



PAYCE CONSOLIDATED LIMITED
ABN: 19 001 566 310

HALF-YEAR REPORT

31 DECEMBER 2011



PAYCE CONSOLIDATED LIMITED

HALF YEAR REPORT 2011

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Results for Announcement to the Market

1. The reporting period is the financial half-year ending 31 December 2011 including comparative information for the half-year ending 31 December 2010.

2. Results for announcement to the market

		\$000's				\$000's
Change in revenues from ordinary activities (<i>item 2.1</i>)	down	\$54,730	or	93%	to	\$4,370
Change in profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	\$12,836	or	75%	to	\$4,190
Change in net profit for the period attributable to members (<i>item 2.3</i>)	down	\$12,836	or	75%	to	\$4,190

3. Net Tangible Assets

	Current period	Previous corresponding period
Net Tangible Asset backing per Ordinary Share	\$3.29	\$3.26

4. Details of entities over which control has been gained or lost during the period:

On 22 August 2011 the reporting entity acquired a 75% percent interest in the Hurstville Unit Trust which acquired a residential development site in Hurstville NSW on that date. The effect on profit for the period was not material.

The reporting entity created a number of new companies and trusts during the period. These have made no material contribution to profit for the period.

5. Details of dividends paid or payable:

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 2011.

6. The reporting entity does not operate a dividend reinvestment plan.

7. Interests in associated and jointly controlled entities:

Name	Principal activity	Company and Group's ownership interest		Share of profits/(losses)	
		2011 %	2010 %	2011 \$'000	2010 \$'000
Henlia No. 7 Pty Ltd	Property development	50.1	50.1	4,859	(32)
G8 Education Ltd (Note a)	Investment in Childcare operator	-	-	-	398
Babcock and Brown Apartment Investment Trust	Property development	50.0	50.0	-	-
The Waterfront Partnership (Note b)	Real Estate agency	-	50.0	-	119
PayWin Developments Pty Limited	Property development	50.0	-	(32)	-
				4,827	485

Note a – The interest was sold in November 2010.

Note b – The interest was sold in June 2011.

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 Consolidated Interim Financial Statements is attached.

The directors present their report together with the consolidated interim financial statements of Payce Consolidated Limited and its controlled entities for the half-year ended 31 December 2011 and the independent review report thereon.

Results Commentary

Net Cash Position

During the half year under review the Group increased its cash position by approximately \$4 million to \$13.4 million and maintained a strong net current asset position of \$18.8 million. The Group successfully completed the repayment of its corporate facilities in early 2011 and its existing financial indebtedness, at the reporting date, is \$42.5 million, which is limited in recourse to specific assets.

Operations

Following the completion of the sale of non-core assets and operating businesses in the first half of 2011, the Group has continued to focus its activities on existing and newly acquired major property developments, as further explained below.

Residential Development

In October 2011, the Group completed the development and settlement of 129 residential units at Chiswick in Sydney's inner-west. During the period under review the Group has substantially advanced the construction of the 153 unit "APEX" residential development at Victoria Park, with construction finance provided by Westpac Bank.

The Group has also progressed the development planning for the mixed-use site at Victoria Park, receiving a development approval in December 2011 for an integrated retail, commercial and residential development. The Group has also progressed the urban renewal project with the NSW Government at Riverwood North to replace 150 social housing units and to construct up to 500 private residential units.

During the period under review the Group assessed several development opportunities and successfully acquired a 75% interest in a residential development site in Hurstville, NSW in August 2011.

Directors

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

Brian M. Boyd – Managing Director and Chairman

Christopher I. Gabriel – Non-executive Director

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.

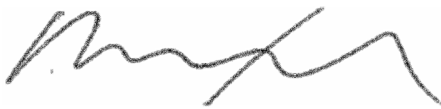
Auditor's Independence Declaration under section 307C of the Corporations Act

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half-year ended 31 December 2011.


Rounding of amounts

The Company is of a 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 the directors.



B.M. Boyd
Director



C.I. Gabriel
Director

Sydney, New South Wales
Date: 17 February 2012



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 2011 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.

A handwritten signature in black ink, appearing to read 'Nigel Virgo', written in a cursive style.

KPMG

A handwritten signature in black ink, appearing to read 'Nigel Virgo', written in a cursive style.

Nigel Virgo
Partner

Sydney

17 February 2012

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.

