



OFFER DOCUMENT

relating to an equal access buy-back of Ordinary Shares in
PAYCE Consolidated Limited
ACN 001 566 310

Opening Date: 12 May 2015
Closing Date: 1 June 2015

Important Notice

This Offer Document is to give Eligible Shareholders all information known to PAYCE that is material to their decision on whether to accept PAYCE's offer (**Offer**) to purchase some or all of their Ordinary Shares under PAYCE's equal access share Buy-Back (**Buy-Back**). This Offer Document is dated 4 May 2015. If you have any questions regarding this Offer Document, please contact PAYCE or your professional advisers.

CONTENTS

1	GLOSSARY.....	3
2	BUY-BACK TIMETABLE	5
3	HOW TO ACCEPT.....	6
4	BUY-BACK OVERVIEW.....	7
5	TERMS ON WHICH THE BUY-BACK WILL BE UNDERTAKEN.....	9
6	RELIANCE ON INFORMATION IN THIS OFFER DOCUMENT.....	14
7	NOTICE TO SHAREHOLDERS WHO RESIDE OUTSIDE AUSTRALIA.....	15
8	ASIC LODGEMENT	15
	ANNEXURE A – REPLACEMENT PROSPECTUS	16

1 GLOSSARY

Term	Definition
Application & Acceptance Form	the personalised acceptance form to be provided to Eligible Shareholders in relation to the Buy-Back
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ACN 008 824 691 or the financial market operated by it as the context requires
Buy-Back	the off-market equal access buy-back of up to 9,915,075 Ordinary Shares held by Eligible Shareholders on the terms set out in this Offer Document
Buy-Back Limit	the maximum number of Ordinary Shares which may be bought back, being 9,915,075 Ordinary Shares
Buy-Back Offer Period	the period during which the Buy-Back is open for acceptance, being from 12 May 2015 to 5.00pm on 1 June 2015
Buy-Back Record Date	the time and date for determining those Shareholders eligible to participate in the Buy-Back, being 7.00pm on 11 May 2015
Closing Date	the last day of the Buy-Back Offer Period, being 1 June 2015
Corporations Act	the <i>Corporations Act</i> 2001 (Cth)
Directors	the Directors of PAYCE as at the date of this Offer Document, who include Brian Boyd and the Independent Directors
Eligible Shareholder	a Shareholder who is a registered holder of Ordinary Shares on the Buy-Back Record Date
Ex-Entitlement Date	the date on which Ordinary Shares commence trading without an entitlement to participate in the Buy-Back, being 7 May 2015
Extraordinary General Meeting	the meeting of Shareholders held on 4 May 2015 as convened by the Notice of Extraordinary General Meeting
Independent Directors	Mr Roger Short and Mr Christopher Gabriel, who are non-executive Directors of PAYCE
Independent Expert	Hanrick Curran Corporate Finance Pty Ltd, being the independent expert engaged by PAYCE to prepare the Independent Expert's Report
Independent Expert's Report	the report prepared by the Independent Expert in accordance with ASIC Regulatory Guides 111 and 112 to provide an opinion as to

Term	Definition
	whether the Buy-Back is fair and reasonable to all PAYCE Shareholders, a copy of which is annexed to the Notice of Extraordinary General Meeting
Listing Rules	the listing rules of ASX
Notice of Extraordinary General Meeting	the notice of meeting and explanatory statement giving notice to Shareholders of the Extraordinary General Meeting, dated 2 April 2015
Offer	the offer to Eligible Shareholders to participate in the Buy-Back
Offer Document	this document setting out the Offer to Eligible Shareholders, including the terms of the Buy-Back, the Replacement Prospectus for the issue of Preference Shares, and a personalised Application & Acceptance Form
Opening Date	the first day of the Buy-Back Offer Period, being 12 May 2015
Ordinary Share	an ordinary share in the capital of PAYCE
PAYCE	PAYCE Consolidated Limited ABN 19 001 566 310
Preference Shares	the securities which are to be issued to Eligible Shareholders in partial consideration for the Buy-Back, the terms of which are summarised in Section 5 of the Replacement Prospectus and set out in detail in the Schedule to the Replacement Prospectus
Preference Share Holder	a registered holder of Preference Shares in PAYCE
Replacement Prospectus	the replacement prospectus for the issue of the Preference Shares annexed to and forming part of this Offer Document
Register	the register of members of PAYCE maintained in accordance with the Corporations Act
Registry	Boardroom Pty Limited, which operates the Register
Resolutions	the resolutions set out in the Notice of Extraordinary General Meeting
Scale Back	a proportionate reduction in the number of Ordinary Shares to be bought back from each Eligible Shareholder below the number of Ordinary Shares for which acceptances have been received under the Buy-Back to avoid the Buy-Back Limit being exceeded
Shareholder	a registered holder of Ordinary Shares in PAYCE

2 BUY-BACK TIMETABLE

Event	Date ^A
Extraordinary General Meeting	4 May 2015
Ex-Entitlement Date for the Buy-Back	7 May 2015 ^B
Buy-Back Record Date (Date for determining entitlement to participate in the Buy-Back)	11 May 2015 ^C
Despatch of Offer Document to Eligible Shareholders	12 May 2015
Opening Date	12 May 2015
Closing Date	1 June 2015 ^D
Announcement of the outcome of the Buy-Back	2 June 2015
Transfer to PAYCE of Ordinary Shares bought back and cancellation of those Ordinary Shares	On or before 3 June 2015
Payment of initial portion of cash consideration and issue of Preference Shares as consideration for the Buy-Back	On or before 3 June 2015
Despatch of holding statements for Preference Shares	On or before 3 June 2015
Payment of first deferred portion of cash consideration.	3 June 2016
Payment of second deferred portion of cash consideration	3 December 2016

Notes:

- A. The above timetable is indicative only and is subject to change. PAYCE will also inform Shareholders of any changes to the above timetable by ASX announcement.
- B. Shares acquired on or after this date will not be registered in the new Shareholder's name in time for the Buy-Back Record Date. Accordingly they will not have an entitlement to participate in the Buy-Back.
- C. At this time, PAYCE will take a "snapshot" of its share register to determine who is an Eligible Shareholder for the purposes of the Buy-Back, and to what extent they can participate.
- D. PAYCE reserves the right to extend the Buy-Back Offer Period.

The information in this Offer Document is provided to Eligible Shareholders of PAYCE to assist them whether to accept, in whole or in part, PAYCE's offer to buy-back all or some of their Ordinary Shares (**Offer**), which will be voted on by Shareholders at PAYCE's Extraordinary General Meeting to be held on 4 May 2015.

3 HOW TO ACCEPT

3.1 Accepting the Buy-Back Offer – CHESS-Sponsored Holders

Your Application & Acceptance Form will specify whether or not you are a CHESS-Sponsored Holder.

If you wish to accept the Buy-Back offer for all of your Ordinary Shares:

- (a) cross the box in Section B on the Application & Acceptance Form accompanying this Offer Document;
- (b) sign and return the completed form to your Sponsoring Broker.

If you wish to accept the Buy-Back offer for some only of your Ordinary Shares:

- (a) fill in the number of Ordinary Shares for which you wish to accept in Section C on the Application & Acceptance Form accompanying this Offer Document;
- (b) sign and return the completed form to your Sponsoring Broker.

To be valid, a properly completed and signed Application & Acceptance Form must be received by the Sponsoring Broker, or you must inform your Sponsoring Broker of your acceptance by another method acceptable to it, in time for the Sponsoring Broker to process it by 5.00pm on the Closing Date of 1 June 2015.

3.2 Accepting the Buy-Back Offer – Issuer-Sponsored Holders

Your Application & Acceptance Form will specify whether or not you are an Issuer-Sponsored Holder.

If you wish to accept the Buy-Back offer for all of your Ordinary Shares:

- (a) cross the box in Section B on the Application & Acceptance Form accompanying this Offer Document;
- (b) sign and return the completed form to PAYCE's Registry as instructed on that form.

If you wish to accept the Buy-Back offer for some only of your Ordinary Shares:

- (a) fill in the number of Ordinary Shares in respect of which you wish to accept, in Section C on the Application & Acceptance Form accompanying this Offer Document;
- (b) sign and return the completed form to PAYCE's Registry as instructed on that form.

To be valid, a properly completed and signed Application & Acceptance Form must be received by PAYCE's Registry by 5.00pm (Sydney time) on the Closing Date of 1 June 2015.

3.3 If you have some Issuer-Sponsored and some CHESS-Sponsored Shares

If you have both an Issuer-Sponsored Holding and a CHESS-Sponsored Holding of Ordinary Shares, you will have received two Application & Acceptance Forms – one for your CHESS-Sponsored Holding and one for your Issuer-Sponsored Holding.

You will need to complete and return each form to the separate destinations shown on each form, if you wish to participate in respect of each of your separate holdings.

3.4 The Buy-Back is voluntary

Eligible Shareholders are not required to accept the Buy-Back for all or any of their Ordinary Shares. If you do not wish to accept the Buy-Back for any of your Ordinary Shares, you need not do anything and you will continue to retain your Ordinary Shares.

Further details of the Buy-Back are contained in this Offer Document. You should read this Offer Document in full before you make any decision whether or not to participate in the Buy-Back.

4 BUY-BACK OVERVIEW

Shareholders have previously been provided with information regarding the proposed off-market equal access share Buy-Back of up to 9,915,075 Ordinary Shares in PAYCE, by way of the Notice of Extraordinary General Meeting issued on 2 April 2015. The meeting is to be held on 4 May 2015, and the Resolutions relating to the Buy-Back are to be voted on at that meeting. If the Resolutions are approved, this Offer Document will be dispatched to Eligible Shareholders who hold Ordinary Shares on the Buy-Back Record Date of 11 May 2015.

