuing operations

Cost of sales	52,501	33,552
Write-down of properties held for development and resale to net realisable value	-	21,336
Total cost of sales from continuing operations	52,501	54,888
Depreciation		
- Buildings	28	45
- Plant and Equipment	57	380
Total depreciation from continuing operations	85	425
Employee benefits expense		
- Wages and salaries	2,154	1,966
- Other associated personnel expenses	144	106
- Contributions to defined superannuation plans	150	132
- Equity settled share-based payments	31	110
- Movement in employee provisions	(30)	-
Total employee benefits expense from continuing operations	2,449	2,314

*See discontinued operation – note 8

Note 7 Operating Segments

The Group has three reportable segments, as described below, which are the Group's strategic business units:

- Development Properties – the Group owns land on which it is developing residential apartments for sale;
- Rental Properties – the Group owns industrial and retail property from which it derives rental income;
- Childcare – the Group owns and operates childcare centres on its own behalf and on behalf of third parties. This segment was disposed of in October 2009 and is presented as a discontinued operation.

	Development Activities $'000	Rental Properties $'000	Childcare (Discontinued) $'000	Other $'000	Total $'000
Segment revenues and results					
31 December 2009					
External sales	51,411	2,051	10,001	631	64,094
Unallocated revenue	-	-	-	-	303
	51,411	2,051	10,001	631	64,397
Reportable segment result before tax	(1,199)	(435)	679	177	(778)
31 December 200					
External sales	31,870	2,810	1,200	474	36,354
Unallocated revenue	-	-	-	-	50
	31,870	2,810	1,200	474	36,404
Reportable segment result before tax	(21,415)	(2,363)	(449)	(137)	(24,364)

Reconciliation of reportable segment result

	31 Dec 09 $'000	31 Dec 0 $'000
Result for reportable segments	(955)	(24,227)
Other result	177	(137)
	(778)	(24,364)
Elimination of discontinued operation	(679)	449
Unallocated revenue and income	303	50
Unallocated corporate expenses	(4,841)	(20,036)
Share of profit of equity accounted investments	254	856
Loss before income tax from continuing operations	(5,741)	(43,045)

	Development Activities $'000	Rental Properties $'000	Childcare (Discontinued) $'000	Other $'000	Total $'000
Segment Assets					
31 December 2009					
Reportable segment assets	47,236	36,403	-	455	84,094
Unallocated assets	-	-	-	-	52,026
	47,236	36,403	-	455	136,120
30 June 2009					
Reportable segment assets	92,798	36,261	15,027	522	144,608
Unallocated assets	-	-	-	-	31,772
	92,798	36,261	15,027	522	176,380

There have been no changes to the basis of segmentation or the measurement basis for the segment result since 30 June 2009.

Note Discontinued Operation

On 30 October 2009, Payce completed the sale of 75% of its interests in Payce Child Care Pty Ltd (and its controlled entities) to Wallace Infrastructure Pty Ltd. Payce retains an interest of 25%. The childcare business was not classified as held for sale or a discontinued operation at 30 June 2009 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

	Half-year ended 31 Dec 09 $'000	Half-year ended 31 Dec 0 $'000
Results of discontinued operation		
Revenue	10,001	1,200
Expenses	(9,360)	(1,648)
Finance income	38	4
Finance expense	-	(214)
Impairment of goodwill	-	(3,585)
Result before income tax	679	(4,243)
Income tax	(484)	(723)
Result after income tax	195	(4,966)
Gain on sale of discontinued operation	978	-
Result for the period	1,173	(4,966)

	2009 $'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	(9,970)
Trade and other payables	1,667
Provisions	1,798
Net assets and liabilities	(11,776)
Portion of consideration received in cash	6,000
Cash and cash equivalents disposed of	(1,997)
Net cash inflow	4,003

Note 9 Contingent Liabilities

		Dec 09 $'000	Jun 09 $'000
a	Guarantees given in the ordinary course of business for borrowings and commitments of controlled entities	16,327	25,537
b	Assignment of loans related to the purchase of consolidated entity property held for development and resale by third parties	5,000	5,000

c On 23 December 2009 the Chairman of Payce, Mr David Macintosh, announced his intention to retire during the first quarter of 2010. Following Mr Macintosh's decision to retire and exit his shareholding, Payce has entered into a conditional selective buy-back agreement to acquire 4,426,925 fully paid ordinary shares at $1.50 per share from entities associated with Mr Macintosh. If the selective buy-back agreement is approved by shareholders at the General Meeting to be held on 25 February 2010, Payce will proceed to buy-back and cancel 4,426,925 fully paid ordinary shares from entities associated with Mr Macintosh at $1.50 per share for a total consideration of $6,640,387.50.

In order to offer all shareholders the same opportunity to realise their investment in Payce on similar terms to Mr Macintosh, the company also announced on 23 December 2009 its intention to commence an on-market buy-back of up to 7,003,229 fully paid ordinary shares (representing 20% of the issued share capital of Payce following completion of the selective buy-back). If the on-market buy-back is approved by shareholders at the General Meeting to be held on 25 February 2010, Payce may proceed to buy back and cancel up to 7,003,229 fully paid ordinary shares.

The buy-backs are expected to be funded from the consolidated entity's cash reserves.

d As at balance date there was no contingent liability for termination benefits under service agreements with directors or employees of the Payce Group.

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

Note 10 Ac uisition of Trading Stock

As per the ASX announcement dated 22 December 2009, the Group has entered into a conditional agreement to acquire a 6,700 sqm site, located at Victoria Park, Sydney for $9.5 million. The land is zoned for mixed usage and settlement of the acquisition is expected in March 2010.

Note 11 Subse uent events

a Pursuant to a resolution of members on 11 January 2010, BRIC Holdings Pty Limited (an associated company) resolved to make a return of capital of $2.948 million to each of its members (including the consolidated entity) and to offset this against amounts owing by members. The effect of this transaction is to reduce investments accounted for using the equity method (current) and trade and other payables (current) by $2.948 million.

b On 18 December 2009, the consolidated entity announced that it had acquired a 4.975% interest in Early Learning Services Limited ("ELY"), an ASX-listed childcare services provider, for 25c per share. On the same date, ELY independently announced its proposal to merge with Payce Child Care Pty Ltd for a combination of cash and issue of shares in ELY at 25c per share. The proposal is subject to ELY shareholder and financier approval, expected in March 2010.

Payce Consolidated Limited
Directors' declaration

In the opinion of the directors of Payce Consolidated Limited

(a) the financial statements and notes set out on pages 9 to 19, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the half year ended 31 December 2009; and

(ii) complying with Australian Accounting Standard 134 *Interim Financial Reporting* 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.

Signed in accordance with a resolution of the directors:

B.M. Boyd
Director

D.H. Macintosh
Director

Sydney, New South Wales

Dated at Sydney this 5th day of February 2010.

KPMG

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

Report on the financial report

We have reviewed the accompanying half-year financial report of Payce Consolidated Limited, which comprises the consolidated statement of financial position as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 11 and the directors' declaration set out on pages 9 to 20 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Payce Consolidated Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Payce Consolidated Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Nigel Virgo
Partner

Sydney

5 February 2010