	Note	Half-year ended 31 Dec 2011 \$'000	Half-year ended 31 Dec 2010 \$'000
Operations			
Revenue	5	4,370	59,100
Cost of Sales		(1,503)	(42,010)
		2,867	17,090
Gross Profit			
Other income	5	110	10,919
Administration expenses	6	(2,598)	(5,353)
Property expenses		(382)	(517)
Marketing expenses		(617)	(903)
Total expenses excluding net financing income		(3,597)	(6,773)
		(620)	21,236
Result from operating activities			
Finance income		1,350	2,283
Finance costs		(675)	(895)
Net financing income		675	1,388
Share of profits of equity accounted investments		4,827	485
		4,882	23,109
Profit before tax			
Income tax expense		(692)	(6,083)
		4,190	17,026
Profit for the period			

The consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated interim financial statements.

	Half-year ended 31 Dec 2011 \$'000	Half-year ended 31 Dec 2010 \$'000
Profit for the period	4,190	17,026
Other comprehensive income		
Revaluation of available-for-sale financial assets (net of tax)	(19)	105
Total comprehensive profit for the period	4,171	17,131
Profit attributable to:		
Owners of the Company	4,190	17,026
Non-controlling interest	-	-
Profit for the period	4,190	17,026
Total comprehensive profit attributable to:		
Owners of the Company	4,171	17,131
Non-controlling interest	-	-
Total comprehensive profit for the period	4,171	17,131
Earnings per share	cents per share	cents per share
Basic earnings per share	14.1	52.7
Diluted earnings per share	14.1	52.7

The consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated interim financial statements.

	31 Dec 2011 \$'000	30 June 2011 \$'000
Current Assets		
Cash and cash equivalents	13,445	9,442
Trade and other receivables	8,026	12,566
Properties held for development and resale	1,219	2,856
Other	1,084	1,625
Total Current Assets	23,774	26,489
Non-Current Assets		
Trade and other receivables	8,548	10,529
Properties held for development and resale	106,395	79,687
Investments accounted for using the equity method	1,835	1,866
Property, plant and equipment	512	598
Available-for-sale financial assets	666	385
Deferred tax assets	1,159	1,851
Other assets	2,338	1,510
Total Non-Current Assets	121,453	96,426
Total Assets	145,227	122,915
Current Liabilities		
Trade and other payables	3,304	2,607
Financial liabilities	1,000	-
Provisions	656	608
Total Current Liabilities	4,960	3,215
Non-Current Liabilities		
Trade and other payables	-	178
Financial liabilities	42,453	26,379
Provisions	38	38
Total Non-Current Liabilities	42,491	26,595
Total Liabilities	47,451	29,810
Net Assets	97,776	93,105
Equity		
Issued Capital	45,382	45,382
Reserves	19,029	19,048
Retained Earnings	32,865	28,675
Equity attributable to equity holders of the Company	97,276	93,105
Non-controlling interest	500	-
Total Equity	97,776	93,105

The consolidated statement of financial position should be read in conjunction with the notes to the consolidated interim financial statements.

	Issued Capital \$'000	Retained Earnings \$'000	Capital Profits Reserve \$'000	Share Based Payment Reserve \$'000	Asset Revaluation and Realisation 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 2011	45,382	28,675	2,021	525	16,551	(53)	4	93,105	-	93,105
Profit for the period	-	4,190	-	-	-	-	-	4,190	-	4,190
Revaluation of available- for-sale financial assets	-	-	-	-	-	(19)	-	(19)	-	(19)
Total comprehensive income for the period	-	4,190	-	-	-	(19)	-	4,171	-	4,171
Minority shareholder investment	-	-	-	-	-	-	-	-	500	500
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	500	500
As at 31 December 2011	45,382	32,865	2,021	525	16,551	(72)	4	97,276	500	97,776

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial statements.

	Issued Capital \$'000	Retained Earnings \$'000	Capital Profits Reserve \$'000	Share Based Payment Reserve \$'000	Asset Revaluation and Realisation 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 2010	52,172	16,877	2,021	502	16,551	113	4	88,240	-	88,240
Profit for the period	-	17,026	-	-	-	-	-	17,026	-	17,026
Revaluation of available- for-sale financial assets	-	-	-	-	-	105	-	105	-	105
Total comprehensive income for the period	-	17,026	-	-	-	105	-	17,131	-	17,131
Buy-back of own shares	(91)	-	-	-	-	-	-	(91)	-	(91)
Equity-settled transactions, net of tax	-	-	-	12	-	-	-	12	-	12
Total transactions with owners, recorded directly in equity	(91)	-	-	12	-	-	-	(79)	-	(79)
As at 31 December 2010	52,081	33,903	2,021	514	16,551	218	4	105,292	-	105,292