This Offer Document sets out the terms of the Buy-Back and how to accept it.

PAYCE is making the same offer to each Eligible Shareholder of PAYCE who hold Ordinary Shares as at 11 May 2015 (**Buy-Back Record Date**).

4.1 What are your options in relation to the Buy-Back?

You can accept the Buy-Back for some or all of your Ordinary Shares or you may decline to sell any Ordinary Shares. It is your decision.

4.2 Buy-Back consideration

The consideration which you will receive for the Ordinary Shares for which you accept the Buy-Back is:

- \$0.80 cash paid upon cancellation of the Ordinary Shares;
- \$0.80 cash paid 12 months after the cancellation of the Ordinary Shares;
- \$0.70 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.

4.3 Tax considerations

The taxation consequences of the Buy-Back will vary according to your individual circumstances. Please refer to Section 7 of the Notice of Extraordinary General Meeting and Section 6.7 of the Replacement Prospectus.

It is strongly recommended that you seek independent professional advice in relation to your own particular circumstances.

As detailed in Notice of Extraordinary General Meeting, the Buy-Back price of \$9.80 includes a component of deemed unfranked dividends for taxation purposes (\$8.26 per Ordinary Share) no franking credits will be utilised in relation to the Buy-Back.

It is possible that some Shareholders may have an income tax liability that exceeds the cash component of the Buy-Back consideration.

4.4 How do you accept?

If you wish to participate in the Buy-Back, you may:

- accept the Offer for all of your Ordinary Shares; or
- accept the Offer for some only of your Ordinary Shares.

Your personalised Application & Acceptance Form which accompanies this Offer Document specifies whether you are an Issuer-Sponsored Holder or a CHESS-Sponsored Holder. Instructions on how each type of holder may accept the Buy-Back Offer are set out in summary in Section 3 of this Offer Document, and in detail on the Application & Acceptance Form.

4.5 Withdrawing or varying a Buy-Back acceptance

Your Buy-Back acceptance may be withdrawn or amended, provided that you complete and sign an Amendment/Withdrawal Form and return it:

- If you are a CHESS-Sponsored Holder - to your Sponsoring Broker so that it is received in time for your Sponsoring Broker to process it; or
- If you are an Issuer-Sponsored Holder - to PAYCE's Registry at the address shown on the Amendment/Withdrawal Form,

before the Closing Date.

4.6 What if you do not want to sell your Ordinary Shares to PAYCE?

If you do not wish to accept the Offer, simply do nothing.

If you do not sell your Ordinary Shares, the number of Ordinary Shares you hold will not change, but the proportion of the Ordinary Shares in PAYCE that you own will increase, depending on the level of acceptances by other Shareholders and the subsequent cancellation of their Ordinary Shares that are bought back.

4.7 Key dates

Shareholders who held Ordinary Shares on the Record Date are entitled to participate in the Buy-Back. The right to participate in the Buy-Back is not transferable – if you sell your Ordinary Shares during the Buy-Back Offer Period, the purchaser of your Ordinary Shares cannot participate in the Buy-Back in relation to those Ordinary Shares.

The timetable for the Buy-Back is set out in Section 2 of this Offer Document. PAYCE reserves the right to extend the Buy-Back Offer Period. If it does, it will notify Shareholders by ASX announcement.

5 TERMS ON WHICH THE BUY-BACK WILL BE UNDERTAKEN

5.1 Offer

This section summarises the offer to Eligible Shareholders to participate in the Buy-Back.

5.2 Buy-Back process

- (a) Personalised Application & Acceptance Forms are attached to this Offer Document for Eligible Shareholders following the Buy-Back Record Date of 11 May 2015.
- (b) The Buy-Back Offer Period will commence on 12 May 2015, and remain open until 1 June 2015.
- (c) Eligible Shareholders may accept the Offer in respect of some or all of their Ordinary Shares on and from 12 May 2015 (**Opening Date**), by completing and returning the Application & Acceptance Form attached to the Offer Document in accordance with the instructions on that form.
- (d) Eligible Shareholders will have until the Closing Date (1 June 2015) to accept the Offer in respect of some or all of their Ordinary Shares.

5.3 Shareholders who will be entitled to participate in the Buy-Back

Shareholders who are listed on the Register on the Buy-Back Record Date (being 7.00pm on 11 May 2015) are eligible to participate in the Buy-Back. Shareholders entitled to participate in the Buy-Back are referred to as Eligible Shareholders.

Entitlement to participate in the Buy-Back is personal. An Eligible Shareholder is not able to transfer their right to participate in the Buy-Back.

5.4 Participation is not compulsory

Participation in the Buy-Back is optional. If an Eligible Shareholder does not wish to participate, they need not do anything.

Shareholders who do not participate in the Buy-Back will continue to hold their Ordinary Shares.

5.5 Shares that may be accepted into the Buy-Back

Subject to the Buy-Back Limit, an Eligible Shareholder may accept the Offer in respect of some or all of the Ordinary Shares held by them on the Buy-Back Record Date, provided that at 7.00pm (Sydney time) on the Closing Date (being 1 June 2015), they hold at least as many Ordinary Shares as they accept into the Offer.

Ordinary Shares acquired on or after the Ex-Entitlement Date (being 7 May 2015) will not be registered in your name by the Buy-Back Record Date (being 11 May 2015) and therefore will not carry an entitlement to participate in the Buy-Back.

If an Eligible Shareholder purports to accept the Offer in respect of more Ordinary Shares than they are the registered holder of at the Buy-Back Record Date, PAYCE may, in its absolute discretion and without prejudice to its other rights or remedies, reject the acceptance or treat the acceptance as relating to the maximum number of Ordinary Shares the Eligible Shareholder is the registered holder of on the Buy-Back Record Date.

Shareholders should note that it is a term of the Buy-Back that they warrant to PAYCE that:

- any of their Ordinary Shares accepted into the Offer will, at the date of the transfer to PAYCE, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, including any restrictions on transfer;
- they have full power and capacity to sell and transfer their Ordinary Shares to PAYCE; and
- they are a person who may lawfully participate in the Buy-Back.

Please see Section 5.9 for further details.

5.6 Consideration for the Buy-Back

The consideration which PAYCE will pay for each Ordinary Share bought back will be:

- \$0.80 cash paid upon cancellation of the Ordinary Shares;
- \$0.80 cash paid 12 months after the cancellation of the Ordinary Shares;
- \$0.70 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.

5.7 Maximum limit of the Buy-Back

The maximum number of Ordinary Shares which can participate in the Buy-Back is 9,915,075 Ordinary Shares.

Eligible Shareholders may accept the Offer in relation to some or all of the Ordinary Shares held by the Eligible Shareholder on the Buy-Back Record Date, subject to any scaling back required in order to comply with the Buy-Back Limit of 9,915,075 Ordinary Shares.

If the total number of Ordinary Shares accepted into the Buy-Back by Eligible Shareholders exceeds the Buy-Back Limit of 9,915,075 Ordinary Shares, the Scale Back will operate to proportionately reduce acceptances so that the Buy-Back Limit is not exceeded. In calculating the number of Ordinary Shares that will be bought back, all fractions will be rounded down.

Shortly following closure of the Buy-Back on 1 June 2015, PAYCE will make an announcement summarising the total acceptances received and outlining the details of any Scale Back.

5.8 Buy-Back Offer Period

The Buy-Back Offer Period opens on the Opening Date of 12 May 2015.

Eligible Shareholders may accept the Offer at any time from that date until the Closing Date. PAYCE may reschedule, withdraw or extend the Buy-Back Offer Period, but does not currently plan to. If the Closing Date is changed, the change will be announced to the ASX.

You will be taken to have submitted your acceptance when the Registry receives your validly signed and completed Application & Acceptance Form. If you have an issuer sponsored holding or, if you have a CHESS Holding, your acceptance is processed by your controlling participant through CHESS.

5.9 The effect of accepting the Offer

The Application & Acceptance Form will contain detailed instructions for how to accept the Offer.

The effect of participating in the Buy-Back is that you will accept the Offer to sell your Ordinary Shares on the terms and conditions set out below.

An Eligible Shareholder who submits an Application & Acceptance Form agrees to sell to PAYCE the number of Ordinary Shares nominated in the Application & Acceptance Form, or such lesser number of Ordinary Shares as may result from the application of any adjustment to the number of Ordinary Shares accepted into the Offer, on the following basis:

