PAYCE

PAYCE Consolidated Limited

ABN 19 001 566 310

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

PAYCE Consolidated Limited
ANNUAL REPORT 2015

TRANSFORMING PLACES SINCE 1978

CONTENTS

TRANSFORMING PLACES SINCE 1978

DIRECTORS' REPORT

The directors present their report together with the financial report of PAYCE Consolidated Limited (the 'Company') and of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2015.

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Mr. Brian M. Boyd
Chairman, Managing Director
Age 66

Brian Boyd was appointed as a Director and Managing Director in 1987 and Chairman of the Board on 8 July 2010. Brian has over 34 years' experience in the property industry.

Mr. Roger R. Short
Independent Non-Executive Director
Age 70

Roger Short was appointed as a Director in 1996. He practised for over 37 years as a lawyer involved in large scale property development projects and commercial and public infrastructure, retiring from practice with McCullough Robertson in 2005. Roger has been a director of public companies for more than 30 years and continues to be involved in company governance in the construction and infrastructure industries. Roger also served as a director of Sedgman Limited from 2006 to 2014.

Roger is a member of the Audit Committee.

Mr. Christopher I. Gabriel
Independent Non-Executive Director
Age 67

Chris Gabriel was appointed as a Director in 2010. Chris brings substantial knowledge to the Board from over 34 years of advisory, accounting and tax experience to mid-tier businesses across a broad spectrum of industries. Chris has been a Fellow with the Institute of Chartered Accountants of Australia since 1973, has been a principal in practice since 1976 and is a registered company auditor.

Chris is a member of the Audit Committee.

All directors held their position as director throughout the entire financial year and up to the date of this report, unless otherwise stated.

2. COMPANY SECRETARY

Mr. Brian H. Bailison

Brian Bailison, aged 44, was appointed as Company Secretary on 15 October 2009. He has a degree in Commerce and is a Chartered Accountant with extensive experience in accounting and reporting for both public and private companies.

3. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

	Board		**Audit Committee**	
Director	**A**	**B**	**A**	**B**
B. M. Boyd	10	10	-	-
R. R. Short	10	10	2	2
C. I. Gabriel	10	10	2	2

A – Number of meetings attended

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

4. PRINCIPAL ACTIVITY

The principal activity of the Group during the year was the development and sale of residential, retail and commercial property. During the year the Group established the investment property division. There were no other significant changes in the activities of the Group during the year.

5. OPERATING RESULTS

The consolidated profit of the Group attributable to the owners of the Company after providing for income tax amounted to $85.573 million (30 June 2014: $1.559 million).

6. DIVIDENDS AND CAPITAL TRANSACTIONS

The Company declared an unfranked ordinary dividend of 10c per share on 17 April 2015 amounting to $2.975 million which was paid on 28 April 2015.

As part of the Company's capital management strategy an equal access off-market share buy-back for 9,905,398 ordinary shares at a cost of $97.073 million was concluded on 3 June 2015.

The buy-back consideration of $9.80 per share was paid and payable as follows:

- $0.80 per share cash paid upon cancellation of the Ordinary Shares
- $0.80 per share to be cash paid 12 months after the cancellation of the Ordinary Shares
- $0.70 per share to be cash paid 18 months after the cancellation of the Ordinary Shares; and
- One Preference Share issued at $7.50 upon cancellation of each Ordinary Share.

No other dividends were declared or paid during the financial year or to the date of this report. Refer to Note 12 of the Financial Report.

7. REVIEW OF OPERATIONS

Overview

During the year the Group maintained its development activities, progressing the development of multiple sites and acquiring additional development sites as further detailed below.

Operations – Development Activities

- **East Village – Victoria Park, NSW**

  In October 2014, the development of the mixed-use "East Village" site completed with the sale and settlement of 206 residential units and the opening of the commercial / retail centre, which continues to trade as expected. PAYCE receive recurring rental income from this investment asset. East Village was awarded the "Development of the Year" by the NSW Urban Taskforce in August 2015.

- **Washington Park (Riverwood North), NSW**

  The Group completed the construction and settlement of 197 units in the "Como" building at Washington Park during the financial year, with the 192 unit "Fairmount" building nearing completion and due for settlement in August 2015.

  Washington Park is a four staged residential development in Sydney's south west producing over 600 apartments. Progress on the remaining 2 residential stages of the project is progressing with pre-sales and early works having already commenced.

- **Hurstville, NSW**

  As announced to the market in October 2014, the Group completed contracts to dispose of the Hurstville development site for $43 million, in which the Group had a 75% interest.

- **Kirrawee, NSW**

  In May 2015, PAYCE announced the exchange of a Development Agreement and Construction Procurement Services Agreement. The execution of this agreement resulted in the recognition of $20.6 million gross profit on the basis of the Group's reduced interest in its mixed-use development of up to 749 residential units, 14,190 square metres of retail / commercial uses and 1,500 square metres of community facilities on the 4.25 hectare site, located in the Sutherland Shire of Sydney.

- **Melrose Park, NSW**

  Further to the August 2014 announcement of the acquisition of two adjacent tenanted industrial sites, totalling 16 hectares, in Melrose Park, Sydney for $118.5 million, PAYCE announced in August 2015, the further acquisition of an additional adjacent 8.7 hectare tenanted commercial / industrial site for $144.5 million. Long term development opportunities for the sites are currently being assessed.

Operations – Joint Operations with Sekisui House

- **Wentworth Point Ferry Terminal, NSW**

  Following receipt of Development Approval to construct up to 249 residential dwellings and ground floor retail, the "Jewel" project, located at the Sydney Olympic Park Ferry Terminal, Wentworth Point, has commenced early works construction following an initial successful sales and marketing campaign. The project is expected to complete in mid-2017.

- **Ermington, NSW**

  Following a successful sales and marketing campaign, construction commenced on the 632 residential unit project "Royal Shores", located on the Parramatta River at Ermington. The project is progressing and is expected to complete in multiple stages during the course of 2016.

- **West End (Brisbane), QLD**

  "West Village", located in West End, Brisbane, encompasses a 2.6 hectare mixed-use residential and retail development project to construct over 1,000 residential units and a 10,000 square metre retail precinct. A Development Application for the initial stage has been lodged with approval expected in 2016.

- **Bay Park – Wentworth Point, NSW**

  On 5 June 2015, the Joint Operation announced the execution of a Put and Call Option to divest of the development site at Bay Park, a 2.6 hectare site located within the established "Waterfront" estate at Wentworth Point for $100 million. No revenue or profit has been recognised at 30 June 2015.

Other development projects

The construction of the 322 residential units "Platinum" development successfully completed, with settlement occurring during the year and the Group recognising its 50% interest in the development profit as an equity accounted return.

The Group continues to progress and assess appropriate development opportunities largely in New South Wales and Queensland, which together with the developments noted above, reflects a strong development pipeline to be progressed over the medium / long term.

8. ENVIRONMENTAL REGULATION

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

9. FINANCIAL POSITION

The net assets of the Group increased from $133.6 million at 30 June 2014 to $193.8 million at 30 June 2015. During the year, the Group's total asset position increased by $90.7 million to $617.9 million at 30 June 2015, whilst total liabilities increased by $30.5 million to $424.1 million at 30 June 2015.

10. EVENTS SUBSEQUENT TO BALANCE DATE

As announced to the market on 7 August 2015 the Group, via a subsidiary special purpose vehicle, exchanged contracts to acquire a 8.7 hectare industrial site in the western suburbs of Sydney for a consideration of $144.5 million. The Group has paid a 10% deposit with completion to occur in 60 days.

11. LIKELY DEVELOPMENTS AND FUTURE RESULTS

The business will continue to focus on the development and sale of community and stand-alone residential and mixed-use property in future years. Growth over the medium to longer term will be driven by the execution of the development pipeline projects mentioned in the Review of Operations above.

12. KEY BUSINESS STRATEGIES AND FUTURE PROSPECTS

PAYCE has a strong history of delivering successful residential and commercial development projects. This industry and business experience will be used to manage the business response to market cycles and identify new business opportunities in future periods.

13. STATE OF AFFAIRS

With the exception of the matters stated in the Review of Operations and Events Subsequent to Balance Date there have been no other significant changes in the state of affairs of the Company or the Group during the year ended 30 June 2015.

14. DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Details of each director's relevant interest in the shares of the Company at the date of this report are:

Director	Ordinary Shares	Preference Shares
B.M. Boyd	9,905,460	1,620,000
R.R. Short	35,000	30,000
C.I. Gabriel	-	-

Refer Section 17.5 for detailed information.

15. INDEMNIFICATION OF OFFICERS AND AUDITORS

Clause 112 of the Company's Constitution requires the Company to indemnify each officer of the Company (subject to certain qualifications) against any liability incurred by the officer in or arising out of the conduct of the business of the Company or the discharge of the duties of the officer unless the liability was incurred by the officer through his or her own dishonesty, negligence, lack of good faith or breach of duty.

The directors and key management personnel named in Section 17.2 of the Directors' Report have the benefit of the indemnity in Clause 112 to the extent they act in the capacity as officers of the Company or its Group companies. The Company has insured against amounts which it may be liable to pay to officers pursuant to Clause 112 or which it may otherwise agree to pay by way of indemnity. The terms and conditions of the contracts of insurance prohibit the nature of any liability and the amount of the premium from being disclosed.

