

**PAYCE CONSOLIDATED LIMITED**  
**ABN: 19 001 566 310**

**HALF-YEAR REPORT**

**31 DECEMBER 2013**



# PAYCE CONSOLIDATED LIMITED

## HALF-YEAR REPORT 31 DECEMBER 2013

### CONTENTS

3	Results for announcement to the market
5	Directors' report
6	Lead auditor's independence declaration
7	Consolidated statement of comprehensive income
9	Consolidated statement of financial position
10	Consolidated statement of changes in equity
12	Consolidated statement of cash flows
13	Notes to the consolidated interim financial statements
16	Directors' declaration
17	Independent review report

### Results for Announcement to the Market

1. The reporting period is the financial half-year ended 31 December 2013 including comparative information for the half-year ended 31 December 2012.

2. Results for announcement to the market

		\$000's			\$000's
Change in revenues from ordinary activities ( <i>item 2.1</i> )	down	77,215	or	69% to	34,548
Change in profit from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	down	10,902	or	68% to	5,072
Change in net profit for the period attributable to members ( <i>item 2.3</i> )	down	10,902	or	68% to	5,072

The change in revenues and profits is predominantly due to the substantial settlements on the APEX residential development in the prior period exceeding current period revenues.

3. Net Tangible Assets

	Current period	30 June 2013
Net Tangible Asset backing per Ordinary Share	\$4.73	\$4.55

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 2013.

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)	
		2013 %	2012 %	2013 \$'000	2012 \$'000
<b>Associated Companies</b>					
Henlia No. 7 Pty Ltd	Property development	50.1	50.1	(8)	1,272
Henlia No. 21 Pty Ltd	Property development	50.0	50.0	-	-
Lot 305 Unit Trust	Property development	50.0	50.0	4	(537)
Henlia Holdings Apartment Investment Trust	Property development	50.0	50.0	-	-
<b>Jointly Controlled Entities</b>					
PayWin Developments Pty Limited	Property development	50.0	50.0	(108)	(91)
				<b>(112)</b>	<b>644</b>

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 2013 and the independent review report thereon.

### Results Commentary

The Group recorded a profit before tax of \$7.28 million for the half year to 31 December 2013.

During the past 6 months the Group substantially progressed the construction of its East Village mixed-use and Platinum residential projects at Victoria Park with completion anticipated in the second half of calendar year 2014.

The Group continues to progress development of its residential Joint Venture projects at Wentworth Point and Ermington, its urban renewal project with Housing NSW at Riverwood and other owned developments at Kirrawee and Hurstville.

Medium to long term mixed-use development opportunities in NSW and Queensland remain a key on-going focus for the Group.

### 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 overleaf and forms part of the Directors' Report for the half-year ended 31 December 2013.

### 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  
21 February 2014



**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 2013, 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

A handwritten signature in black ink, appearing to read 'Kim Lawry'.

Kim Lawry  
*Partner*

Sydney  
21 February 2014

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 2013 \$'000	Half-year ended 31 Dec 2012 \$'000
<b>Operations</b>			
Revenue	5	34,548	111,763
Cost of Sales		(17,042)	(86,028)
		<b>17,506</b>	<b>25,735</b>
<b>Gross Profit</b>			
Other income	5	745	106
Administration expenses	6	(5,254)	(2,937)
Property expenses		(625)	(362)
Marketing expenses		(4,833)	(2,665)
<b>Total expenses excluding net financing income</b>		<b>(10,712)</b>	<b>(5,964)</b>
		<b>7,539</b>	<b>19,877</b>
<b>Result from operating activities</b>			
Finance income		606	1,677
Finance costs		(753)	(782)
Net financing (costs) / income		(147)	895
Share of (losses) / profits of equity accounted investments		(112)	644
		<b>7,280</b>	<b>21,416</b>
<b>Profit before tax</b>			
Income tax expense		(2,208)	(5,442)
		<b>5,072</b>	<b>15,974</b>
<b>Profit for the period</b>			