- (a) the consideration which PAYCE will pay for each Ordinary Share bought back is:
 - \$0.80 cash paid upon cancellation of the Ordinary Shares;
 - \$0.80 cash paid 12 months after the cancellation of the Ordinary Shares;
 - \$0.70 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.
- (b) a contract to buy-back your Ordinary Shares will be formed upon the Directors receiving your Application & Acceptance Form and posting an announcement on its website, and the purchase of the relevant Ordinary Shares is taken to occur at that point (the date being referred to as the **Buy-Back Date**);
- (c) PAYCE posting an announcement on the ASX website is an effective communication by PAYCE of the agreement to buy-back your Ordinary Shares;
- (d) you waive any requirement to receive further notice or communication from PAYCE of the agreement to buy-back your Ordinary Shares;
- (e) you warrant to PAYCE that:
 - (i) you are the registered holder of the Ordinary Shares and that all your Ordinary Shares (including any rights and entitlements attaching to those Ordinary Shares) that are transferred to PAYCE under the Buy-Back will, at the date of the transfer of them to PAYCE, be fully paid and free from all

mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

- (ii) you have full power and capacity to sell and to transfer the Ordinary Shares together with all rights attaching to such Ordinary Shares; and
 - (iii) you are a person to whom the Offer may lawfully be made, can receive the proceeds of the sale of your Ordinary Shares and whose participation in the Buy-Back is permitted under the laws of the jurisdiction in which you are resident;
- (f) you authorise PAYCE (and its officers, agents, contractors and advisers) to correct any error in or omission from your Acceptance Form, and to insert any missing details;
 - (g) you undertake not to sell or offer to sell Ordinary Shares to any other person if, as a result, you will at any time after you submit your Application & Acceptance Form until the Buy-Back Date hold fewer Ordinary Shares than the number of Ordinary Shares you have accepted into the Buy-Back;
 - (h) you authorise PAYCE to procure the number of Ordinary Shares accepted into the Buy-Back to be transferred to a subposition on the Register which will prevent them from being dealt with following receipt of your Application & Acceptance Form otherwise than in accordance with the Buy-Back;
 - (i) you acknowledge that neither PAYCE nor any other party involved in the Buy-Back has provided you with financial product advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning your decision to participate in the Buy-Back;
 - (j) you accept the responsibility for fully observing the laws and regulatory requirements of the relevant jurisdiction that applies to you in connection with this Buy-Back, including the obtaining of any governmental, exchange control or other consents, the making of any filings that may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction;
 - (k) you recognise damages are not an adequate remedy for breach of these covenants, undertakings, agreements, representations and warranties;
 - (l) you undertake that if you breach any of these covenants, undertakings, agreements, representations or warranties you will indemnify PAYCE for all its costs or losses arising from the breach; and
 - (m) any obligation of PAYCE to buy-back Ordinary Shares from you is conditional on your compliance with the covenants, undertakings, agreements, representations and warranties listed above.

Dispatch of cheques or electronic funds transfer is expected to be completed within five Business Days after the announcement of the outcome of the Buy-Back.

5.10 Withdrawing or amending acceptances

Set out below are the procedures for withdrawing or amending your acceptance. The effect of withdrawing or amending one or more of your acceptances will be to

withdraw those acceptances, and, in the case of an amendment, to replace the relevant acceptances with new acceptances.

Withdrawals or amendments made in accordance with these procedures may not take immediate effect. You should take this into account if you wish to sell any Ordinary Shares which you have accepted into the Buy-Back.

(a) Issuer sponsored holdings

To withdraw or amend an acceptance that has been received by the Registry, you will need to complete and submit a Withdrawal/Amendment Form, using the procedures set out on the back of the Withdrawal/Amendment Form.

You will need to submit your form to the address noted on the form, so that it is received by no later than the Closing Date. Any forms received after this time will not be effective for withdrawing or amending your acceptance.

A copy of the Withdrawal/Amendment Form is available by telephoning the Registry on 1300 737 760 (within Australia) or +61 1300 737 760 (outside Australia).

(b) CHESS Holdings

If you have a CHESS Holding, you will need to instruct your controlling participant in sufficient time for them to process your withdrawal or amendment by the Closing Date.

If you have a CHESS Holding, you should NOT send a Withdrawal/Amendment Form to the Registry.

After your controlling participant has withdrawn or amended your acceptance, you will be sent written confirmation from CHESS of the withdrawal/amendment made in relation to your holding by your controlling participant. Irrespective of its wording, this confirmation is not an acceptance by PAYCE of the withdrawal or amendment of your acceptance.

5.11 Restriction on trading accepted Ordinary Shares

Ordinary Shares accepted into the Buy-Back at any time during the Buy-Back Offer Period must not be sold or otherwise transferred to any other person unless they have first been withdrawn from the Buy-Back pursuant to a withdrawal or amendment made in accordance with the procedures described above.

The number of Ordinary Shares in respect of which an Eligible Shareholder accepts the Offer will be removed from their holding and placed in a "subposition" in the Register. The Eligible Shareholder will not be able to deal with those Ordinary Shares until they have been released from the subposition. For the Ordinary Shares to be released from that subposition, the Eligible Shareholder must withdraw or amend their acceptance in accordance with the procedures described above.

If an Eligible Shareholder sells Ordinary Shares after submitting an acceptance such that at the Buy-Back Date they do not hold at least the number of Ordinary Shares they successfully accepted into the Buy-Back, PAYCE may, in its absolute discretion and without prejudice to its other rights and remedies, reject their acceptance in its entirety or treat the acceptance as if they had accepted the Offer in respect of the number of Ordinary Shares held by them at 7.00pm on the Closing Date.

5.12 PAYCE'S right to vary dates and times

While PAYCE does not presently anticipate changing any of the dates and times in relation to the Buy-Back (including the Closing Date and the Buy-Back Date), it reserves the right to vary them where lawful to do so.

Any change in date or time will take effect from the time it is authorised by the Directors and will be publicly announced on the ASX as soon as practicable following the Directors' authorisation. Any such change will be taken to amend this document (and the Application & Acceptance Form and/or Withdrawal/Amendment Form) accordingly.

PAYCE may also decide not to proceed with the Buy-Back. Without limitation, PAYCE reserves the right to terminate the Buy-Back at any time prior to the date on which PAYCE enters into the contracts to buy-back its Ordinary Shares, by making an announcement to the ASX to that effect.

5.13 PAYCE'S right to adjust or reject acceptances

PAYCE may, in its absolute discretion and at any time, deem any acceptance it receives to be a valid acceptance, disregard or not accept any acceptance and may waive any or all of the requirements for making, amending or withdrawing an acceptance. It may do each of these things in relation to some, all or any number of acceptances it receives.

5.14 Cancellation of Ordinary Shares accepted in the Buy-Back

In accordance with the Corporations Act, all Ordinary Shares bought back under the Buy-Back will be cancelled.

5.15 Governing law

This document is governed by the law in force in New South Wales.

6 RELIANCE ON INFORMATION IN THIS OFFER DOCUMENT

6.1 Forward-Looking Statements

This Offer Document may contain forward-looking statements that are not based solely on historical facts but are based on current expectations about future events and results. These forward-looking statements are subject to inherent risks and uncertainties. Such risks and uncertainties include factors and risks specific to the operations of PAYCE, as well as general economic conditions, prevailing interest rates, conditions in the financial markets, government policies and regulations and competitive pressures. As a consequence, actual events or results may differ materially from the expectations expressed or implied in such forward-looking statements.

None of PAYCE or its directors, officers, employees and advisers makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law.

Accordingly, Shareholders are cautioned about placing undue reliance on forward-looking statements contained in this Offer Document.

6.2 Responsibility for Information in this Offer Document

PAYCE is responsible for the information in this Offer Document.

6.3 Investment Decisions

The material in this Offer Document does not constitute investment advice and does not take into account personal circumstances and needs of any particular Shareholder. Before making any investment decision, Eligible Shareholders should consider their own personal circumstances and take appropriate professional advice.

7 NOTICE TO SHAREHOLDERS WHO RESIDE OUTSIDE AUSTRALIA

The contents of this Offer Document have not been submitted to any regulatory authority outside Australia. Shareholders who do not reside in Australia are advised to exercise caution in relation to any decision on whether to accept the Buy-Back Offer. If Eligible Shareholders are in any doubt about any of the contents of this Offer Document, they should obtain independent professional advice.

8 ASIC LODGEMENT

A copy of this Offer Document has been lodged with ASIC. ASIC does not approve documents lodged with it. ASIC may, but is not required to, notify PAYCE if it believes a document lodged with it does not comply with applicable laws. PAYCE has received no notification from ASIC concerning this Offer Document.

ANNEXURE A – REPLACEMENT PROSPECTUS



REPLACEMENT PROSPECTUS

For the offer of Preference Shares in
PAYCE Consolidated Limited ACN 001 566 310
As partial consideration for the Buy-Back of Ordinary Shares
Dated 4 May 2015
Replacing the Original Prospectus dated 22 December 2014.

CONTENTS

1	CORPORATE DIRECTORY	5
2	LETTER TO SHAREHOLDERS	6
3	GLOSSARY	7
4	INVESTMENT OVERVIEW	10
5	ABOUT THE PREFERENCE SHARES.....	17
6	FINANCIAL INFORMATION	23
7	DETAILS OF THE OFFER	32
8	THE BUSINESS OF PAYCE	35
9	PAYCE MANAGEMENT & CORPORATE GOVERNANCE.....	41
10	RISK FACTORS	45
11	MATERIAL AGREEMENTS.....	51
12	ADDITIONAL INFORMATION.....	53
13	DIRECTORS' AUTHORISATION	59
	SCHEDULE – TERMS OF ISSUE OF PREFERENCE SHARES	60

IMPORTANT NOTICE

Some terms used in this Replacement Prospectus are defined in the Glossary.

This Replacement Prospectus is dated 4 May 2015, and a copy of this Replacement Prospectus was lodged with ASIC on that date. It replaces the Original Prospectus lodged with ASIC on 22 December 2014. Neither ASIC or ASX takes any responsibility for the contents of this Replacement Prospectus or the merits of the investment to which this Replacement Prospectus relates. No Preference Shares will be allotted or transferred on the basis of this Replacement Prospectus after the expiry date. This Replacement Prospectus expires 13 months from the date of issue.

This Replacement Prospectus has been issued primarily to include further explanation of the value of the Preference Shares which are being offered as partial consideration for the buy-back of Ordinary Shares in PAYCE.

The Offer was conditional upon the passing of certain resolutions which were considered at the Extraordinary General Meeting of PAYCE held on 4 May 2015. Following the approval of those resolutions, the Offer is now available to Eligible Shareholders who are Australian residents in each State and territory of Australia. The distribution of this Replacement Prospectus in jurisdictions outside Australia may be restricted by law. Seek advice on and observe any restrictions. This Replacement Prospectus is not an Offer in any place where, or to any person to whom, it would not be lawful to make the Offer.