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS | PAYCE CONSOLIDATED LIMITED
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Half-year ended 31 Dec 11 \$'000	Half-year ended 31 Dec 10 \$'000
Cash flows from operating activities		
Cash receipts from customers	9,465	29,376
Cash paid to suppliers and employees	(22,397)	(10,506)
Payments for development property acquisitions	(7,216)	(1,500)
Finance income received	412	1,135
Finance costs paid	(1,497)	(1,571)
Net cash (used in) / provided by operating activities	(21,233)	16,934
Cash flows from investing activities		
Loans advanced	(3,488)	(836)
Proceeds from repayment of loans	11,350	2,428
Payments for available-for-sale financial assets	(300)	-
Dividends and distributions received	110	403
Payments for property, plant and equipment	(10)	(317)
Proceeds from sale of property, plant and equipment	-	39
Payments for investment in associate	-	(1,180)
Payments for investment in subsidiary	-	(494)
Proceeds from sale of investment in associates	-	18,179
Net cash provided by investing activities	7,662	18,222
Cash flows from financing activities		
Proceeds from borrowings	17,074	-
Repayment of borrowings	-	(4,218)
Minority equity interest contributions	500	-
Buy-back of own shares	-	(91)
Net cash provided by / (used in) financing activities	17,574	(4,309)
Net increase in cash held	4,003	30,847
Cash and cash equivalents at 1 July	9,442	11,494
Cash and cash equivalents at 31 December	13,445	42,341

The consolidated statement of cash flows should be read in conjunction with the notes to the consolidated interim 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 2011 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 2011.

The consolidated interim financial report was approved by the Board of Directors on 17 February 2012.

(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, except for investment properties and available-for-sale financial assets which have been measured at fair value.

(c) Use of estimates and judgments

The preparation of the consolidated interim financial statements requires management to make judgments, 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 judgments 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 2011.

(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

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 2011.

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 2011.

Note 5 Revenue and other income

	31 Dec 11 \$'000	31 Dec 10 \$'000
Revenue:		
Property development sales	1,212	55,610
Rental income	2,831	1,961
Other sales income	-	528
Other revenue	327	1,001
Total revenue from operations	<u>4,370</u>	<u>59,100</u>
Other income		
Trust distribution	110	67
Profit on disposal of associate	-	10,852
	<u>110</u>	<u>10,919</u>

Note 6 Key administration expense items

Depreciation

Plant and Equipment	96	146
Total depreciation	<u>96</u>	<u>146</u>

Employee benefits expense

Wages and salaries	986	2,329
Other associated personnel expenses	70	152
Contributions to defined superannuation plans	86	139
Equity settled share-based payments	-	12
Movement in employee provisions	48	(276)
Total employee benefits expense from operations	<u>1,190</u>	<u>2,356</u>

Note 7 Operating Segments

	Property Development \$'000	Investment Properties \$'000	Total \$'000
31 December 2011			
Property development revenue	<u>4,370</u>	-	<u>4,370</u>
Reportable segment result before tax	<u>4,882</u>	-	<u>4,882</u>

	Development Activities \$'000	Investment Properties \$'000	Total \$'000
31 December 2010			
External sales	57,336	244	57,580
Unallocated revenue	-	-	1,520
	57,336	244	59,100
Reportable segment result before tax	13,530	139	13,669

Reconciliation of reportable segment result	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Result for reportable segments	4,882	13,669
Profit on disposal of associate	-	10,852
Share of profit of equity accounted investments	-	485
Other unallocated income and expenses	-	(1,897)
Profit before income tax	4,882	23,109

Note 8 Contingent Liabilities	Dec 2011 \$'000	Jun 2011 \$'000
a Guarantees given in the ordinary course of business for borrowings and commitments of controlled entities.	5,400	5,400
b Guarantees given in the ordinary course of business for borrowings and commitments of an associated company.	-	2,500
c Assignment of loans related to the purchase of consolidated entity property held for development and resale by third parties.	5,000	5,000
d As at balance date there was no contingent liability for termination benefits under service agreements with directors or employees of the 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 Pty Ltd	- Payce Properties Pty Ltd	- Quadratical Pty Ltd
- Payce Management Pty Ltd	- Payce Finance Pty Ltd	- H.B. Properties Pty Ltd
- Pacific Assets Pty Ltd		


Note 9 Subsequent events

None.

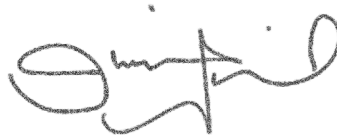
In the opinion of the directors of Payce Consolidated Limited ("the Company")

- (a) the financial statements and notes set out on pages 8 to 16, 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 2011 and of its performance for the six month period ended on that date; 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



C.I. Gabriel
Director

Sydney, New South Wales

Dated at Sydney this 17th day of February 2012.



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 (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2011, 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, notes 1 to 9 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 2011 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.

Independence

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

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.



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 2011 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*.

A handwritten signature in black ink, appearing to read 'Nigel Virgo'.

KPMG

A handwritten signature in black ink, appearing to read 'Nigel Virgo'.

Nigel Virgo
Partner

Sydney

17 February 2012