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



	<b>Half-year ended 31 Dec 2013 \$'000</b>	<b>Half-year ended 31 Dec 2012 \$'000</b>
<b>Profit for the period</b>	<b>5,072</b>	<b>15,974</b>
<b>Other comprehensive income</b>		
Items that may be reclassified to profit or loss:		
Revaluation of available-for-sale financial assets (net of tax)	-	(40)
<b>Total comprehensive profit for the period</b>	<b>5,072</b>	<b>15,934</b>
<b>Profit attributable to:</b>		
Owners of the Company	5,072	15,974
Non-controlling interest	-	-
<b>Profit for the period</b>	<b>5,072</b>	<b>15,974</b>
<b>Total comprehensive profit attributable to:</b>		
Owners of the Company	5,072	15,934
Non-controlling interest	-	-
<b>Total comprehensive profit for the period</b>	<b>5,072</b>	<b>15,934</b>
<b>Earnings per share</b>	<b>cents per share</b>	<b>cents per share</b>
Basic earnings per share	17.05	53.7
Diluted earnings per share	17.05	53.4

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 2013

	Note	31 Dec 2013 \$'000	30 Jun 2013 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		47,757	24,911
Trade and other receivables		21,862	19,092
Properties held for development and resale		148,595	-
Other assets		9,948	4,149
<b>Total Current Assets</b>		<b>228,162</b>	<b>48,152</b>
<b>Non-Current Assets</b>			
Trade and other receivables		8,377	2,262
Properties held for development and resale		60,354	124,349
Investments accounted for using the equity method		19,384	19,489
Property, plant and equipment		6,655	376
Available-for-sale financial assets		2,223	2,263
Deferred tax assets		11,927	11,724
Other assets		11,935	8,846
<b>Total Non-Current Assets</b>		<b>120,855</b>	<b>169,309</b>
<b>Total Assets</b>		<b>349,017</b>	<b>217,461</b>
<b>Current Liabilities</b>			
Trade and other payables		15,874	13,473
Financial liabilities		131,649	15,664
Provisions		928	802
<b>Total Current Liabilities</b>		<b>148,451</b>	<b>29,939</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	7	52,220	46,739
Provisions		45	40
Deferred tax liability		7,544	5,133
<b>Total Non-Current Liabilities</b>		<b>59,809</b>	<b>51,912</b>
<b>Total Liabilities</b>		<b>208,260</b>	<b>81,851</b>
<b>Net Assets</b>		<b>140,757</b>	<b>135,610</b>
<b>Equity</b>			
Issued Capital		45,382	45,382
Reserves		1,756	1,756
Retained Earnings		90,244	85,172
<b>Equity attributable to equity holders of the Company</b>		<b>137,382</b>	<b>132,310</b>
Non-controlling interest		3,375	3,300
<b>Total Equity</b>		<b>140,757</b>	<b>135,610</b>

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	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
<b>As at 1 July 2013</b>	<b>45,382</b>	<b>85,172</b>	<b>2,021</b>	<b>17</b>	<b>(286)</b>	<b>4</b>	<b>132,310</b>	<b>3,300</b>	<b>135,610</b>
Profit for the period	-	5,072	-	-	-	-	5,072	-	5,072
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>5,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,072</b>	<b>-</b>	<b>140,682</b>
Minority shareholder investment	-	-	-	-	-	-	-	75	75
<b>Total transactions with owners, recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>-</b>
<b>As at 31 December 2013</b>	<b>45,382</b>	<b>90,244</b>	<b>2,021</b>	<b>17</b>	<b>(286)</b>	<b>4</b>	<b>137,382</b>	<b>3,375</b>	<b>140,757</b>