No person is authorised to give any information or make representations about the Offer, which is not contained in this Replacement Prospectus. Information or representations not contained in this Replacement Prospectus must not be relied on as authorised by the PAYCE, or any other person, in connection with the Offer.

This Replacement Prospectus provides information for Eligible Shareholders to decide if they wish to participate in the Buy-Back and receive Preference Shares issued by PAYCE. Applicants should read this document in its entirety, examine the financial information and the risk factors that could affect the financial performance of PAYCE, consider these factors carefully in light of their personal financial circumstances, and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to participate. The Offer does not take into account the investment objectives, financial situation or needs of particular investors.

This Replacement Prospectus is available on PAYCE's announcements page on ASX (www.asx.com.au). Electronic versions of this Replacement Prospectus should be downloaded and read in their entirety. Eligible Shareholders may obtain a paper copy of the Replacement Prospectus by telephoning +617 3009 9887.

Under the Corporations Act, PAYCE must not process Application & Acceptance Forms during the seven day period after the date of lodgement of the Original Prospectus with ASIC. This period may be extended by ASIC for up to a further seven days. This Exposure Period enables the documents to be examined by market participants. Application & Acceptance Forms received during the Exposure Period will not be processed until after the expiry of that period. No preference will be given to Application & Acceptance Forms received during the Exposure Period.

Monetary amounts shown in this Replacement Prospectus are expressed in Australian dollars unless otherwise stated. Photographs used in this Replacement Prospectus without descriptions are only for illustration. The people shown are not endorsing this Replacement Prospectus or its contents. Diagrams used in this Replacement Prospectus may not be drawn to scale. The assets depicted in photographs in this Replacement Prospectus are not assets of PAYCE unless otherwise stated.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY.

IMPORTANT DATES

Event	Date
Date of Replacement Prospectus	4 May 2015
Despatch of Replacement Prospectus and Offer Document to Eligible Shareholders	12 May 2015
Offer Opens	12 May 2015
Offer Closes	1 June 2015
Announcement of the outcome of the Buy-Back	2 June 2015
Transfer to PAYCE of Ordinary Shares bought back and cancellation of those Ordinary Shares	On or before 3 June 2015
Payment of initial portion of cash consideration and issue of Preference Shares as consideration for the Buy-Back	On or before 3 June 2015
Despatch of holding statements for Preference Shares	On or before 3 June 2015
Payment of first deferred portion of cash consideration.	3 June 2016
Payment of second deferred portion of cash consideration	3 December 2016

All dates and times are subject to change are indicative only. All times refer to Australian Eastern Daylight Time. PAYCE reserves the right to vary these dates and times without prior notice. It may close the Offer early, withdraw the Offer or accept late applications. Applicants are encouraged to submit their Application & Acceptance Forms as soon as possible.

1 CORPORATE DIRECTORY

Directors

Brian Boyd
Roger Short
Christopher Gabriel

Company Secretary

Brian Bailison

Registered Office

Level 37, Chifley Tower
2 Chifley Square
SYDNEY NSW 2000

Registry

Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Auditor

KPMG Sydney
10 Shelley Street
SYDNEY NSW 2000

Website

www.payce.com.au

2 LETTER TO SHAREHOLDERS

4 May 2015

Dear Shareholder

This Replacement Prospectus is being issued as part of the Offer Document to facilitate the offer of Preference Shares to Eligible Shareholders of PAYCE, as partial consideration for the Buy-Back of their Ordinary Shares.

Shareholders have previously been provided with information regarding the Buy-Back of Ordinary Shares and issue of Preference Shares by way of a Notice of Meeting issued on 2 April 2015. An Independent Expert's Report was included in the meeting material in order to provide Shareholders with an independent opinion regarding the fairness and reasonableness of the proposed Buy-Back and the value of the consideration being offered. That Report, which concluded that the consideration for the Buy-Back is fair and reasonable, is incorporated into this Replacement Prospectus by reference. The Meeting was held on 4 May 2015, and the relevant resolutions were approved by Shareholders. As Shareholder approval has been received, this Replacement Prospectus is being dispatched to Eligible Shareholders. This Replacement Prospectus contains additional information regarding the Preference Shares.

The Preference Shares are fully paid preference shares to be issued by PAYCE. They will not be listed on ASX. Subject to the terms outlined in this Replacement Prospectus, cumulative Dividends at an initial dividend rate of 6% per annum, increasing 1% annually to a maximum of 12% per annum, are proposed to be paid quarterly on the Dividend Payment Dates, subject to such Dividends being declared at the discretion of PAYCE.

The Preference Shares are unsecured and have no fixed maturity date. Each Preference Share Holder grants PAYCE an option to purchase or buy-back the Preference Shares on each Dividend Payment Date, subject to the requirements of the Corporations Act and ASX Listing Rules. Other key features of the Preference Shares are set out in Section 5 of this Replacement Prospectus.

We encourage you to read this Replacement Prospectus carefully and consider the risk factors set out in Section 10. The Preference Shares are complex financial products and have features that are more complicated than a simple debt or equity security. If, after reading this Replacement Prospectus, you have any questions about the Offer or how to apply for Preference Shares, please call +617 3009 9887. You should also seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to apply for Preference Shares.

The Directors believe that the issue of Preference Shares as partial consideration for the Buy-Back of Shares is in the best interests of PAYCE going forward.

Yours sincerely

PAYCE Consolidated Limited

3 GLOSSARY

Where the following terms are used in this Replacement Prospectus, they have the meanings set out below:

Term	Definition
\$	an Australian dollar.
Application & Acceptance Form	the form accompanying this Replacement Prospectus relating to the Offer, pursuant to which Eligible Shareholders accept the invitation to participate in the Buy-Back and apply for Preference Shares
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the financial market operated by it as the context requires
ASX Listing Rules	the official listing rules of ASX
Business Day	a day that is not a Saturday, Sunday or public holiday in New South Wales
Buy-Back	the transaction set out in Resolution 1 of the Notice of Meeting, which sought approval for the equal access buy-back of Ordinary Shares in PAYCE, with consideration being a combination of cash and issuance of Preference Shares
Buy-Back Limit	the maximum number of Ordinary Shares which may be bought back, being 9,915,075 Ordinary Shares
Buy-Back Record Date	the time and date for determining Shareholders eligible to participate in the Buy-Back, being 7.00pm on 11 May 2015
Change in Control Event	means, on any date, an event where a person (and its associates) or such persons acting together which held, whether directly or indirectly, 40% or less of the issued Ordinary Shares of PAYCE as at the date on which the Preference Shares are issued (and including a zero holding), subsequently holds, whether directly or indirectly, more than 40% of the issued Ordinary Shares of PAYCE on that date
Constitution	the constitution of PAYCE
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Directors	the directors of PAYCE at the date of this Replacement Prospectus
Dividend	cumulative dividends at an initial dividend rate of 6% per annum, increasing by 1% annually to a maximum of 12% per annum, proposed to be paid quarterly on the Preference Shares, subject to such Dividends being declared at the discretion of PAYCE. See Section 5.1 for further details.
Dividend Payment Date	the date on which a Dividend is scheduled to be paid on the Preference Shares (being each 3 September, 3 December, 3 March and 3 June),

Term	Definition
	subject to such Dividends being declared at the discretion of PAYCE
Dividend Payment Restriction	<p>a restriction imposed on PAYCE's ability to:</p> <ul style="list-style-type: none"> • declare or pay dividends on any class of share capital other than Preference Shares; or • redeem, reduce, cancel, buy-back or acquire for any consideration any share capital, <p>as summarised in section 5.1 of this Replacement Prospectus and set out in clause 3.7 of the Schedule</p>
Eligible Shareholder	a Shareholder who is a registered holder of Ordinary Shares at 7.00pm on 11 May 2015, which is the time and date for determining Shareholders eligible to participate in the Buy-Back
Explanatory Statement	the explanatory statement which was attached to the Notice of Meeting
Independent Expert	Hanrick Curran Corporate Finance Pty Ltd, being the independent expert engaged by PAYCE to prepare the Independent Expert's Report
Independent Expert's Report	the report prepared by the Independent Expert in accordance with ASIC Regulatory Guides 111 and 112 to provide an opinion as to whether the Buy-Back is fair and reasonable to all PAYCE Shareholders, a copy of which was annexed to the Explanatory Statement
Notice of Meeting	the notice of meeting and Explanatory Statement dated 2 April 2015, which gave notice to Shareholders of the Extraordinary General Meeting which was held on 4 May 2015
Offer	the offer to participate in the Buy Back and receive Preference Shares as partial consideration pursuant to this Replacement Prospectus as described in Section 5 of this Replacement Prospectus, which forms part of the Offer Document
Offer Document	the document setting out the Offer to Eligible Shareholders, including the terms of the Buy-Back, this Replacement Prospectus, and a personalised Application & Acceptance Form
Option	an option to acquire an Ordinary Share, as described in the summary of the Constitution in Section 11.2 of this Replacement Prospectus
Ordinary Share	an ordinary share in the capital of PAYCE
Original Prospectus	the original prospectus issued by PAYCE and lodged with ASIC on 22 December 2014
PAYCE	PAYCE Consolidated Limited ACN 001 566 310
Preference Share	the securities which are to be issued to Shareholders in partial consideration for the Buy-Back, the terms of which are summarised in Section 5 and set out in detail in the Schedule to this Replacement Prospectus

Term	Definition
Preference Share Holder	a registered holder of Preference Shares in PAYCE
Redeemable Preference Shares	redeemable preference shares which may be issued on exchange for Preference Shares in certain circumstances summarised in section 5.2 of this Replacement Prospectus and set out in clauses 3.8 – 3.10 of the Schedule
Registry	Boardroom Pty Limited, which operates the register of members of PAYCE maintained in accordance with the Corporations Act
Replacement Prospectus	this replacement prospectus which replaces the Original Prospectus lodged with ASIC on 22 December 2014
Scale Back	a proportionate reduction in the number of Ordinary Shares to be bought back from each Eligible Shareholder below the number of Ordinary Shares for which acceptances have been received under the Buy-Back to avoid the Buy-Back Limit being exceeded. 'Scaling Back' and 'Scaled Back' have a corresponding meaning. See Section 4.4 for further details
Section	a section of this Replacement Prospectus
Shareholder	a registered holder of Ordinary Shares in PAYCE
Terms of Issue	the terms and conditions on which the Preference Shares are issued, which are summarised in section 5 of this Replacement Prospectus and set out in the Schedule

4 INVESTMENT OVERVIEW

This section is a summary only and is not intended to provide full information for Eligible Shareholders intending to apply for Preference Shares offered pursuant to this Replacement Prospectus. This Replacement Prospectus should be read and considered in its entirety.