The Company has not entered into any agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the Annual Financial Report.

16. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

17. REMUNERATION REPORT - *Audited*

17.1 Principles of compensation - Audited

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

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company and senior executives of the Group.

The directors have agreed that under the Company's Constitution, the non-executive directors are to be paid remuneration for ordinary services such sums as may from time to time be determined by a meeting of members.

The compensation structures explained below are designed to attract suitably qualified executives, reward the achievement of strategic objectives, and achieve the broader outcome of increasing the Company's profit and creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel;
- The key management personnel's ability to control the relevant segment performance;
- The Group's performance being:
  - the Group's earnings;
  - the growth in share price and returns on shareholder wealth;
  - the amount of incentives within each key management personnel's remuneration.

Compensation packages may include a mix of fixed and performance linked compensation.

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Key management personnel compensation levels are reviewed annually by the Managing Director through a process that considers individual and overall performance of the Group.

Short-term Incentive Bonus (STI)

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance.

On an annual basis, the overall performance of the Company is considered along with the individual executive's performance in determining any bonus amount.

Long-term Incentives (LTI)

The Company currently has no LTI scheme.

Company Performance and Remuneration

In considering the Group's performance and benefits for shareholders' wealth the directors have regard to the following indices in respect of the current financial year and the previous four financial years.

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Net profit	85,573	1,559	19,022	23,391	12,797
Share price at year end	$8.10	$4.10	$4.15	$3.10	$3.01

17. REMUNERATION REPORT (continued) - *Audited*

Service Agreements

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

Mr B.H. Bailison

Company Secretary & Chief Financial Officer

- Employment commenced 13 May 2008;
- Fixed remuneration, inclusive of superannuation, of $400,915 per annum, reviewed annually by Managing Director;
- May resign from position by giving one month's written notice. The Company may make payment in lieu of notice or part of that period.

Mr D.J. SULLIVAN

General Manager

- Employment commenced 1 January 2006;
- Fixed remuneration, inclusive of superannuation, of $380,870 per annum, reviewed annually by Managing Director;
- May resign from position by giving one month's written notice. The Company may make payment in lieu of notice or part of that period.

17. REMUNERATION REPORT (continued) - *Audited*

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

Details of the nature and amount of each element of remuneration of each director of the Company and all Group key management personnel:

EXECUTIVES		Short-term: Salary, fees & commissions	Short-term: Primary cash bonus	Short-term: Non-cash benefits *	Post-employment: Superannuation	Other long-term	TOTAL	% of remuneration performance related
B.H. Bailison	2015	381,115	-	55,121	19,800	7,333	463,369	0.0%
Company Secretary & CFO	2014	382,000	-	90,830	18,000	15,791	506,621	0.0%
D.J. Sullivan	2015	362,086	-	93,653	18,783	7,097	481,619	0.0%
General Manager	2014	362,225	-	104,609	17,775	28,423	513,032	0.0%
Total	2015	743,201	-	148,774	38,583	14,430	944,988	0.0%
	2014	744,225	-	195,439	35,775	44,214	1,019,653	0.0%

DIRECTORS		Short-term: Salary, fees & commissions	Short-term: Primary cash bonus	Short-term: Non-cash benefits *	Post-employment: Superannuation	Other long-term	TOTAL	% of remuneration performance related
Non-executive								
R.R. Short	2015	58,333	-	11,667	6,650	-	76,650	0.0%
	2014	70,000	-	-	6,475	-	76,475	0.0%
C.I. Gabriel	2015	42,004	-	27,996	6,650	-	76,650	0.0%
	2014	42,004	-	27,996	6,475	-	76,475	0.0%
Executive								
B.M. Boyd	2015	96,725	-	322,509	21,729	1,301	442,264	0.0%
	2014	112,110	-	238,045	17,772	8,555	376,482	0.0%
Total	2015	197,062	-	362,172	35,029	1,301	595,564	0.0%
	2014	224,114	-	266,041	30,722	8,555	529,432	0.0%

* Non-cash benefits comprise salary sacrifice contributions, annual leave and fringe benefits.

17. REMUNERATION REPORT (continued) - *Audited*

17.3 Analysis of bonuses included in remuneration

No short-term incentive cash bonuses were awarded as remuneration during the year to any Director of the Company or any Group senior executive other than as noted in Section 17.2 of the Directors' Report.

17.4 Loans to key management personnel and their related parties

As at 1 July 2014 the Company had granted unsecured loans totalling $600,000 to B.H. Bailison and $500,000 to D.J. Sullivan. The loans are interest-free and are repayable 3 years after being advanced or within 3 months of termination of employment if earlier. At 30 June 2015 the balance of these loans remained unchanged. The loans to B.H. Bailison and D.J. Sullivan respectively have present values of $599,519 and $479,368 and would have borne interest of $30,000 and $25,000 if interest had been charged on an arm's-length basis.

As at 1 July 2014 the Company had granted an unsecured loan of $922,200 to a company of which B.H. Bailison and D.J. Sullivan are directors. The loan has an interest rate of 7% per annum and is repayable 9 years from being advanced. At 30 June 2015 the balance of this loan remained unchanged.

17.5 Movements in shares and dividends received

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially, by each KMP including their related parties is as follows:

	Held at 1 July 2014	Received during the year as remuneration	Other changes*	Held at 30 June 2015
B.M. Boyd	11,525,460	-	(1,620,000)	9,905,460
R.R. Short	65,000	-	(30,000)	35,000
	11,590,460	-	(1,650,000)	9,940,460

	Held at 1 July 2013	Received during the year as remuneration	Other changes*	Held at 30 June 2014
B.M. Boyd	14,006,799	-	(2,481,339)	11,525,460
R.R. Short	65,000	-	-	65,000
	14,071,799	-	(2,481,339)	11,590,460

* Comprises share transfers and buy-back

The movement during the reporting period in the number of preference shares held, directly, indirectly or beneficially, by each KMP including their related parties is as follows:

	Held at 1 July 2014	Received during the year as remuneration	Other changes*	Held at 30 June 2015
B.M. Boyd	-	-	1,620,000	1,620,000
R.R. Short	-	-	30,000	30,000
	-	-	1,650,000	1,650,000

* Comprises share buy-back

Dividends received by KMP from the Group during the year:

B.M. Boyd $1,152,546 (2014: $1,400,679)

R. R. Short $6,500 (2014: $6,500)

18. AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

During the year the following fees were paid or payable for services provided by the auditor of the Group and its related parties:

Audit and Non-Audit Services	**2015** **$**	**2014** **$**
KPMG Australia		
Audit and review of financial reports and other audit work under the Corporations Act 2001	185,625	182,125
Non-Audit Services	-	6,000
Total Remuneration	**185,625**	**188,125**

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

The Lead Auditor's Independence Declaration is set out overleaf and forms part of the Directors' Report for the financial year ended 30 June 2015.

20. ROUNDING OF AMOUNTS

The parent company is a company of the kind specified in Australian Securities and Investments Commission Class Order 98/100. In accordance with that Class Order, amounts in the financial statements have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

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

B.M. Boyd
DIRECTOR

C.I. Gabriel
DIRECTOR

Sydney, New South Wales
21 August 2015

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

To: the directors of PAYCE Consolidated Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

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

KPMG

KPMG

Steven Gatt
Partner

Sydney
21 August 2015

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.

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the corporate governance practices of PAYCE Consolidated Limited (the 'Company') and its group of entities (the 'Group'). This statement sets out the main corporate governance practices that are currently in place.

Unless otherwise stated the Company's governance accords with the principles and recommendations of the ASX Corporate Governance Council.

BOARD OF DIRECTORS

The Board Charter sets out the principles for the operation of the Board and has been adopted on the basis that corporate governance and good governance procedures can add to the performance of the Company, the creation of shareholder value and engender the confidence of stakeholders.

The Board is accountable to shareholders for the performance of the Company and its key responsibilities are to:

- determine and approve the corporate strategy, policy and direction of the Company with a view to maximise shareholder value and to set goals and objectives for management;
- approve all accounting policies, financial reports and material reporting by or on behalf of the Company;
- determine the Company's dividend policy and the amount and timing of all dividends paid to shareholders;
- oversee the processes for identifying the major risks facing the Company and review that appropriate and adequate controls, monitoring and reporting mechanisms are in place;
- review the performance and effectiveness of the Company's corporate governance policies and procedures and consider any amendments to those policies and procedures;
- approve the appointment of Directors to the Committees established by the Board;
- maintain high business standards and ethical behaviour throughout the Company;
- appoint a company secretary to manage all matters related to the Board's functioning; and
- make available a program for inducting new directors.

Board Composition and Size

The Board currently comprises the following Board Members:

Name	Position
Brian Boyd	Chairman & Managing Director
Roger Short	Non-Executive Director – Independent
Christopher Gabriel	Non-Executive Director – Independent

The background details for each of the Company's directors are listed on page 5 of the Company's 30 June 2015 Financial Report.