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

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 2013

	<b>Half-year ended 31 Dec 13 \$'000</b>	<b>Half-year ended 31 Dec 12 \$'000</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	32,198	108,066
Cash paid to suppliers and employees	(93,127)	(59,883)
Payments for development property acquisitions	(22,010)	(3,157)
Funding advanced for property development ventures	(7,817)	(6,300)
Repayment of funding for property development ventures	827	1,277
Finance income received	606	1,677
Finance costs paid	(3,486)	(4,446)
Taxation refunded	-	1,194
<b>Net cash (used in) / provided by operating activities</b>	<b>(92,809)</b>	<b>38,428</b>
<b>Cash flows from investing activities</b>		
Payments for available-for-sale financial assets	-	(250)
Dividends and distributions received	785	106
Payments for property, plant and equipment	(6,671)	-
<b>Net cash provided by / (used in) investing activities</b>	<b>(5,886)</b>	<b>(144)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	125,609	20,197
Repayment of borrowings	(4,143)	(54,097)
Minority equity interest contributions	75	2,500
<b>Net cash provided by / (used in) financing activities</b>	<b>121,541</b>	<b>(31,400)</b>
<b>Net increase in cash held</b>	<b>22,846</b>	<b>6,884</b>
Cash and cash equivalents at 1 July	24,911	25,809
<b>Cash and cash equivalents at 31 December</b>	<b>47,757</b>	<b>32,693</b>

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 2013 comprises 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 2013.

The consolidated interim financial report was approved by the Board of Directors on 21 February 2014.

#### **(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 2013.

#### **(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 in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Group's 30 June 2014 consolidated financial statements.

#### **Changes in accounting policies**

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements* (see (a))

AASB 11 *Joint Arrangements* (see (b))

AASB 13 *Fair Value Measurement* (see (c))

The nature and the effect of the changes are further explained overleaf.

**(a) Subsidiaries**

As a result of AASB 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The Group reassessed the control conclusion for its investees at 1 July 2013, with no change to entities classified as subsidiaries as at that date.

**(b) Joint arrangements**

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification. Based on this assessment, there was no change to the Group's classification or accounting treatment of joint arrangements.

**(c) Fair value measurement**

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

**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 2013.

**Note 5 Revenue and other income**

	31 Dec 2013 \$'000	31 Dec 2012 \$'000
<b>Revenue:</b>		
Property development sales	32,909	86,757
Construction contract revenue	-	23,286
Rental income	896	1,653
Other revenue	743	67
Total revenue from operations	<u>34,548</u>	<u>111,763</u>
<b>Other income</b>		
Trust distribution	<u>745</u>	<u>106</u>

**Note 6 Administration expenses**

<b>Depreciation</b>		
Plant and Equipment	392	100
Total depreciation	<u>392</u>	<u>100</u>
<b>Employee benefits expense</b>		
Wages and salaries	1,494	1,205
Other associated personnel expenses	75	72
Contributions to defined superannuation plans	109	84
Movement in employee provisions	130	21
Total employee benefits expense from operations	<u>1,808</u>	<u>1,382</u>
<b>Other administration and operating expenses</b>	<u>3,054</u>	<u>1,455</u>

**Note 7 Financial Liabilities**

On 3 December 2013 the Group completed the issue of a \$50 million senior secured note offering which was fully subscribed. The notes have a 5 year term, maturing in December 2018, and pay a fixed quarterly coupon at 9.5% per annum.

**Note 8 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 9 Contingent Liabilities**

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

**Note 10 Subsequent events**

No material subsequent events have occurred between 31 December 2013 and the date of this report.



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

- (a) the consolidated financial statements and notes to the consolidated financial statements for the half year ended 31 December 2013 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 2013 and of its performance for the six month period ended on that date;
  - (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  
21 February 2014



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

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 2013, 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 10 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 2013 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 2013 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 of 'KPMG' in black ink, with a horizontal line underneath.

KPMG

A handwritten signature in black ink, appearing to read 'Kim Lawry'.

Kim Lawry  
*Partner*

Sydney  
21 February 2014