4.1 Key features of the Offer and Preference Shares

Item	Details
(a) What is the Offer?	<p>The Offer is for the issue of Preference Shares as partial consideration for the Buy-Back of Ordinary Shares as described in the Notice of Meeting and the Offer Document. Shareholders should read these documents as well as this Replacement Prospectus when considering whether or not to participate in the Offer.</p>
(b) What are the Preference Shares?	<p>The Preference Shares proposed to be issued by PAYCE as partial consideration for the Buy-Back of Ordinary Shares, have the following features:</p> <ul style="list-style-type: none">• fully paid, with an issue price of \$7.50 per Preference Share;• preferential: Preference Shares carry preferred rights over Ordinary Shares in relation to the payment of dividends and the return of capital on a winding up but will have no entitlement to share in any surplus in the event of a winding-up of PAYCE. Nevertheless, PAYCE may issue other securities which would rank equally with or ahead of the Preference Shares, which therefore could take priority over the Preference Shares in respect of dividends and on a winding up;• perpetual: Preference Shares do not have any fixed maturity date, and could remain on issue indefinitely if they are not bought back or purchased by PAYCE or otherwise dealt with in accordance with the Terms of Issue of the Preference Shares. This would result in Preference Share Holders not receiving any capital back or being issued any Ordinary Shares;• unguaranteed and unsecured: Preference Shares are not guaranteed or secured.
(c) What is the value of the Preference Shares?	<p>An Independent Expert's Report was commissioned by PAYCE to provide Shareholders with an independent opinion regarding the fairness and reasonableness of the Buy-Back and the value of the consideration being offered, including the value of the Preference Shares.</p> <p>The Independent Expert's Report, which was annexed to the Explanatory Statement attached to the Notice of Meeting,</p>

Item	Details
	<p>concluded that the consideration was fair and reasonable to Non-Associated Shareholders (as that term is defined in the Independent Expert's Report), and in reaching this conclusion, assessed the value of the Preference Shares to be \$7.23.</p> <p>Shareholders should read the Independent Expert's Report in considering whether to participate in the Offer.</p>
(d) Why is PAYCE issuing the Preference Shares?	<p>The Preference Shares are being issued as partial consideration for the Buy-Back of Ordinary Shares by PAYCE, as outlined in the Notice of Meeting and Offer Document. PAYCE is issuing the Preference Shares in these circumstances as part of its ongoing capital management strategy.</p>
(e) Will Dividends be paid?	<p>Preference Shares are anticipated to be paid cumulative Dividends quarterly in arrears at a dividend rate of 6% per annum (increasing by an additional 1% on each yearly anniversary of the issue date to a maximum of 12% per annum), subject to such Dividends being declared at the discretion of PAYCE. However, Eligible Shareholders should note that:</p> <ul style="list-style-type: none"> • A Dividend is only payable if the Directors declare or resolve to pay it, and the other conditions to payment are met. • There is no obligation for the Dividends to be franked. • PAYCE has the discretion to pay the Dividend 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 Shares. • If a Dividend is not paid in full on a scheduled Dividend Payment Date, PAYCE is prohibited from paying dividends or making any other distribution on any class of its share capital other than the Preference Shares or reducing or buying back any share capital unless certain steps are taken to pay Dividends on the Preference Shares. Further details are set out in section 5.1 of this Replacement Prospectus. • Dividends are cumulative. If a scheduled Dividend is not paid on the relevant Dividend Payment Date, PAYCE must pay an amount equal to the unpaid Dividends when it exercises its option to purchase the Preference Shares, as described in Section 5.3.
(f) Will the Preference Shares be bought back or redeemed?	<ul style="list-style-type: none"> • Holders of Preference Shares do not have the right to require PAYCE to buy-back their Preference Shares. • Holders of Preference Shares grant PAYCE an option to

Item	Details
	<p>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. PAYCE must give Preference Share Holders at least 30 days prior notice that it intends to exercise this option.</p> <ul style="list-style-type: none"> • If a Change in Control Event occurs, PAYCE may also exercise its call option to purchase or buy-back the Preference Shares for a cash consideration of \$7.50 per Preference Share. • The Preference Shares may be exchanged for Redeemable Preference Shares in the event that PAYCE breaches the Dividend Payment Restriction and does not remedy the breach within 90 days. See Section 5.2 for further details.
(g) Are the Preference Shares convertible to Ordinary Shares?	<ul style="list-style-type: none"> • The Preference Shares are not convertible into Ordinary Shares. • The Preference Shares may be exchanged for Redeemable Preference Shares in the event that PAYCE breaches the Dividend Payment Restriction and does not remedy the breach within 90 days. See Section 5.2 for further details.
(h) How do the Preference Shares rank on a winding up of PAYCE?	<p>The Preference Shares will rank equally among themselves, and ahead of Ordinary Shares in relation to dividends and the return of capital, but will have no entitlement to share in any surplus in the event of a winding-up of PAYCE.</p>

4.2 Key benefits and risks

Item	Details
(a) Business Model of PAYCE	<p>PAYCE is listed on the ASX under the ticker "PAY". It is the holding company of a property group whose business model focuses on long-term medium density apartment and mixed use (retail/commercial) developments and urban renewal projects.</p> <p>Since 2002, PAYCE has successfully delivered in excess of 2,500 residential and mixed use apartments across Sydney and PAYCE aims to deliver over 7,500 residential and mixed use apartments over the next five years at Riverwood (Washington Park), Ermington, Wentworth Point, Kirrawee, Auburn and Melrose Park in Sydney and West End in Brisbane..</p> <p>PAYCE focuses on providing new, affordable product, and is committed to building sustainable and vibrant communities. It</p>

Item	Details
	<p>is supported by a highly experienced and dedicated management team, and is committed to a disciplined development timetable and the execution of a financially secure business model.</p> <p>PAYCE aims to be a leading provider of residential and mixed use development product. It intends to continue to acquire and develop property in accordance with a disciplined and financially moderate business model.</p>

(b) Key risks associated with Preference Shares

Eligible Shareholders should consider the risks identified in Section 10 of this Replacement Prospectus when deciding whether or not to apply for Preference Shares. Several key risks are set out below:

Market price of Preference Shares

The price at which Preference Share Holders will be able to sell the Preference Shares is uncertain. The Preference Shares will not be listed, and whilst transferable there will be no formal secondary market in which they are able to be bought or sold.

Liquidity

There is no formal liquid market for the Preference Shares. Holders who wish to sell their Preference Shares may be unable to do so at a price acceptable to them, or at all.

Dividends may not be paid

There is a risk that Dividends will not be paid, in circumstances where the Directors do not make a declaration that a Dividend is payable.

Dividends may not be paid in cash

There is a risk that Dividends will be declared but paid as additional Preference Shares. The Terms of Issue of the Preference Shares do not require PAYCE to pay Dividends solely in cash. The issuance of Preference Shares as consideration for Dividends may further expose Preference Share Holders to risk.

Call Option

It is uncertain whether and when PAYCE will exercise its call option in respect of the Preference Shares. PAYCE may elect not to exercise the option at all, in which case the Preference Shares are perpetual and have no maturity date.

Risks associated with exchange and conversion

There is a risk that, in the event that PAYCE breaches the Dividend Payment Restriction, and fails to rectify such breach

Item	Details
	<p>within 90 days, that it will not exchange the Preference Shares for Redeemable Preference Shares as required in accordance with the Terms of Issue of the Preference Shares.</p> <p>Even if the Preference Shares are exchanged for Redeemable Preference Shares in accordance with the Terms of Issue, there is no guarantee that PAYCE will be able to fund the redemption of those Redeemable Preference Shares in accordance with the Terms of Issue.</p> <p>No Voting Rights on Company Matters</p> <p>Ordinary Shareholders accepting the Buy-Back will be exchanging Ordinary Shares with voting rights for cash and Preference Shares with no voting rights, except in relation to issues that directly affect the Preference Shares.</p> <p>Restrictions on rights and ranking on a winding up of PAYCE</p> <p>In a winding up of PAYCE, Preference Shares rank ahead of Ordinary Shares, but behind all creditors of PAYCE. If there is a shortfall of funds on a winding up of PAYCE to pay all amounts ranking higher than and equal with Preference Shares, Preference Share Holders may lose all or some of their investment.</p>
(c) Key Financial Information	<p>Detailed financial information is set out in Section 6 of this Replacement Prospectus. This financial information should be read in conjunction with the policies and accounting notes as included in the audited financial reports of PAYCE. A copy of PAYCE's financial report for the financial year ending 30 June 2014 and financial half-year ending 31 December 2014 is available from PAYCE's website www.payce.com.au.</p>
(d) Directors and Key Management	<p>The Directors of PAYCE are set out below:</p> <ul style="list-style-type: none"> • Brian Boyd, Chairman; • Roger Short, Non-Executive Director; and • Christopher Gabriel, Non-Executive Director. <p>Key management of PAYCE include:</p> <ul style="list-style-type: none"> • Brian Bailison, Company Secretary; and • Dominic Sullivan, General Manager. <p>Further details regarding the Directors and key management of PAYCE are set out in Section 9 of this Replacement Prospectus.</p>
(e) Interests, Benefits and Related Party Transactions	<p>Where transactions described in this Replacement Prospectus are between related parties, the terms of such</p>

Item	Details
	<p>transactions are negotiated and settled on an arms-length basis at normal market rates, and on terms and conditions no more favourable than those available to other parties, unless otherwise expressly stated.</p> <p>The intentions of Directors in relation to participation in the Offer are set out in sections 7.2 and 9.12 of this Replacement Prospectus.</p>

4.3 Information about the Offer

This summary is not intended to provide comprehensive details of the Offer.