The Chairman & Managing Director, Brian Boyd, is an integral part of the Company and has been for a significant period of time. Due to the complexity and scale of the Company's developments, the importance of continuity and his detailed knowledge of the business, the Board considers it optimal that Mr Boyd continues in his roles of both Chairman and Managing Director.

The Board Charter provides, where required, that a lead independent non-executive director will be nominated to act as a liaison for independent non-executive directors and to confer with the Chairman on any issues raised by the independent non-executive directors in connection with the discharge by the Chairman of his responsibilities and the function and obligations of the Board and each Board Committee.

CORPORATE GOVERNANCE STATEMENT (continued)

The Company's Constitution provides that:

- the number of Directors shall be not less than 3 nor more than 10;
- one third of the Directors must retire from office at the annual general meeting each year and are eligible for re-election;
- a Director appointed to fill a casual vacancy must face election at the next Annual General Meeting;
- a quorum requires a minimum of 2 Directors.

Director Independence

The two Non-Executive Directors on the Board of the Company meet the independence criteria detailed in the ASX Best Practice Recommendations. In particular they:

- do not have a substantial shareholding in the Company nor are they officers of, or otherwise associated directly with a substantial shareholder of the Company;
- are not, and within the last three years have not been, an employee of the Company or any of its related entities;
- do not have material business or contractual relationships with the Company; and
- have no conflicts of interest.

Subject to the prior approval of the Chairman, Board Committees and individual Directors are entitled to seek independent professional advice at the Company's expense for the purposes of the proper performance of their duties.

Audit Committee

The Audit Committee was established by the Board to support and advise the Board with fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company by:

- assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance, the audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct; and
- supervising the Company's risk management practices.

The current members of the Audit Committee are:

- Roger Short; and
- Christopher Gabriel.

The Audit Committee meets as required throughout the year but not less than twice a year. The meetings are attended by the Managing Director, Chief Financial Officer and independent auditors where appropriate.

CORPORATE GOVERNANCE STATEMENT (continued)

As outlined in the Audit Committee Charter, the main objectives of the Committee are to:

- ensure that the quality of financial reporting for the half year, full year and annual report is complete and reflects appropriate accounting policies and practices;
- review with management and external auditors the results of the audit;
- make informed recommendations to the Board regarding accounting policies, practices and disclosures;
- review the scope, cost and results of the independent audit and review and confirm the independence and performance of the external auditors;
- review and assess the adequacy of the Company's accounting and internal controls;
- review with management the system for identifying, managing and monitoring the key risks of the Company, consider the overall risk management process and review its effectiveness in meeting sound corporate governance principles; and
- monitor conflicts of interest and review proposed transactions between related parties.

DISCLOSURE POLICY

The Company has a Disclosure Policy to ensure that the Company complies with its disclosure obligations under the Corporations Act 2001 and the Listing Rules of the ASX Limited (ASX). The policy sets out the standards, protocols and requirements expected of all Directors and employees of the Company, and is designed with the intention of ensuring that all investors have equal and timely access to information concerning the Company.

The Company Secretary, in conjunction with the Managing Director, is responsible for overseeing the implementation and operation of the Policy and is responsible for reviewing information reported by the Directors or employees and determining with the Managing Director whether any such information is required to be disclosed to the ASX, making ASX announcements and issuing media releases and other written public statements on behalf of the Company. This policy has been amended to reflect the recent update of the ASX Continuous Disclosure Guidelines.

REMUNERATION AND PERFORMANCE

Due to the structure and size of the Company the Board has not established a Remuneration Committee. In consultation with the Managing Director the Board is responsible for determining remuneration benchmarks, performance objectives and approving remuneration arrangements.

Board Remuneration and Performance Review

Non-Executive Directors are remunerated by way of fees and superannuation contributions only. The Non-Executive Directors do not receive options or bonus payments and are not provided with retirement benefits, other than superannuation.

The performance of the Board is reviewed to ensure that individual directors and the Board are collectively fulfilling their duties detailed above. The review takes into account the attendance at and involvement in Board Meetings, their performance and other matters identified by the Board.

Executive Remuneration and Performance Review

Executive remuneration comprises a balance of fixed and incentive pay, which varies with the seniority and complexity of the role and is benchmarked against relevant market practice.

The Remuneration Report is detailed in the 2015 Financial Report.

The Board (with the assistance of the Managing Director) annually assesses the performance of executives having regard to both the individual performance targets and the Company's performance targets.

CORPORATE GOVERNANCE STATEMENT (continued)

ETHICAL STANDARDS

The Board has implemented a Code of Conduct that applies to all directors, officers and employees of the Company whether on a full time, part-time, casual, temporary or contract basis.

The Code of Conduct covers the following principles which are to be applied at all times:

- Conflicts of interest;
- Corporate opportunities;
- Confidentiality;
- Responsibilities to stakeholders;
- Trading in securities;
- Protection and proper use of the Company's assets;
- Compliance with laws and regulations; and
- Encouraging the reporting of unlawful or unethical behaviour.

DIVERSITY POLICY

The Board is committed to workplace diversity, in particular gender diversity, and has adopted a Diversity Policy that includes, but is not limited to, gender, age, ethnicity and cultural background. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, higher employee retention and benefits arising from contributions of people with diverse backgrounds, experiences and perspectives.

Owing to the small number of Board members and employees and low staff turnover the Company does not set specific representation targets but does take diversity into account when hiring and promotion opportunities arise. The Board comprises three members and there are 37 employees.

SECURITIES TRADING POLICY

The Company has a Securities Trading Policy that details the legal duties placed upon the Directors, Officers and employees of the Company in respect of their dealings in the shares of the Company.

BUSINESS RISK MANAGEMENT

The Board ultimately determines the Company's risk profile and, with the assistance of the Audit Committee, is responsible for overseeing and approving risk management strategies and policies, internal compliance and controls.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management which provides regular reporting to the Audit Committee.

The Managing Director and Chief Financial Officer report in writing to the Board for half-year and year-end reporting periods that:

- the Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management, internal compliance & control systems are operating efficiently and effectively.

CORPORATE GOVERNANCE STATEMENT (continued)

COMMUNICATION WITH SHAREHOLDERS

Information is communicated to shareholders, either by post or electronically, through:

- the Annual Report and Interim Report;
- disclosures made to the Australian Securities Exchange; and
- occasional letters from the Chairman and Managing Director to inform shareholders of key matters of interest.

The Company encourages shareholders and independent auditor to attend and participate in the Annual General Meeting and any General Meetings of the Company. Details of any proposed meetings will be provided to shareholders and independent auditor well in advance of the relevant dates.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Company does not currently comply with the following ASX Corporate Governance Principles and Recommendations:

Recommendation	Further Details
2.1 The Board should establish a Nomination Committee	Having regard to the number of members currently comprising the Company's Board, the Directors do not consider it necessary to establish a Nomination Committee as they currently perform these functions. Although this is inconsistent with the recommendation, the recommendation itself recognises that a Nomination Committee does not provide the same efficiencies for smaller boards.
2.5 Chairperson should be an independent director and should be separate from the Managing Director	The Chairman and Managing Director, Brian Boyd, is an integral part of the Company, and has been for a significant period of time. Due to the complexity and scale of the Company's developments, the importance of continuity and his detailed knowledge of the business, the Board considers it optimal that Mr Boyd continues in his roles of both Chairman and Managing Director.
8.1 The Board should establish a Remuneration Committee	Having regard to the number of members currently comprising the Company's Board, the Directors do not consider it necessary to establish a Remuneration Committee. The Board, in consultation with the Managing Director is responsible for the determination of remuneration and the assessment of performance. Although this is inconsistent with the recommendation, the recommendation itself recognises that a Remuneration Committee does not provide the same efficiencies for smaller boards.

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Continuing Operations			
Revenue	6	403,168	57,018
Cost of sales		(302,481)	(36,606)
Gross profit		**100,687**	**20,412**
Other income		117	818
Gain on fair value of investment property	17(a)	58,594	-
Administration expenses	7	(15,469)	(9,835)
Property expenses		(4,796)	(1,005)
Marketing expenses		(12,601)	(5,879)
Share of profits / (losses) of equity accounted investments	31(b)	21,823	(144)
Impairment loss on financial asset		(1,000)	-
Profit before tax and net financing costs		**147,355**	**4,367**
Finance income		2,973	1,489
Finance costs		(12,486)	(3,821)
Loss on fair value of derivative financial instrument		(4,498)	-
Net financing costs	8	(14,011)	(2,332)
Profit before income tax		**133,344**	**2,035**
Income tax expense	9	(38,368)	(476)
Profit for the year		**94,976**	**1,559**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Other comprehensive income (net of tax)		-	-
Total comprehensive profit for the year		**94,976**	**1,559**
Profit attributable to:			
Owners of the Company		85,573	1,559
Non-controlling interests		9,403	-
Profit for the year		**94,976**	**1,559**
Total comprehensive profit attributable to:			
Owners of the Company		85,573	1,559
Non-controlling interests		9,403	-
Total comprehensive profit for the year		**94,976**	**1,559**
Earnings per share			
Basic earnings per share (cents per share)	11	295.23	5.24
Diluted earnings per share (cents per share)	11	295.23	5.24

