



PAYCE CONSOLIDATED LIMITED
ABN: 19 001 566 310

HALF-YEAR REPORT

31 DECEMBER 2012

PAYCE CONSOLIDATED LIMITED

HALF-YEAR REPORT 31 DECEMBER 2012

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Results for Announcement to the Market

1. The reporting period is the financial half-year ended 31 December 2012 including comparative information for the half-year ended 31 December 2011.

2. Results for announcement to the market

		\$000's				\$000's
Change in revenues from ordinary activities (<i>item 2.1</i>)	up	\$107,393	or	2,458%	to	\$111,763
Change in profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up	\$11,784	or	281%	to	\$15,974
Change in net profit for the period attributable to members (<i>item 2.3</i>)	up	\$11,784	or	281%	to	\$15,974

The increases in revenues and profits are predominantly due to settlements on the APEX residential development at Victoria Park.

3. Net Tangible Assets

	Current period	Previous corresponding period
Net Tangible Asset backing per Ordinary Share	\$4.55	\$3.29

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

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 2012.

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 ownership interest		Share of profits/(losses)	
		2012 %	2011 %	2012 \$'000	2011 \$'000
Henlia No. 7 Pty Ltd	Property development	50.1	50.1	1,272	4,859
Henlia No. 21 Pty Ltd	Property development	50.0	100.0	-	-
Lot 305 Unit Trust	Property development	50.0	100.0	(537)	-
PayWin Developments Pty Limited	Property development	50.0	50.0	(91)	(32)
Babcock and Brown Apartment Investment Trust	Property development	50.0	50.0	-	-
				644	4,827

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 (the "Group") for the half-year ended 31 December 2012 and the independent review report thereon.

Results Commentary

The Group recorded a profit before tax of \$21.4 million for the six months ended 31 December 2012 largely due to settlements on the 153-unit Victoria Park *APEX* residential development which was successfully completed in November 2012. The Group repaid the associated Westpac Bank construction facility.

The Group continues to maintain its focus on medium to long-term development projects, predominantly in Sydney-based residential projects, as noted below.

During the past 6 months, the Group commenced construction of the *East Village* integrated retail, commercial and residential project and the 322-unit *Platinum* residential project, both located at Victoria Park. The Group has also continued to progress the Riverwood North urban renewal project with the NSW Government.

The Group assessed several additional development opportunities during the period and was successful in tendering for and was awarded preferred proponent status on two Sydney-based residential projects.

Directors

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

Brian Boyd – Managing Director and Chairman

Christopher Gabriel – Non-executive Director

Roger 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 2012.

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: 22 February 2013



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 half-year ended 31 December 2012, 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

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Kim Lawry
Partner

Sydney
22 February 2013

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.

Liability limited by a scheme approved under Professional Standards Legislation.

	Note	Half-year ended 31 Dec 2012 \$'000	Half-year ended 31 Dec 2011 \$'000
Operations			
Revenue	5	111,763	4,370
Cost of Sales		(86,028)	(1,503)
Gross Profit		25,735	2,867
Other income	5	106	110
Administration expenses	6	(2,937)	(2,598)
Property expenses		(362)	(382)
Marketing expenses		(2,665)	(617)
Total expenses excluding net financing income		(5,964)	(3,597)
Result from operating activities		19,877	(620)
Finance income		1,677	1,350
Finance costs		(782)	(675)
Net financing income		895	675
Share of profits of equity accounted investments		644	4,827
Profit before tax		21,416	4,882
Income tax expense		(5,442)	(692)
Profit for the period		15,974	4,190

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | PAYCE CONSOLIDATED LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Half-year ended 31 Dec 2012 \$'000	Half-year ended 31 Dec 2011 \$'000
Profit for the period	15,974	4,190
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Revaluation of available-for-sale financial assets (net of tax)	(40)	(19)
Total comprehensive profit for the period	15,934	4,171
Profit attributable to:		
Owners of the Company	15,974	4,190
Non-controlling interest	-	-
Profit for the period	15,974	4,190
Total comprehensive profit attributable to:		
Owners of the Company	15,934	4,171
Non-controlling interest	-	-
Total comprehensive profit for the period	15,934	4,171
Earnings per share	cents per share	cents per share
Basic earnings per share	53.7	14.1
Diluted earnings per share	53.4	14.1