Eligible Shareholders must read this Replacement Prospectus in its entirety, and if necessary consult with a professional adviser, in order to make an informed investment decision.

Item	Details
(a) When does the Offer open and close?	The Offer opens on 12 May 2015, and closes on 1 June 2015.
(b) Is there a minimum level of participation required?	There is no minimum level of participation required in order for the Offer to proceed. However, there is a limit of 9,915,075 Ordinary Shares which may participate in the Buy-Back (the Buy-Back Limit). As the Preference Shares will be issued in consideration for the Buy-Back of Ordinary Shares, a maximum of 9,915,075 Preference Shares will be issued. Eligible Shareholders who elect to participate in the Buy-Back and be issued Preference Shares, may have their applications Scaled Back to comply with this limit.
(c) How does the Scale Back operate?	<p>The maximum number of PAYCE Ordinary Shares that will be bought back under the Buy-Back is 9,915,075 Ordinary Shares. If the total number of Ordinary Shares accepted into the Buy-Back by Eligible Shareholders exceeds the Buy-Back Limit of 9,915,075 Ordinary Shares, the Scale Back will operate to proportionately reduce acceptances so that the Buy-Back Limit is not exceeded. In calculating the number of Ordinary Shares that will be bought back, all fractions will be rounded down.</p> <p>Shortly following closure of the Buy-Back on 1 June 2015, PAYCE will make an announcement summarising the total acceptances received and outlining the details of any Scale Back.</p>
(d) Is the Offer underwritten?	No.
(e) Who can apply?	Only Eligible Shareholders are able to apply for Preference Shares as partial consideration for the Buy-Back.

Item	Details
(f) Is there a minimum application size?	There is no minimum requirement in terms of how many Ordinary Shares may be bought back in consideration for the issue of cash and the Preference Shares.
(g) Is brokerage, commission or stamp duty payable?	No brokerage, commission or stamp duty is payable by Eligible Shareholders on their application.
(h) What are the tax implications of investing in Preference Shares?	<p>Section 7 of the Explanatory Statement attached to the Notice of Meeting, sets out a summary of the potential Australian taxation implications of the Buy-Back for Shareholders that hold Ordinary Shares on capital account. Shareholders should consider that commentary before deciding whether or not to participate in the Offer.</p> <p>As detailed in the Explanatory Statement, the Buy-Back price of \$9.80 includes a component of deemed unfranked dividends for taxation purposes (\$8.26 per Ordinary Share) no franking credits will be utilised in relation to the Buy-Back.</p> <p>It is possible that some Shareholders may have an income tax liability that exceeds the cash component of the Buy-Back consideration.</p> <p>A general description of the Australian taxation consequences of investing in Preference Shares is also outlined in Section 6.8 of this Replacement Prospectus.</p> <p>Shareholders should seek independent taxation advice.</p>
(i) What are the intentions of the major Shareholders?	<p>As set out in the Notice of Meeting, PAYCE's largest Shareholder is Lanox Pty Ltd, which is associated with PAYCE's Managing Director, Brian Boyd. Lanox Pty Ltd has advised that it will not participate in the Buy-Back, but will continue to maintain its shareholding in PAYCE. Depending on the rate of participation of other Shareholders in the Buy-Back, Lanox Pty Ltd's voting power in PAYCE is anticipated to increase as the Buy-Back is undertaken.</p> <p>The second largest substantial holder of Ordinary Shares in PAYCE is Garry Boyd and his associated entities, who have indicated an intention to accept the Buy-Back offer for 50% of his and his associates' holdings.</p> <p>The intentions of the remaining Shareholders are unknown.</p>
(j) Where is further information about the Offer able to be obtained?	If you have any questions in relation to the Offer, please call +617 3009 9887.

5 ABOUT THE PREFERENCE SHARES

5.1 Issue Price and Dividends

Feature	Details
(a) Issue price	<p>Preference Shares will be issued as partial consideration for the Buy-Back of Ordinary Shares in PAYCE. The consideration for the Buy-Back of each Ordinary Share in PAYCE will be:</p> <ul style="list-style-type: none">• \$0.80 cash paid upon cancellation of the Ordinary Shares;• \$0.80 cash paid 12 months after the cancellation of the Ordinary Shares;• \$0.70 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.
(b) Will Dividends be paid?	<ul style="list-style-type: none">• Dividends on the Preference Shares are anticipated to be paid quarterly. However, Dividends will only be declared and paid if the Directors of PAYCE determine to pay it, and if other conditions (summarised below) are met.• Dividends are cumulative. If a scheduled Dividend is not paid on the relevant Dividend Payment Date, PAYCE must pay an amount equal to the unpaid Dividends when it exercises its option to purchase the Preference Shares, as described in Section 5.3.• If a Dividend is not paid, Preference Share Holders do not have an immediate right to require payment of that Dividend. However, PAYCE will not be entitled to declare or pay any dividend on Ordinary Shares until Dividends are paid in relation to the Preference Shares. See below for further details.
(c) If declared as payable, when will Dividends be paid?	<ul style="list-style-type: none">• Dividends of 6% per annum for the first 12 months, increasing by 1% annually to a maximum of 12% per annum, may be paid on the Preference Shares on the Dividend Payment Dates subject to such Dividends being declared at the discretion of PAYCE.• The first Dividend Payment Date 3 September 2015.• Subsequent Dividend Payment Dates are 3 December, 3 March and 3 June each year.• If any of these dates is not a Business Day, then the Dividend Payment Date will be the next Business Day.

Feature	Details
(d) How will Dividends be calculated and paid?	<ul style="list-style-type: none"> For the first year from the date of issue, the dividend rate applicable to the Preference Shares is proposed to be 6% per annum, which is payable at the sole discretion of PAYCE. On each yearly anniversary of the issue of the Preference Shares, the dividend rate will increase by an additional 1% per annum. For example: <ul style="list-style-type: none"> After one year from the date of issue, the dividend rate will increase to 7% per annum. After two years from the date of issue, the dividend rate will increase to 8% 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 PAYCE 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 Shares.
(e) What conditions must be satisfied for a Dividend to be paid?	<p>Dividends may not always be paid. The payment of a Dividend is subject to the following conditions:</p> <ul style="list-style-type: none"> The Directors of PAYCE, at their absolute discretion, resolving to declare and pay a Dividend; There being funds legally available for the payment of Dividends; and Compliance with the Terms of Issue of the Preference Shares.
(f) What is the Dividend Payment Restriction and when will it apply?	<ul style="list-style-type: none"> Dividends are proposed to be paid quarterly on the Dividend Payment Dates, subject to such Dividends being declared at the discretion of PAYCE. If no Dividends are paid on the Preference Shares on the 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, unless: <ul style="list-style-type: none"> an amount equal to unpaid scheduled Dividends for the period immediately preceding the date of payment of that amount (Optional Dividend) has been paid to Preference Share Holders; or all Preference Shares have been purchased or

Feature	Details
	<p>bought-back.</p> <ul style="list-style-type: none"> For the avoidance of doubt, the non-payment of a Dividend on a scheduled Dividend Payment Date does not constitute a breach of the terms of the Preference Shares. However, if PAYCE elects not to pay a Dividend on a scheduled Dividend Payment Date, PAYCE is restricted from paying dividends on, or buying back, any other class of share capital. If, despite this restriction, PAYCE pays dividends on or buys back another class of shares, this constitutes breach of the Dividend Payment Restriction, the consequences of which are set out below.
(g) What are the consequences of breach of Dividend Payment Restriction?	<ul style="list-style-type: none"> In the event that PAYCE breaches the Dividend Payment Restriction outlined above (for example, by not paying a Dividend on Preference Shares on a scheduled Dividend Payment Date but subsequently paying a dividend on Ordinary Shares), and does not remedy that breach within 90 days, the Preference Shares will be exchanged for Redeemable Preference Shares which are redeemable immediately at the option of holders. Each Preference Share will be exchanged for one Redeemable Preference Share. See clauses 3.8 to 3.10 of the Schedule for further details.