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

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Current Assets			
Cash and cash equivalents	13	52,469	25,769
Trade and other receivables	14	10,851	14,303
Properties held for development and resale	15	85,389	216,818
Investments accounted for using the equity method	16	85	-
Other assets	19	2,728	7,526
Total Current Assets		**151,522**	**264,416**
Non-Current Assets			
Trade and other receivables	14	27,943	9,873
Properties held for development and resale	15	181,184	202,807
Investments accounted for using the equity method	16	2,013	19,480
Property, plant and equipment	18	7,477	6,269
Investment property	17(a)	235,000	-
Financial assets		1,022	2,310
Deferred tax assets	24	-	13,195
Other assets	19	11,783	8,858
Total Non-Current Assets		**466,422**	**262,792**
Total Assets		**617,944**	**527,208**
Current Liabilities			
Trade and other payables	20	53,895	30,293
Financial liabilities	21	62,075	222,276
Provisions	23	1,155	986
Total Current Liabilities		**117,125**	**253,555**
Non-Current Liabilities			
Trade and other payables	20	6,934	-
Financial liabilities	21	263,290	132,875
Derivative financial liabilities	22	4,498	-
Provisions	23	46	50
Deferred tax liability	24	32,253	7,080
Total Non-Current Liabilities		**307,021**	**140,005**
Total Liabilities		**424,146**	**393,560**
Net Assets		**193,798**	**133,648**
Equity			
Issued capital	25	103,916	45,382
Reserves	26	2,042	2,042
Retained earnings		84,535	83,756
Total equity attributable to equity holders of the Company		**190,493**	**131,180**
Non-controlling interest		3,305	2,468
Total Equity		**193,798**	**133,648**

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

Consolidated	Issued Capital $'000	Retained Earnings $'000	Capital Profits Reserve $'000	Asset Revaluation Reserve $'000	Available-For-Sale Investments Revaluation Reserve $'000	Shares Forfeited $'000	Non-controlling interest $'000	Total Equity $'000
Balance at 1 July 2014	**45,382**	**83,756**	**2,021**	**17**	**-**	**4**	**2,468**	**133,648**
Profit attributable to owners of the Company	-	85,573	-	-	-	-	9,403	94,976
Dividends	-	(84,794)	-	-	-	-	-	(84,794)
Minority shareholder redemption of investment	-	-	-	-	-	-	(3,389)	(3,389)
Distributions to non-controlling interest	-	-	-	-	-	-	(5,177)	(5,177)
Ordinary share buy-back	(15,254)	-	-	-	-	-	-	(15,254)
Issue of preference shares	74,290	-	-	-	-	-	-	74,290
Share transactional costs	(502)	-	-	-	-	-	-	(502)
Balance at 30 June 2015	**103,916**	**84,535**	**2,021**	**17**	**-**	**4**	**3,305**	**193,798**
Balance at 1 July 2013	**45,382**	**85,172**	**2,021**	**17**	**(286)**	**4**	**3,300**	**135,610**
Profit attributable to owners of the Company	-	1,559	-	-	-	-	-	1,559
Dividends	-	(2,975)	-	-	-	-	-	(2,975)
Contributions by non-controlling interest	-	-	-	-	-	-	150	150
Distributions to non-controlling interest	-	-	-	-	-	-	(982)	(982)
Revaluation of shares available for sale	-	-	-	-	286	-	-	286
Balance at 30 June 2014	**45,382**	**83,756**	**2,021**	**17**	**-**	**4**	**2,468**	**133,648**

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

		Consolidated	
		2015	2014
	Note	$'000	$'000
Cash flows from operating activities			
Receipts from customers		415,354	62,499
Payments to suppliers and employees		(270,651)	(175,769)
Payments for the acquisition of development properties		(62,756)	(150,738)
Loans to fund property development activities		(23,878)	(5,325)
Repayment of loans funding property development activities		26,335	968
Finance income received	8	2,973	1,489
Finance costs paid	8	(29,559)	(15,253)
Net cash provided by / (used in) operating activities	32a	**57,818**	**(282,129)**
Cash flows from investing activities			
Payments for financial assets acquired		-	(100)
Dividends and distributions received		20,866	858
Payments for the acquisition of property, plant and equipment		(2,230)	(6,710)
Net cash provided by / (used in) investing activities		**18,636**	**(5,952)**
Cash flows from financing activities			
Proceeds from borrowings		337,608	312,911
Repayment of borrowings		(370,784)	(20,165)
Minority interest equity contributions		-	150
Distributions paid to minority equity interest		(5,177)	-
Repurchase of ordinary shares		(7,924)	-
Transaction cost associated with share buy back		(502)	-
Dividends paid to shareholders		(2,975)	(3,957)
Net cash (repaid) / raised in financing activities		**(49,754)**	**288,939**
Net increase in cash held		26,700	858
Cash at beginning of financial year	13	25,769	24,911
Cash at end of financial year	13	**52,469**	**25,769**

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

Note 1. Reporting Entity

PAYCE Consolidated Limited (the 'Company') is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of the Company for the financial year ended 30 June 2015 comprise the Company and its controlled entities and interests in associates and jointly controlled entities (together referred to as the 'Group'). The Company is a for profit entity.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Note 2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorised for issue by the Board of Directors on 21 August 2015.

(b) Basis of measurement and functional currency

The financial report is presented in Australian dollars (the Group's functional currency) and has been prepared on a historical cost basis, except for investment properties, trade receivables and derivative financial instruments which have been measured at fair value. The methods used to measure fair values are discussed further in Note 4.

(c) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes to the financial statements:

- Trade and other receivables – assessment of recoverable amounts. (Note 4 (a)).
- Tax assets and liabilities – recognition of deferred tax assets. (Note 4 (c)).
- Revenue – sale of development properties. (Note 3 (q)).
- Fair value - investment property. (Note 4 (d)).

(d) Going concern basis

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In consideration of the above circumstances the directors have determined that the preparation of the financial report on a going concern basis to be appropriate.

Note 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by all entities in the Group.

(a) Basis of consolidation

The consolidated financial statements of the Group for the financial year ended 30 June 2015 comprise the Company and its controlled entities and interests in associates and jointly controlled entities (together referred to as the 'Group').

Note 3. Significant Accounting Policies (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date that control ceases.

Associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operational decisions.

Associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after any adjustments necessary to realign accounting policies that are dissimilar to those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. If and when the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made commitments on behalf of the investee.

Jointly controlled operations

A jointly controlled operation is a joint operation carried on by each party using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income earned from the joint operation.

Transactions eliminated on consolidation

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in the preparation of the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(c) Taxation

Income tax expense/benefit on the profit or loss for the year comprises current and deferred tax. Income tax expense/benefit is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is not probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Note 3. Significant Accounting Policies (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that may arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group that was formed on 1 July 2003 of which PAYCE Consolidated Limited is the head entity.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the “separate taxpayer within group” approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to or from other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the unused tax losses can be applied.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding and tax sharing arrangements

The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable or payable equal in amount to the tax liability or asset assumed. The inter-entity receivables or payables are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangements and reflect the timing of the head entity’s obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(d) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

The statement of cash flows is prepared on a GST inclusive basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, is classified as operating cash flows.

Note 3. Significant Accounting Policies (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the Australian Taxation Office.

(e) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables (see note 14).

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

For receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables are discounted to determine fair value.

The collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of any such provision required is recognised in the income statement.

(h) Properties held for development and resale

Properties held for development and resale in the ordinary course of business are carried at the lower of cost and net realisable value. Cost includes, where applicable, the cost of acquisition, construction, interest, rates, taxes and other expenses directly related to the development. All recurring costs relating to completed developments are expensed when incurred.

Where an investment property changes to being held for development and resale its transfer value is based upon the carrying value at the date of transfer. Any subsequent loss as a consequence of re-measurement to net realisable value is immediately recognised in the income statement.

(i) Investment property

Investment properties are properties held either to earn rental income or for capital appreciation or for both.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognised in profit or loss in the period in which the property is derecognised.

Note 3. Significant Accounting Policies (continued)

(j) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation on each item of property, plant and equipment (excluding land and leasehold improvements) is based on the expected useful economic lives of the assets using the straight line method at the following rates:

	2015	2014
Plant and equipment	7 - 27%	7 – 27%
Office equipment	9 – 27%	9 – 27%

Leasehold improvements are depreciated over the term of the lease.

The assets' residual values and useful lives are reviewed at least annually and adjusted, if appropriate, at each balance date. In undertaking this review the Directors have taken into consideration Directors' valuations obtained as at balance date and the relevant terms and conditions of leasing arrangements pertaining to the Group's freehold land and buildings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is disposed.

(k) Impairment of assets

Financial assets

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

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

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

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

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

Non-financial assets

The carrying amount of the Group's non-financial assets, other than deferred tax assets (Note 24), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is assessed at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill and intangible assets acquired in a business combination, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Note 3. Significant Accounting Policies (continued)

Impairment losses in respect of goodwill are not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Financial liabilities

All financial liabilities are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowing.