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION | PAYCE CONSOLIDATED LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	31 Dec 2012 \$'000	30 June 2012 \$'000
Current Assets		
Cash and cash equivalents	32,693	25,809
Trade and other receivables	11,842	6,074
Properties held for development and resale	5,559	53,963
Other	10,689	2,645
Total Current Assets	60,783	88,491
Non-Current Assets		
Trade and other receivables	6,003	9,699
Properties held for development and resale	102,379	82,867
Investments accounted for using the equity method	10,226	1,743
Property, plant and equipment	369	469
Available-for-sale financial assets	2,309	2,099
Deferred tax assets	11,351	14,338
Other assets	7,667	6,087
Total Non-Current Assets	140,304	117,302
Total Assets	201,087	205,793
Current Liabilities		
Trade and other payables	17,883	8,443
Financial liabilities	0	42,782
Provisions	725	705
Total Current Liabilities	18,608	51,930
Non-Current Liabilities		
Trade and other payables	150	2,500
Financial liabilities	43,356	34,474
Deferred tax liability	3,649	-
Provisions	41	40
Total Non-Current Liabilities	47,196	37,014
Total Liabilities	65,804	88,944
Net Assets	135,283	116,849
Equity		
Issued Capital	45,382	45,382
Reserves	2,327	2,367
Retained Earnings	84,574	68,600
Equity attributable to equity holders of the Company	132,283	116,349
Non-controlling interest	3,000	500
Total Equity	135,283	116,849

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 Reserve \$'000	Available for Sale Investment Revaluation Reserve \$'000	Shares Forfeited \$'000	Owners of the parent \$'000	Non- controlling interest \$'000	Total Equity \$'000
As at 1 July 2012	45,382	68,600	2,021	525	17	(200)	4	116,349	500	116,849
Profit for the period	-	15,974	-	-	-	-	-	15,974	-	15,974
Revaluation of available- for-sale financial assets	-	-	-	-	-	(40)	-	(40)	-	(40)
Total comprehensive income for the period	-	15,974	-	-	-	(40)	-	15,934	-	15,934
Minority shareholder investment	-	-	-	-	-	-	-	-	2,500	2,500
Total transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	2,500	2,500
As at 31 December 2012	45,382	84,574	2,021	525	17	(240)	4	132,283	3,000	135,283

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	Shares Forfeited \$'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.

CONSOLIDATED STATEMENT OF CASH FLOWS | PAYCE CONSOLIDATED LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Half-year ended 31 Dec 12 \$'000	Half-year ended 31 Dec 11 \$'000
Cash flows from operating activities		
Cash receipts from customers	108,066	9,465
Cash paid to suppliers and employees	(59,883)	(22,397)
Payments for development property acquisitions	(3,157)	(7,216)
Funding advanced to property development ventures	(6,300)	(3,488)
Repayment of funding to property development ventures	1,277	11,350
Finance income received	1,677	412
Finance costs paid	(4,446)	(1,497)
Taxation refund received	1,194	-
Net cash provided by / (used in) operating activities	38,428	(13,371)
Cash flows from investing activities		
Payments for available-for-sale financial assets	(250)	(300)
Dividends and distributions received	106	110
Payments for property, plant and equipment	-	(10)
Net cash used in investing activities	(144)	(200)
Cash flows from financing activities		
Proceeds from borrowings	20,197	17,074
Repayment of borrowings	(54,097)	-
Minority equity interest contributions	2,500	500
Net cash (used in) / provided by financing activities	(31,400)	17,574
Net increase in cash held	6,884	4,003
Cash and cash equivalents at 1 July	25,809	9,442
Cash and cash equivalents at 31 December	32,693	13,445

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 report as at and for the half-year ended 31 December 2012 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 2012.

The consolidated interim financial report was approved by the Board of Directors on 22 February 2013.

(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 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 2012.

(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.

(e) Comparative information

Certain cash flow items and their comparative figures have been renamed or reclassified to better reflect the nature of these flows in terms of the Group's activities.

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 2012.

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 2012.

Note 5 Revenue and other income

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Revenue:		
Property development sales	86,757	1,212
Construction contract revenue	23,286	-
Rental income	1,653	2,831
Other revenue	67	327
Total revenue from operations	111,763	4,370
Other income		
Trust distribution	106	110

Note 6 Key administration expense items

Depreciation

Plant and Equipment	100	96
Total depreciation	100	96

Employee benefits expense

Wages and salaries	1,205	986
Other associated personnel expenses	72	70
Contributions to defined superannuation plans	84	86
Movement in employee provisions	21	48
Total employee benefits expense from operations	1,382	1,190

Note 7 Operating Segments

The results and financial position of the Group's single operating segment, Property Development, are prepared on a basis consistent with Australian Accounting Standards and thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made.

Note 8 Contingent Liabilities

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
a Guarantees given in the ordinary course of business for borrowings and commitments of controlled entities.	22,856	19,374
b Assignment of loans related to the purchase of consolidated entity property held for development and resale by third parties.	-	5,000
c As at balance date there was no contingent liability for termination benefits under service agreements with directors or employees of the Group.		
d 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 15, 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 2012 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 22nd day of February 2013.



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 2012, 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 internal 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 2012 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*.

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Liability limited by a scheme approved under Professional Standards Legislation.



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 2012 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


Kim Lawry
Partner

Sydney
22 February 2013