5.2 Conversion and Exchange

Item	Details
(a) Are the Preference Shares convertible?	<ul style="list-style-type: none"> Holders of Preference Shares do not have the right to request that they be converted into any other form of security. However, in the event that PAYCE breaches the Dividend Payment Restriction, the Preference Shares will be exchanged for Redeemable Preference Shares which are redeemable immediately at the option of holders.
(b) When would the Preference Shares be exchanged?	<ul style="list-style-type: none"> The Preference Shares are not convertible. However, in the event that PAYCE breaches the Dividend Payment Restriction (by, for example, not paying a Dividend on Preference Shares on a scheduled Dividend Payment Date, then subsequently paying a dividend on Ordinary Shares), and does not remedy that breach within 90 days, the Preference Shares will be exchanged for Redeemable Preference Shares which are

Item	Details
	<p>redeemable immediately at the option of holders.</p> <ul style="list-style-type: none"> Each Preference Share will be exchanged for one Redeemable Preference Share.
(c) What are the consequences of an exchange for Redeemable Preference Shares?	<ul style="list-style-type: none"> If the Preference Shares are exchanged for Redeemable Preference Shares as a result of PAYCE breaching the Dividend Payment Restriction, each holder will receive a Redeemable Preference Share in exchange for their Preference Share. Redeemable Preference Shares may be redeemed by the holder submitting a redemption notice to PAYCE at any time which is in the form required by PAYCE, and is accompanied by evidence of title reasonable satisfactory to PAYCE. PAYCE must, within 90 days of receipt of a redemption notice, redeem the Redeemable Preference Shares and pay the holder the redemption amount, which is the aggregate of the issue price of the Redeemable Preference Shares (being \$7.50 each), plus an amount equal to the unpaid amount of any scheduled Dividends which have not been paid on the Preference Shares and/or Redeemable Preference Shares for the period prior to the redemption notice being given.
(d) What if the Redeemable Preference Shares are not converted?	<p>If PAYCE does not redeem the Redeemable Preference Shares when required to do so, the Redeemable Preference Shares will remain on issue and have the same rights as Preference Shares in relation to the payment of Dividends and ranking of a winding-up.</p>

5.3 PAYCE's Call Option

Item	Details
(a) No right to have Preference Shares purchased or bought back	<ul style="list-style-type: none"> The Preference Shares have no fixed maturity date. Holders of Preference Shares do not have the right to have those securities purchased or bought-back.
(b) Call Option	<ul style="list-style-type: none"> Each holder of Preference Shares grants PAYCE 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. PAYCE must give Preference Share Holders at least 30 days prior notice that it intends to exercise this call option.

Item	Details
(c) Change in Control Event	<ul style="list-style-type: none"> If a Change in Control Event occurs, PAYCE may also exercise its call option to purchase or Buy-Back the Preference Shares for a cash consideration of \$7.50 per Preference Share.

5.4 Ranking

Item	Details
How do the Preference Shares rank in comparison to Ordinary Shares?	The Preference Shares will rank equally among themselves, and ahead of Ordinary Shares in relation to dividends and the return of capital, but will have no entitlement to share in any surplus in the event of a winding up.

5.5 Other considerations

Item	Details
(a) Can PAYCE issue further preference shares or other instruments?	<p>Preference Shares do not carry any right to participate in issues of securities or capital reconstructions of PAYCE.</p> <p>The Terms of Issue of the Preference Shares do not prevent PAYCE from issuing other shares or instruments.</p>
(b) What voting rights do Preference Shares carry?	<p>Generally, the Preference Shares will carry no right to vote at any general meeting of Shareholders of PAYCE. However, holders of Preference Shares may vote on the basis of one vote per Preference Share in the following circumstances:</p> <p>(a) on a proposal:</p> <ul style="list-style-type: none"> (i) to reduce the share capital of PAYCE; (ii) that affects rights attached to the Preference Shares; (iii) to wind-up PAYCE; or (iv) for the disposal of the whole of the property, business and undertaking of PAYCE; <p>(b) on a resolution to approve the terms of a Buy-Back Agreement;</p> <p>(c) during a period in which a Dividend or part of a Dividend on the Preference Shares is in arrears; or</p> <p>(d) on a winding up of PAYCE.</p>
(c) Do Preference Shares carry the right to participate in further issues?	Preference Shares do not carry any right to participate in future issues of securities or capital reconstructions of PAYCE.

Item	Details
(d) Can PAYCE amend the terms of the Preference Shares?	<p>PAYCE may, without the approval of Preference Share Holders, and subject to all applicable laws, amend the terms of issue of the Preference Shares if, in the opinion of PAYCE, the amendment is:</p> <ul style="list-style-type: none"> (a) of a formal, minor or technical nature; (b) made to correct a manifest error; (c) not likely to be materially prejudicial to the interests of Preference Share Holders. <p>Other than the amendments noted above, PAYCE is only able to amend the terms if such amendment if such amendment has been approved by a special resolution of Shareholders and Preference Share Holders.</p>
(e) Can Preference Shares be sold or transferred?	Preference Shares will be transferable.

6 FINANCIAL INFORMATION

6.1 Financial Information

This Section provides a summary of actual historical financial information, and summary pro forma financial information about PAYCE. The pro forma financial information has been included to illustrate PAYCE's financial position as at 31 December 2014, assuming that the Preference Shares were issued on that date.

PAYCE's summary actual financial information presented in this Section has been extracted from PAYCE's reviewed consolidated financial report for the half-year ended 31 December 2014. Copies of PAYCE's Annual Report and Half-Year Report may be obtained from PAYCE's website www.payce.com.au.

Applicants should note that past performance is not a reliable indicator of future performance.

6.2 Financial Performance

Set out below are:

- Consolidated Statement of Financial Position; and
- Consolidated Statement of Comprehensive Income

of PAYCE as set out in its financial reports for the years ended 30 June 2014, 30 June 2013, and the financial half-year ending 31 December 2014.

PAYCE's future financial performance may be impacted by the risk factors set out in Section 10 of the Replacement Prospectus.

Neither PAYCE nor the Directors can give any assurance that any implied forecasts or any prospective statement contained in this Replacement Prospectus will be achieved. Events and outcomes might differ in quantum and timing from the assumptions with a material consequential impact on PAYCE.

6.3 Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	Half year to 31 Dec 2014	30 June 2014	30 June 2013
Current Assets	\$,000	\$,000	\$,000
Cash and cash equivalents	27,008	25,769	24,911
Trade and other receivables	8,720	14,303	19,092
Properties held for development and resale	89,413	216,818	-
Investments accounted for using the equity method	3,467	-	-
Other assets	5,557	7,526	4,149
Total Current Assets	134,165	264,416	48,152
Non-Current Assets			
Trade and other receivables	19,140	9,873	2,262
Properties held for development and resale	223,885	202,807	124,349
Investments accounted for using the equity method	1,549	19,480	19,489
Property, plant and equipment	6,999	6,269	376
Investment property	235,000	-	-
Financial assets	1,022	2,310	2,263
Deferred tax assets	-	13,195	11,724
Other assets	5,190	8,858	8,846
Total Non-Current Assets	492,785	262,792	169,309
Total Assets	626,950	527,208	217,461
Current Liabilities			
Trade and other payables	21,493	30,293	13,473
Financial liabilities	111,512	222,276	15,664
Provisions	1,033	986	802
Total Current Liabilities	134,038	253,555	29,939
Non-Current Liabilities			
Trade and other payables	-	-	-
Financial liabilities	247,322	132,875	46,739
Derivative financial liabilities	5,532	-	-
Provisions	53	50	40
Deferred tax liability	28,542	7,080	5,133
Total Non-Current Liabilities	281,449	140,005	51,912
Total Liabilities	415,487	393,560	81,851
Net Assets	211,463	133,648	135,610

Consolidated Statement of Financial Position	Half year to 31 Dec 2014	30 June 2014	30 June 2013
	\$,000	\$,000	\$,000
Equity			
Issued capital	45,382	45,382	45,382
Reserves	2,042	2,042	1,756
Retained earnings	160,462	83,756	85,172
Total equity attributable to equity holders of PAYCE	207,886	131,180	132,310
Non-controlling interest	3,577	2,468	3,300
Total Equity	211,463	133,648	135,610

*The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements contained in the Annual Report for PAYCE for the respective financial years ended 30 June or half-year ended 31 December.

6.4 Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income	Note	Half year to Dec 2014	30 June 2014	30 June 2013
		\$,000	\$,000	\$,000
Operations				
Revenue		234,610	57,018	152,169
Cost of sales		(175,946)	(36,606)	(115,167)
Gross Profit	1	58,664	20,412	37,002
Other income		61	818	205
Gain on fair value of investment property	2	67,203	0	0
Administration expenses	3	(7,467)	(9,835)	(5,606)
Property expenses	3	(1,333)	(1,005)	(708)
Marketing expenses	3	(6,942)	(5,879)	(6,196)
Impairment of available for sale financial assets	4	(1,000)	-	-
Total expenses excluding net financing income		(16,742)	(16,719)	(12,510)
Result from operating activities		109,186	4,511	24,697
Finance income	5	1,834	1,489	2,258
Finance costs	6	(5,880)	(3,821)	(1,829)
Loss on fair value of derivative instrument	7	(5,532)	0	0
Net financing (expense) / income		(9,578)	(2,332)	429
Share of profits/(losses) of equity accounted investments	8	21,455	(144)	450
Profit before tax		121,063	2,035	25,576
Income tax expense	9	(34,656)	(476)	(6,554)
Profit for the period		86,470	1,559	19,022

*The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements contained in the Annual Report for PAYCE for the financial years ended 30 June and respective financial half-years ended 31 December.

Note 1 – Recognition of revenue and cost of sales in a property development company typically occurs with the settlement of a project in each financial period. As such PAYCE's Gross Profit

varies from year to year dependent on the timing of project completions. 2013 Revenue and cost of sales relates to contributions from the settlement of the 153 unit APEX project and the sale of a 50% joint venture interest in the Lot 3 project to Sekisui House. 2014 Revenue and cost of sales includes the sale of 50% joint venture interests to Sekisui House in the Ermington, SOPA Ferry Terminal and West End projects. The half-year to December 2014 Revenue and Cost of sales relates to contributions from the settlement of the 206 residential units at East Village and the sale of Hurstville land during the period.