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

(m) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are recognised initially at fair value and any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in profit or loss.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to transfer the swap at reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

The Group classifies fair value measurement using a fair value hierarchy which uses the following levels:

Level 1: derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(n) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Where the Group is the lessor, initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Note 3. Significant Accounting Policies (continued)

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. These benefits include annual leave and long service leave. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

(p) Share capital

Ordinary shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue or cancellation of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference shares

The Group's preference shares are classified as equity because they bear discretionary dividends, the holder does not have the discretion to redeem the preference shares and there is no fixed maturity date.

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of development properties

Revenue from the sale of apartments and land held for development and resale in the ordinary course of activities is recognised at the fair value of the consideration receivable when the significant risks and rewards of ownership have been transferred to the purchaser and where there is no continuing management involvement, which normally coincides with settlement of the contract for sale.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contact cannot be estimated reliably, contact revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Rental income

Rental income is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration agreed for the use of the leased premises. The aggregate cost of lease incentives are recognised as a reduction of rental income on a straight line basis over the term of the lease.

Interest income

Interest income is recognised in the income statement as it accrues using the effective interest method. Interest income on impaired loans is recognised using the original effective interest rate.

(r) Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Note 3. Significant Accounting Policies (continued)

(s) Earnings per share

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

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

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period after adjustment for the effects of all dilutive potential ordinary shares.

(t) New accounting standards not yet adopted

Certain new accounting standards and interpretations have been published that are relevant to the Group's operations but are not mandatory for the 30 June 2015 accounting period and have not been applied in preparing these consolidated financial statements.

Note 4. Determination of Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

For receivables with a remaining life of less than one year, the notional amount of the debt is deemed to reflect fair value. All other receivables are discounted to fair market value at an appropriate market rate of interest taking into account counterparty credit risk.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(c) Tax assets and liabilities – recognition of deferred tax assets

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The probability that the tax benefit will be realised is based upon forecasts of the amount and timing of future taxable income.

(d) Investment property

Investment property is measured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of the investment property is determined by either the Directors of the Group or by a qualified independent property valuer.

(e) Derivative financial instruments

The fair value of derivatives not traded in an active market are determined using a valuation technique. Interest rate swaps are categorised as Level 2 valuations and are based on inputs that are observable.

Note 5. Operating Segments

During the preceding financial years, the results and financial position of the Group was prepared on a single operating segment, property development. In the current year the Group established the investment property division. As a result the Group now operates the following two divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately.

Property development

The Group maintained its residential and retail / commercial mixed use development projects. The Group has had a long history of successful projects and this forms the core of operational activities.

Investment property

During the year the Group established the investment property division. This is expected to provide recurring rental income for the Group upon completion of further retail / commercial developments.

The accounting policies of reportable segments are the same as the Group's accounting policies.

(a) Information about reportable segments

Following is an analysis of the Group's revenue and results by reportable segment.

	Reportable segments		
2015	**Property development $'000**	**Investment property $'000**	**Total reportable segments $'000**
External revenues	395,327	7,841	403,168
Inter-segment revenue	-	-	-
Segment revenue	**395,327**	**7,841**	**403,168**
Segment profit before tax	80,665	52,679	133,344
Interest income	2,969	4	2,973
Interest expense	(7,330)	(5,156)	(12,486)
Depreciation	(972)	(50)	(1,022)
Other material non-cash items			
- Gain on fair value of investment property	-	58,594	58,594
- Loss on derivative financial instrument	-	(4,498)	(4,498)
Segment assets	379,632	238,312	617,944
Segment liabilities	285,880	138,266	424,146

Note 6. Revenue and Other Income

	Consolidated 2015 $'000	Consolidated 2014 $'000
Sales revenue		
Property development sales	388,104	52,910
Development fees	4,257	606
Rental income	9,989	1,875
Other	818	1,627
Total revenue	403,168	57,018

Note 7. Administration expenses

	Consolidated 2015 $'000	Consolidated 2014 $'000
Depreciation		
Plant and equipment	1,022	816
Total depreciation	1,022	816
Payments on operating leases	1,026	555
Employee benefits expense		
Wages and salaries	5,789	2,824
Other associated personnel expenses	554	176
Contributions to defined contribution superannuation funds	435	229
Movement in employee benefits provisions	170	194
Total employee benefits expense from operations	6,948	3,423
Other administration and operating expenses	6,473	5,041
Total administration expense	15,469	9,835

Note 8. Net Financing Costs

	Consolidated 2015 $'000	Consolidated 2014 $'000
Finance income	2,973	1,489
Finance expense	(29,559)	(15,253)
Amount capitalised	17,073	11,432
Finance costs	(12,486)	(3,821)
Loss on fair value of derivative financial instrument	(4,498)	-
Net financing cost	(14,011)	(2,332)

Note 9. Income Tax

	Consolidated 2015 $'000	Consolidated 2014 $'000
The components of income tax (expense) / benefit comprise		
Current tax (expense) / benefit	(6,758)	7,089
Deferred tax expense	(31,610)	(7,565)
	(38,368)	(476)
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax expense on profit from ordinary activities before income tax at 30% (2014: 30%)	(40,003)	(610)
Non-assessable income	4,030	-
Non-deductible expenses	(1,027)	(133)
Other	(1,368)	-
Taxable income not recognised for accounting	-	(18)
Recognition of previously unrecognised timing differences	-	285
	(38,368)	(476)

Note 10. Auditor's Remuneration

	Consolidated 2015 $	Consolidated 2014 $
Audit Services		
Auditors of the Company (KPMG)		
Audit and review of financial reports	185,625	182,125
	185,625	182,125
Other Services		
Auditors of the Company (KPMG)	-	6,000
	-	6,000

Note 11. Earnings per Share

	Consolidated 2015 $'000	Consolidated 2014 $'000
a. Reconciliation of earnings to profit or loss		
Profit for the year	85,573	1,559
Earnings used to calculate basic and diluted EPS	85,573	1,559

	Number	Number
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	28,985,359	29,745,225
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	28,985,359	29,745,225

Note 12. Dividends

	Consolidated	
	2015 $'000	2014 $'000
a. Unfranked ordinary dividend of 10c per share declared on 17 April 2015 which was paid on 28 April 2015.	2,975	2,975
Unfranked deemed ordinary dividend of $8.26 per share as part of the equal access off-market share buy-back concluded on 3 June 2015 to participating shareholders. Refer to Note 25 Issued Capital for further details.	81,819	-
Total unfranked ordinary dividends declared or paid during the financial year	**84,794**	**2,975**
b. Amount of franking credits available to shareholders of PAYCE Consolidated Limited for subsequent financial years.	1,956	1,013

Franking credits available for subsequent financial years are based on a tax rate of 30% (2014: 30%).

The ability to utilise the franking account credits is dependent upon sufficient profits being available for a dividend to be declared.

Note 13. Cash and Cash Equivalents

	Consolidated	
	2015 $'000	2014 $'000
Cash at bank	52,469	25,769

The effective interest rate on short term bank deposits was 1.30% (2014: 2.42%).

Note 14. Trade and Other Receivables

	Consolidated	
	2015 $'000	2014 $'000
Current		
Trade receivables	4,841	13,211
Other receivables	8,505	3,586
Provision for impairment of other receivables	(2,522)	(2,522)
	5,983	1,064
Amounts receivable from associates and jointly controlled entities	27	28
	10,851	14,303
Non-current		
Other receivables	1,737	2,664
Amounts receivable from associates and jointly controlled entities	26,206	7,209
	27,943	9,873

Note 15. Properties held for Development and Resale

	Consolidated	
	2015 $'000	2014 $'000
Current		
Properties held for development and resale	85,389	216,818
Non-current		
Properties held for development and resale	181,184	202,807
Finance costs capitalised during the period	17,073	11,432

Note 16. Investments Accounted for using the Equity Method

	Consolidated	
	2015 $'000	2014 $'000
Current		
Joint venture entities	85	-
Non-current		
Joint venture entities	2,013	19,480

Note 17. Investment property

(a) Reconciliation of level 3 fair value movement

	Consolidated	
	2015 $'000	2014 $'000
Opening balance	-	-
Transfer from properties held for development and resale, at cost	176,406	-
Total gains or losses:		
In profit or loss	58,594	-
Closing balance	**235,000**	**-**

Fair value reflects the highest and best use in accordance with market valuation guidelines.

(b) Fair value hierarchy

At 30 June 2015, the directors determined the fair value of its investment property to be $235 million. This value is consistent with an independent valuation obtained from Colliers International dated 22nd October 2014.

The fair value measurement for investment property of $235 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The key long term assumptions adopted in the basis of valuation at the reporting date including discount rate of 9% for Retail and 8.75% for Commercial, capitalisation rate of 6.75% was used for both Retail and Commercial. Refer to Note 3(i). An increase / (decrease) in the discount rate would (decrease) / increase the fair value. An increase / (decrease) in the capitalisation rate would (decrease) / increase the fair value.

Valuation technique and significant unobservable inputs

The valuation is based on the following valuation methodologies:

- Capitalisation Approach: the annual net rental income is capitalised at an appropriate market yield to arrive at a property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- Discounted Cash Flow Approach: the valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the building and its location, tenant credit quality and lease terms.

Note 18. Property, Plant and Equipment

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

2015	Leasehold Improvements $'000	Plant & Equipment $'000	Office Equipment $'000	Total $'000
Cost				
Balance at 1 July 2014	948	6,290	509	7,747
Additions	1,082	337	811	2,230
Balance at 30 June 2015	2,030	6,627	1,320	9,977
Accumulated depreciation				
Balance at 1 July 2014	675	531	272	1,478
Depreciation charge	203	663	156	1,022
Balance at 30 June 2015	878	1,194	428	2,500
Net Book Value at 30 June 2015	**1,152**	**5,433**	**892**	**7,477**

2014	Leasehold Improvements $'000	Plant & Equipment $'000	Office Equipment $'000	Total $'000
Cost				
Balance at 1 July 2013	559	13	466	1,038
Additions	389	6,277	43	6,709
Balance at 30 June 2014	948	6,290	509	7,747
Accumulated depreciation				
Balance at 1 July 2013	449	7	206	662
Depreciation charge	226	524	66	816
Balance at 30 June 2014	675	531	272	1,478
Net Book Value at 30 June 2014	**273**	**5,759**	**237**	**6,269**

Note 19. Other Assets

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current		
Prepayments	2,728	23
Other	-	7,503
	2,728	7,526
Non-current		
Prepayments	8,819	4,974
Other	2,964	3,884
	11,783	8,858

Note 20. Trade and Other Payables

	Consolidated 2015 $'000	2014 $'000
Current		
Trade payables	11,294	8,843
Accruals	14,982	16,750
Deferred income	12,640	-
Share buy-back (refer to Note 25)	7,922	-
Other payables	7,057	4,700
	53,895	30,293
Non-current		
Share buy-back (refer to Note 25)	6,934	-
	6,934	-

During the period, and as disclosed in the ASX announcement dated 5 June 2015, a joint operation that the Company holds a 50% interest in, entered into a put and call option agreement to divest of a significant development site in Bay Park, Wentworth Point, Sydney for $100 million.

The call option may be exercised at any time up to 11 December 2015. The call option premium of $24.8 million (the Company's share being $12.4 million) does not form part of the sale price.

No revenue or profit has been recognised in connection with this arrangement at 30 June 2015 as the significant risks and rewards of ownership have not yet been transferred.

Note 21. Financial Liabilities

	Consolidated 2015 $'000	2014 $'000
Current		
Secured loans	62,075	222,276
Non-current		
Secured loans	212,658	82,788
Secured notes	48,132	47,587
Unsecured loan	2,500	2,500
	263,290	132,875

The Group maintains a range of interest-bearing loans and borrowings. The sources of funding are spread over a number of counterparties and the terms of the instruments are negotiated to achieve a balance between availability and cost of debt. The secured loans are specific to individual projects with security held over land and buildings.

As at 30 June 2015 and during the year, all facility covenants have been complied with.

Note 21. Financial Liabilities (continued)

(a) Secured Loans

	Commencement	Maturity	Total Facility $'000	Facility Used $'000
Secured loans established before 1 July 2014				
Cash advance construction	23 March 2014	12 February 2016	52,080	43,478
Cash advance	7 May 2014	8 May 2017	20,000	18,315
Balance at 30 June 2015			72,080	61,793
Secured loans established during the current year				
Cash advance	11 August 2014	11 August 2017	20,000	18,597
Cash advance	26 August 2014	26 December 2017	142,500	41,454
Cash advance	29 April 2015	29 April 2019	40,000	38,600
Cash advance	28 October 2014	28 October 2021	110,000	110,000
Balance at 30 June 2015			312,500	208,651
Total secured loans at 30 June 2015			**384,580**	**270,444**

(b) Secured Notes

The $50 million senior secured notes have a 5 year term, maturing in December 2018, and pay a fixed quarterly coupon at 9.5% per annum.

	Consolidated 2015 $'000	Consolidated 2014 $'000
Notes – issued	50,000	50,000
Transaction cost of notes issued	(1,868)	(2,413)
	48,132	47,587

(c) Equipment Finance

	Consolidated 2015 $'000	Consolidated 2014 $'000
Fixed rate loan secured against plant and equipment, maturing September 2018	4,289	4,706

(d) Secured Assets

	Consolidated 2015 $'000	Consolidated 2014 $'000
Senior and junior mortgage		
Properties held for investment, development and resale	398,435	375,952
Floating charge over assets	102,791	21,796
	501,226	397,748

Note 22. Derivative Financial Instruments

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate debt held.

The Group entered into swaps to fix its interest rate exposure on its $110 million floating interest rate facility maturing in October 2021. The fixed interest rate on the $110 million facility is 4.875%. The swaps resulted in a fair value loss of $4.5 million for the current year (30 June 2014: $nil).

The carrying amount of the derivative liability was equal to the fair value measurement of $4.5 million which has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

The fair valuation technique is based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Note 23. Provisions

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current		
Employee benefits	1,155	986
Non-current		
Employee benefits	11	15
Other	35	35
	46	50

	Employee benefits $'000	Lease make good costs $'000	Total $'000
Movement in provisions during the year			
Balance at 1 July 2014	1,001	35	1,036
Additional provisions	165	-	165
Balance at 30 June 2015	1,166	35	1,201

Employee benefits provisions

A provision is recognised for employee entitlements relating to annual and long service leave for employees. The calculation of the present value of future cash flows in respect of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 3(o).

Note 24. Deferred Tax Assets and Liabilities

Consolidated	Assets 2015 $'000	Liabilities 2015 $'000	Assets 2014 $'000	Liabilities 2014 $'000
Balance at the beginning of the year	13,195	(7,080)	11,724	(5,133)
Movement for the year	(13,195)	(25,173)	1,471	(1,947)
Balance at the end of the year	-	(32,253)	13,195	(7,080)

Deferred tax assets have been assessed as recoverable through expected future taxable profits. The Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets 2015 $'000	Liabilities 2015 $'000	Assets 2014 $'000	Liabilities 2014 $'000
Properties held for development & resale	-	(12,844)	1,440	9,032
Investment property	-	(25,601)	-	-
Investments accounted for using the equity method	-	(410)	-	40
Property, plant & equipment	-	6,561	-	-
Other	-	(13,832)	-	(25,028)
Tax loss carry-forwards	-	13,873	11,755	8,876
Tax assets / (liabilities)	-	(32,253)	13,195	(7,080)

Note 25. Issued Capital

Equal Access Off-Market Ordinary Share buy-back

As part of the Group's capital management strategy an equal access off-market share buy-back for 9,905,398 ordinary shares at a cost of $97.073 million was concluded on 3 June 2015, consisting of a capital repayment of $15.254 million and a deemed unfranked ordinary dividend of $81.819 million. The buy-back consideration of $9.80 per share was paid and payable as follows:

- $0.80 per share cash paid upon cancellation of the Ordinary Shares;
- $0.80 per share to be cash paid 12 months after the cancellation of the Ordinary Shares;
- $0.70 per share to be cash paid 18 months after the cancellation of the Ordinary Shares; and
- One Preference Share issued at $7.50 upon cancellation of each Ordinary Share.

Ordinary shares

	Consolidated 2015 $'000	2014 $'000
Issued		
Balance at beginning of the financial year	45,382	45,382
Cancellation of fully paid ordinary shares	(15,254)	-
Transactional costs	(502)	-
Balance at end of the financial year	**29,626**	**45,382**

	Number	Number
Balance at beginning of the financial year	29,745,225	29,745,225
Cancellation of fully paid ordinary shares	(9,905,398)	-
Balance at end of the financial year	**19,839,827**	**29,745,225**

Ordinary shares participate in dividends and the proceeds on winding up of the parent company in proportion to the number of ordinary shares held.

The voting rights are governed by the Company's Constitution. In summary, every member present in person or by proxy shall have one vote and upon a poll, the members with ordinary fully paid shares have one vote for each share held. If any scheduled dividend has not been paid on preference shares on the relevant Dividend Payment Date, PAYCE is prohibited from paying dividends or making any other distribution on any class of its share capital other than Preference Shares or reducing or buying back any share capital.

Note 25. Issued Capital (Continued)

Preference shares

	Consolidated 2015 $'000	Consolidated 2014 $'000
Issued		
Balance at beginning of the financial year	-	-
Issue of fully paid preference shares	74,290	-
Balance at end of the financial year	74,290	-
	Number	**Number**
Balance at beginning of the financial year	-	-
Issue of fully paid preference shares	9,905,398	-
Balance at end of the financial year	**9,905,398**	**-**

On 3 June 2015, PAYCE issued 9,905,398 preference shares.

Preference shares participate in cumulative dividends of 6% per annum for the first 12 months, proposed to be paid quarterly, subject to such dividends being declared at the discretion of the Company.

On each yearly anniversary of the issue of the preference shares, the dividend will increase by an additional 1% per annum until the date which is six years from the date of issue, at which time the dividend rate will be capped at 12% per annum.

If the Company elects to pay a dividend on the preference shares, it has the discretion to pay the dividends by either cash, the issue of additional preference shares at $7.50 each (plus any outstanding dividend entitlement in cash), or a combination of cash and preference share.

Each holder of preference shares grants the Company an option to purchase or buy-back those preference shares for a cash consideration of $7.50 each on any Dividend Payment Date, subject to the requirements of the Corporations Act and ASX Listing Rules.

The preference shares do not carry any voting rights other than specific circumstances.

Capital Management

Management controls the capital of the Group in order to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary and preference share capital and financial liabilities, supported by financial assets. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting the capital structure in response to changes in these risks and in the market, which includes the management of share issues and share buy-backs.

The gearing ratio is as follows:

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Total borrowings (including payables)	20, 21, 22	390,692	385,444
Less cash and cash equivalents	13	(52,469)	(25,769)
Net debt		338,223	359,675
Total equity		193,798	133,648
Total capital		532,021	493,323
Gearing ratio		64%	73%

Note 26. Reserves

	Consolidated 2015 $'000	Consolidated 2014 $'000
Reserves	2,042	2,042

The Reserves of the Group, set out in the Statement of Changes in Equity, comprise the following -

(a) Capital Profits

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

(b) Asset Revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets. This reserve relates to previously revalued land and buildings. This reserve is not available for future asset write-downs as a result of using the deemed cost election under the previous accounting standard AASB 1041.

(c) Forfeited Shares

Where partly paid shares are forfeited, the amount paid is transferred to the forfeited shares reserve. No shares were forfeited during the year.

Note 27. Contingent Liabilities

	Consolidated 2015 $'000	Consolidated 2014 $'000
a. Guarantees given by the Company in the ordinary course of business for borrowings and commitments of controlled entities	92,301	126,715
b. Guarantees given by the Company in the ordinary course of business for borrowings and commitments of associates	-	35,113

No material losses giving rise to actual liabilities are anticipated in respect of the foregoing contingent liabilities.

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

Note 28. Operating Leases

Leases as lessee

The Group leases office space at 3 locations in Sydney with remaining lease terms of 5, 29 and 47 months. The two earlier-expiring leases have renewal options at the end of the lease term and annual rental escalations.

	Consolidated	
	2015 $'000	2014 $'000
Non-cancellable operating lease commitments		
payable not later than one year	1,261	1,255
later than one year but not later than 5 years	3,859	5,078
	5,120	6,333

Leases as lessor

The Group earns rental income from tenanted property on its investment property and development sites. The future minimum lease payments under non-cancellable leases are as follows:

	Consolidated	
	2015 $'000	2014 $'000
Receivable		
not later than 1 year	17,876	2,093
later than 1 year but not later than 5 years	71,737	1,049
more than 5 years	164,863	-
	254,476	3,142

During the year $10.0 million (2014: $1.9 million) was recognised as rental income.

Note 29. Related Party Transactions

Key management personnel compensation

The key management personnel compensation included in 'employee benefits expense' (refer note 7) is as follows:

	Consolidated	
	2015 $	2014 $
Short-term employee benefits	1,451,209	1,429,819
Other long term benefits	15,731	52,769
Post-employment benefits	73,612	66,497
	1,540,552	1,549,085

Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' ("KMP") compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report within the Directors' Report.

Apart from the details disclosed in this note and the Remuneration Report, no KMP has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Note 29. Related Party Transactions (Continued)

Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Other related party transactions

	Transaction value year ended 30 June		Balance outstanding as at 30 June	
	2015 $	2014 $	2015 $	2014 $
Consolidated				
Associates - loans to associates	30,529,083	2,412,118	26,233,098	7,237,513
Associates - loans from associates	(39,290,000)	-	(18,749,009)	-
Associates - interest income	767,351	595,945	-	-
Associates - loan repayment	(12,219,220)	(943,625)	-	-
Associates - return of investment	-	3,879,525	-	-
Associates – trust distribution	(20,461,240)	-	-	-

Note 30. Financial Risk Management

The Group's principal financial instruments comprise bank accounts, receivables, financial assets, payables and financial liabilities.

The main purpose of these financial instruments is to provide operating finance to the Group. It is, and has been throughout the period under review, the Group's policy not to trade in financial instruments.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Primary responsibility for identification and control of financial risks rests with the Audit Committee under the authority of the Board. Management's overall risk management strategy seeks to assist the Group in meeting financial targets whilst minimising potential adverse effects on financial performance.

Market risk

Market risk is the risk that changes in market prices such as interest rates and share prices will affect income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's exposure to interest rates relates primarily to the Group's financial liabilities as disclosed in Note 21.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Consolidated	
	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	52,469	25,769
Financial liabilities		
Secured loans	160,444	295,689
Net exposure	(107,975)	(269,920)

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of variable and fixed interest rates.

Note 30. Financial Risk Management (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance dates after the impact of any swap hedging arrangements.

At 30 June 2015, and at 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Post tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Consolidated				
+1% (100 basis points)	269	186	269	186
-1% (100 basis points)	(269)	(186)	(269)	(186)

The movements in profit / (loss) are due to higher / lower interest costs from cash balances, variable rate receivables and debt. The capitalisation of interest on debt reduces the effect of changes in interest rates on post-tax profit. The effect on profit and equity of a 1% interest rate movement in either direction is not material to the results or financial position of the Group.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. At balance date the maximum credit risk exposure to recognised financial assets, excluding the value of any collateral or other security, is the carrying amount, net of provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group's exposure to credit risk arises from potential default of the counterparty under a financial instrument or contract with a maximum exposure equal to the carrying amount of those instruments or contracts. The Group, wherever possible, obtains sufficient collateral or other forms of security such as first mortgages, caveats, fixed & floating charges and personal guarantees to mitigate the risk of financial loss.

The carrying amount of the Group's financial assets, described above, represents the maximum credit exposure. The Group's maximum exposure to credit risk at balance date was:

	Carrying Amount	
	2015 $'000	2014 $'000
Cash and cash equivalents	52,469	25,769
Trade and other receivables	4,841	13,172
Loans and other receivables	10,242	6,289
Provision for impairment	(2,522)	(2,522)
	7,720	3,767
Amounts due from associates and jointly controlled entities	26,233	7,237
	91,263	49,945

Provision for Impairment Losses

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists and based upon information known at the reporting date the Group makes a formal estimate of recoverable amount. In determining if the carrying amount of an asset exceeds its recoverable amount the Group considers whether the receivable is past due and the value of the pledged collateral or other forms of security (if any). Where the carrying amount of a material asset which is past due exceeds the assessed value of the pledged collateral or other forms of security, a provision for impairment is raised. However, the Group reserves its full rights through litigation, negotiation, arbitration or otherwise to seek recovery of the gross asset and when such outcome(s) become known the provision for impairment is reassessed.

Note 30. Financial Risk Management (continued)

Loans to third parties

The Group holds collateral or other forms of security in the form of first mortgages and caveats in relation to several of its loans and its vendor property financing loans, with a total estimated fair value at balance date of $8.19 million (2014: $7.13 million).

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility by maintaining sufficient cash and through the use of notes, bank and non-bank loans and committed available credit lines. Due to the dynamic nature of the business, the Group manages its liquidity risk by monitoring cash flows and ensuring that adequate cash and utilised borrowing facilities are maintained.

The table below reflects all contractual maturities of financial liabilities including estimated interest payments (using existing interest rates) as at 30 June 2015:

	Carrying Amount $'000	Contractual Cash Flow $'000	Less than 1 year $'000	Between 1 – 5 years $'000	Over 5 Years $'000
Consolidated					
2015					
Trade and other payables	60,829	60,829	53,895	6,934	-
Secured notes	48,132	66,229	4,750	61,479	-
Secured loans	274,733	328,133	52,671	157,432	118,030
Unsecured loan	2,500	2,500	-	2,500	-
	386,194	457,691	111,316	228,345	118,030
2014					
Trade and other payables	30,293	30,293	30,293	-	-
Secured notes	47,587	70,979	4,750	66,229	-
Secured loans	305,064	321,278	234,634	86,644	-
Unsecured loan	2,500	2,500	-	2,500	-
	385,444	425,050	269,677	155,373	-

For the above obligations the respective undiscounted cash flows for respective upcoming financial years are presented. Any obligation without a fixed amount or timing is based on the conditions existing at 30 June 2015.

Net fair value

The net fair value of financial assets and financial liabilities approximate the carrying amounts as disclosed in the statement of financial position and notes to the financial statements.

The net fair value of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. All other financial assets together with financial liabilities are not readily traded on organised markets in a standardised form.

Note 31. Associates and Jointly Controlled Entities

Name	Principal activity	Group ownership interest 2015 %	Group ownership interest 2014 %	Group carrying amounts of investment and loans 2015 $'000	Group carrying amounts of investment and loans 2014 $'000	Contribution towards Net (Loss)/Profit 2015 $'000	Contribution towards Net (Loss)/Profit 2014 $'000
Associates							
Henlia No. 7 Pty Ltd	Property development	50.1%	50.1%	27	28	(2)	(10)
Henlia No. 21 Pty Ltd	Property development	50.0%	50.0%	-	1	-	-
Lot 305 Unit Trust	Property development	50.0%	50.0%	85	18,004	21,371	(22)
Jointly Controlled Entities							
PayWin Developments Pty Ltd	Property development	50.0%	50.0%	9,736	8,684	(7)	(112)
C11 Unit Trust	Property development	60.0%	-	13,308	-	464	-
C10 Unit Trust	Property development	60.0%	-	1,078	-	(2)	-
C18 Unit Trust	Property development	60.0%	-	4,097	-	(1)	-
Total				28,331	26,717	21,823	(144)

Joint Operations

The Group is party to seven Joint Operations for the development of multiple projects in NSW and QLD. The Group has a 50% interest in each Joint Operation and has proportionally consolidated these interests.

Contribution towards Net Profit / (Loss) is arrived at after taking into consideration the elimination of upstream and downstream transactions between The Group and the respective associates or jointly controlled entity. All associates and jointly controlled entities were incorporated in Australia and have a 30 June reporting date.

	Consolidated 2015 $'000	Consolidated 2014 $'000
(a) Movements during the year in equity accounted investments and loan borrowings to / (from) associates and jointly controlled entities		
Balance at the beginning of the financial year	26,717	24,671
Return of investments	-	(3,880)
Loan advances	20,184	2,537
Loan repayments (to lenders) / by borrowers	(20,699)	2,937
Share of profit / (loss) after income tax	21,823	(144)
Distributions of profit	(20,461)	-
Loan interest received	767	596
Balance at the end of the financial year	28,331	26,717
Recognised as -		
Investments accounted for using the equity method (Note 16)	2,098	19,480
Amounts receivable from associates (Note 14)	26,233	7,237
	28,331	26,717

Note 31. Associates and Jointly Controlled Entities (continued)

	Consolidated 2015 $'000	2014 $'000
(b) Equity accounted profits of associates and jointly controlled entities are broken down as follows:		
Share of profit / (loss) before income tax	21,823	(138)
Share of income tax	-	(6)
Share of profit / (loss) after income tax	21,823	(144)
(c) Summarised presentation of aggregate assets, liabilities and performance of associates and jointly controlled entities		
Current assets	45,635	7,114
Non-current assets	62,342	118,799
Total assets	107,977	125,913
Current liabilities	5,132	12,327
Non-current liabilities	63,532	76,044
Total Liabilities	68,664	88,371
Net assets	39,313	37,542
Revenue	209,471	110
Expenses	(165,975)	(386)
Profit / (loss) after income tax of associates and jointly controlled entities	43,496	(276)

The Company is not aware of any significant events or transactions which have occurred after the reporting date that could materially affect the financial position or operating performance of the associates.

No associate had any contingent liabilities as at year end.

The Company is not aware of any dissimilar accounting policies adopted by the associates that would materially affect the amounts of the Group's share of net assets, the profit or loss and the reserves of the associates.

In accordance with its accounting policies (refer note 3 (a) – Associates and jointly controlled entities) the Group's interests in associates and jointly controlled entities that are in a net liability position are carried at nil as the Group has incurred no obligations and commitments on behalf of those investees.

Note 32. Cash Flow Information

	Consolidated 2015 $'000	2014 $'000
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after Income Tax	94,976	1,559
Non-operating items in profit / (loss)		
Fair value on investment property	(58,594)	-
Fair value of derivative financial instrument	4,498	-
Depreciation of property, plant and equipment	1,022	-
Impairment of financial assets	1,000	-
Income tax	38,368	-
Other non-operating	-	300
Changes in operating assets and liabilities		
Change in receivables	(14,618)	(2,822)
Change in other assets	1,873	(3,389)
Change in investment property	(235,000)	-
Change in property held for resale	153,052	(295,276)
Change in deferred tax assets and liabilities	38,368	476
Change in payables	15,326	16,820
Change in provisions	165	194
Change in investments accounted for using the equity method	17,382	9
Cash provided by / (used in) operations	57,818	(282,129)

(b) Reconciliation of cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as Cash on hand and at bank	52,469	25,769
Cash and cash equivalents in the statement of cash flows	52,469	25,769

(c) Financing facilities

At 30 June 2015 bank financing facilities of $385 million (2014: $458 million) were available to the Group, of which $270 million (2014: $300 million) had been drawn down.

Refer to Note 21 Financial Liabilities for further details.

Note 33. Controlled Entities

AE2 - East 1 Pty Ltd
AE2 - East 2 Pty Ltd
AE2 - East DM Pty Ltd
AE2 - West 1 Pty Ltd
AE2 - West 2 Pty Ltd
AE2 - West DM Pty Ltd
CML Aviation Pty Ltd
Constant 10 Pty Ltd
Constant 11 Pty Ltd
Constant 13 Pty Ltd
Constant 14 Pty Ltd
Constant 15 Pty Ltd ATF C 14 Unit Trust
Constant 16 Pty Ltd
Constant 17 Pty Ltd ATF C 16 Unit Trust
Constant 18 Pty Ltd
Constant 1 Pty Ltd
Constant 20 Pty Ltd
Constant 21 Pty Ltd
Constant 22 Pty Ltd
Constant 2 Pty Ltd
Constant 4 Pty Ltd
Constant 5 Pty Ltd
Constant 7 Pty Ltd
Constant 8 Pty Ltd
Constant High Street Pty Ltd
Constant No 6 Pty Ltd
Falvey Holdings Pty Ltd
H.B. Properties Pty Ltd
Henlia Holdings Ltd and its controlled entities
Henlia No. 20 Pty Ltd
Henlia No. 22 Pty Ltd
Henlia No. 24 Pty Ltd ATF The Hurstville Unit Trust
Henlia No. 3 Pty Ltd
Matthews Civil Pty Ltd
Pacific Assets Pty Ltd
Payce AE 2 - I Pty Ltd ATF Payce AE2 - I Unit Trust
Payce AE2 - III Pty Ltd ATF Payce AE2 - III Unit Trust
Payce BS 1 Pty Ltd
Payce BS 2 Pty Ltd
Payce BS DM Pty Ltd
Payce Communities No. 1 Pty Ltd
Payce Communities No. 2 Pty Ltd
Payce Communities No. 3 Pty Ltd
Payce Communities No. 4 Pty Ltd
Payce Communities Pty Ltd
Payce Communities Wentworth Point Pty Ltd
Payce Finance No. 2 Pty Ltd
Payce Finance Pty Ltd
Payce Industries Pty Ltd
Payce Land Holdings Pty Ltd
Payce Management Pty Ltd
Payce MP 1 Pty Ltd
Payce MP 2 Pty Ltd
Payce MP DM Pty Ltd
Payce Projects Pty Ltd
Payce Properties Pty Ltd
Payce West End DM Pty Ltd
Payce West End Holding Pty Ltd
Payce West End Pty Ltd
PRT 1 Pty Ltd ATF PRT Trust
Quadratical Pty Ltd
South Village Pty Limited ATF South Village Trust
Trade Winds Finance Pty Ltd
Uniacke Pty Ltd
Wingate Communities Pty Ltd
WP DM Pty Ltd
WP No. 1 Pty Ltd
WP No. 2 Pty Ltd

All controlled entities are 100% owned except for Henlia Holdings (95%), Henlia No. 24 (75%) and Matthews Civil (75%).

All controlled entities were incorporated in Australia and have the same financial year as that of the parent company.

During the year under review the Group created a number of new entities for the purpose of holding investments in new ventures. None of these new entities has made a significant contribution to the current year's result.

The ultimate parent company, PAYCE Consolidated Limited, is incorporated and domiciled in Australia.

The registered office is Level 37 Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

Note 34. Events After Balance Date

As announced to the market on 7 August 2015 the Group, via a subsidiary special purpose vehicle, exchanged contracts to acquire a 8.7 hectare industrial site in the western suburbs of Sydney for a consideration of $144.5 million. The Group has paid a 10% deposit with completion to occur in 60 days.

Note 35. Company

As at 30 June 2015 and throughout the year then ended the parent company of the Group was PAYCE Consolidated Limited.

	2015 $'000	2014 $'000
Result of the Company		
Profit before income tax	55,144	64,226
Income tax expense	(16,543)	(19,268)
Total comprehensive profit for the year	38,601	44,958
Financial position of the Company at year end		
Current assets	214,640	170,338
Total assets	223,242	179,485
Current liabilities	21,347	13,408
Total liabilities	101,904	70,489
Total equity of the Company comprising:		
Share capital	103,916	45,382
Reserves	8	8
Retained earnings	17,414	63,606
Total equity	121,338	108,996

Company guarantees in respect of debts of its subsidiaries

Refer to Note 27.

1. In the opinion of the Directors of PAYCE Consolidated Limited (the "Company"):

   (a) The Consolidated Financial Statements, Notes to the Financial Statements and the Remuneration Report included in section 17 of the Directors' Report, are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Company Secretary/Chief Financial Officer for the financial year ended 30 June 2015.

3. The Directors draw attention to Note 2 (a) to the consolidated financial statement, which includes a statement of compliance with the International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

B.M. Boyd
DIRECTOR

C.I. Gabriel
DIRECTOR

Sydney, New South Wales
21 August 2015

Independent auditor's report to the members of PAYCE Consolidated Limited

Report on the financial report

We have audited the accompanying financial report of PAYCE Consolidated Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in paragraphs 17.1 to 17.5 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of PAYCE Consolidated Limited for the year ended 30 June 2015 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Steven Gatt
Partner

Sydney

21 August 2015

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