Note 2 – The gain on fair value of investment property reflects the Fair Market Value adjustment to the retained East Village retail/commercial asset, which is the \$235m Balance Sheet investment property asset.

Note 3 – Administration expenses have increased due to the administration, property and marketing expenses over the past 2 ½ years increasing proportionally to the increasing size and activity of the PAYCE group and its various projects including relative increases in employee remuneration, head count, office and other administrative expenses.

Note 4 – The impairment of available for sale financial assets reflects the Fair-Market-Value adjustment to financial assets held by PAYCE at 31 December 2014.

Note 5 – Finance income is generally generated from interest earned on cash balances and deposits held. Deposit rates have declined over the periods reflected above.

Note 6 – Finance costs expensed on the profit & loss statement reflects finance costs associated with non-project related liabilities and have increased from 30 June 2014 year due to the issue of \$50m PAYCE corporate Notes and the coupon payments made on those corporate Notes as well as from finance costs associated with the recent refinance of the East Village facility.

Note 7 – This fair value loss on derivative instrument relates directly to the mark-to-market loss accrued on the interest rate swap arrangement associated with the East Village debt facility.

Note 8 - Share of profits of equity accounted investments has been immaterial in prior years, but in the half-year to 31 December 2014 reflects PAYCE's share of profits recognised for its 50% interest in the recently completed and settled 322 unit Platinum project.

Note 9 – Income tax expense reflects the tax accrual for deferred tax in each relevant financial period at the prevailing tax rate and adjusted for known and recognisable timing differences.

6.5 Pro forma Consolidated Balance Sheet

To enable Eligible Shareholders to decide accept the Offer, set out below is the Pro-Forma Consolidated Balance Sheet for PAYCE prior to any Ordinary Shares being bought back. Column 1 summarises the reviewed Consolidated Balance Sheet as at 31 December 2014, and the other columns demonstrate the anticipated impact depending on the level of participation in the Offer.

The below Pro-Forma Consolidated Balance Sheet should be read in conjunction with the consolidated financial report for the half-year ended 31 December 2014, which are available on the websites of PAYCE (www.payce.com.au) and PAYCE's announcements page on ASX (www.asx.com.au).

Consolidated Statement of Financial Position	Half year to 31 Dec 2014	33.3% Participation	66.7% Participation	100% Participation*
Current Assets	\$,000	\$,000	\$,000	\$,000
Cash and cash equivalents	27,008	24,367	21,717	19,076
Trade and other receivables	8,720	8,720	8,720	8,720
Properties held for development and resale	89,413	89,413	89,413	89,413
Investments accounted for using the equity method	3,467	3,467	3,467	3,467
Other assets	5,557	5,557	5,557	5,557
Total Current Assets	134,165	131,524	128,874	126,233
Non-Current Assets				
Trade and other receivables	19,140	19,140	19,140	19,140
Properties held for development and resale	223,885	223,885	223,885	223,885
Investments accounted for using the equity method	1,549	1,549	1,549	1,549
Property, plant and equipment	6,999	6,999	6,999	6,999
Investment property	235,000	235,000	235,000	235,000
Financial assets	1,022	1,022	1,022	1,022
Other assets	5,190	5,190	5,190	5,190
Total Non-Current Assets	492,785	492,785	492,785	492,785
Total Assets	626,950	624,309	621,659	619,018
Current Liabilities				
Trade and other payables	21,493	21,493	21,493	21,493
Buy-Back Cash Payable	-	2,641	5,291	7,932
Financial liabilities	111,512	111,512	111,512	111,512
Provisions	1,033	1,033	1,033	1,033
Total Current Liabilities	134,038	136,679	139,329	141,970
Non-Current Liabilities				
Buy-Back Cash Payable	-	2,311	4,629	6,941
Financial liabilities	247,322	247,322	247,322	247,322
Derivative financial liabilities	5,532	5,532	5,532	5,532
Provisions	53	53	53	53
Deferred tax liability	28,542	28,542	28,542	28,542
Total Non-Current Liabilities	281,449	283,760	286,078	288,390
Total Liabilities	415,487	420,439	425,407	430,360
Net Assets	211,463	203,870	196,252	188,658
Equity				
Issued capital	45,382	40,297	35,197	30,113
Preference Share Capital	-	24,763	49,600	74,363
Reserves	2,042	2,042	2,042	2,042
Retained earnings	160,462	133,190	105,836	78,563
Total equity attributable to equity holders of PAYCE	207,886	200,292	192,675	185,081
Non-controlling interest	3,577	3,577	3,577	3,577
Total Equity	211,463	203,869	196,252	188,658

* the maximum level of participation within the Buy-Back Limit.

6.6 Dividend policy

The Constitution prescribes that the Directors may determine that a dividend is payable to Shareholders.

PAYCE declared an unfranked ordinary dividend of 10 cents per Share on 3 March 2014, amounting to \$2.975 million, which was paid on 20 March 2014.

On 17 April 2015, PAYCE declared an unfranked dividend of 10 cents per Share, payable on 28 April 2015.

No other dividends were declared or paid during the financial year ending 30 June 2014 or prior to the date of this Replacement Prospectus.

6.7 General financial information

(a) Equity Ratio

Based on the financial information for the period ended 31 December 2014, PAYCE has a current equity ratio of 33.7%. This equity ratio is calculated as follows:

$$\frac{\text{Total equity}}{\text{Total debt} + \text{total equity}}$$

There are no related party loans included in the calculation of total equity.

(b) Liquidity

Prior to the commencement of each financial reporting period, PAYCE prepares a detailed cash flow estimate for the next 12 months. This estimate demonstrates that, based on the assumptions and considerations set out below, PAYCE holds cash or cash equivalents sufficient to meet its projected cash needs over that period. PAYCE monitors and reviews its cash flow estimate on a regular basis.

(c) Credit ratings

The Preference Shares have not been rated for credit risk by a recognised agency. The Directors believe that the nature of the Preference Shares is such that they are not appropriate for rating.

Due to the fact that only current Eligible Shareholders are able to apply for Preference Shares in consideration for the Buy-Back of their Shares, widespread public investment in the Preference Shares will be limited.

6.8 Taxation considerations

Resident Australian Shareholders – Dividends received in cash or as additional Preference Shares

The comments in this Section are of a general nature for Australian tax resident Shareholders who participate in this Offer and will hold the Preference Shares on capital account for Australian income tax purposes. The comments assume that the Taxation of Financial Arrangement Provisions do not apply to any participating shareholders.

Australian Resident Individuals and Complying Superannuation Funds- Receipt of Dividends in Cash or as additional Preference Shares

PAYCE may:

- (i) declare and pay either franked and/or unfranked dividends to Preference Share Holders on the Preference Shares; or
- (ii) determine to apply the Dividend (either franked or unfranked), net of any tax required to be withheld, to the issue of additional Preference Shares to the Preference Share Holders.

Those Dividends (whether franked or unfranked) should constitute assessable income of the Resident Australian Shareholder who is either an individual or a complying superannuation fund in the year of receipt. The Dividend will generally be taxed at the individual's marginal tax rate or 15% for a complying superannuation fund.

Provided the Preference Share Holder is a 'qualified person', they must also include any franking credits (if applicable) attached to the Dividends in their assessable income. In addition, they will be entitled to obtain a tax offset for the amount of the franking credits attached to the Dividends. The tax offset would be able to be applied to reduce the tax payable on the Preference Share Holder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, then the Shareholder should be entitled to a tax refund.

Australian Corporate Shareholders- Receipt of Dividends in Cash or as additional Preference Shares

PAYCE may:

- (i) declare and pay either franked and/or unfranked Dividends to Preference Share Holders on the Preference Shares; or
- (ii) determine to apply the Dividend (either franked or unfranked), net of any tax required to be withheld, to the issue of additional Preference Shares to the Preference Share Holders.

Resident Corporate Shareholders who are a 'qualified person' will be required to include in their assessable income both the Dividend (whether franked or unfranked) and the franking credit. The Dividend will generally be taxed at the corporate tax rate of 30%.

A corresponding credit will be reflected in their franking account for the value of the franking credit attached to the franked Dividend received. The Resident Corporate Shareholder will be able to pass on the benefit of the franking credits when it declares and pays a franked Dividend to its shareholders.

Trusts and Partnerships - Receipt of Dividends in Cash or as additional Preference Shares

Trusts and partnerships will also be required to include in the net income of the trust or partnership the:

- (i) Dividend (whether franked or unfranked) including the franking credit when received; or
- (ii) Dividend (either franked or unfranked), net of any tax required to be withheld, to the issue of additional Preference Shares to the Preference Share Holders.

Supply of Tax File Numbers

Australian Resident Shareholders that have not supplied their Tax File Number ('TFN') to Boardroom Pty Ltd (PAYCE's Registry) prior to the ex-dividend date will have TFN withholding tax (currently 49%) deducted from the unfranked dividend component of the Dividend. The TFN withholding tax deducted will be remitted to the Australian Taxation Office. Australian

Resident that have had TFN withholding tax deducted will be able to claim a credit for the TFN withholding tax withheld in their corresponding income tax returns.

Non-Resident Australian Shareholders – Dividends received in cash or as additional Preference Shares

Non-Resident Shareholders will have dividend withholding tax of 30% (subject to reduction under a Double Tax Agreement and depending on the residency of the shareholder) deducted from the unfranked dividend component of the Dividends paid in cash or as additional Preference Shares. Any dividend withholding tax deducted will be remitted to the Australian Taxation Office. Non Resident Shareholders may be able to claim a credit for the dividend withholding tax withheld in their country of residence.

Similar withholding tax implications will arise if the non-resident shareholders receive dividends through a trust or a partnership.

No dividend withholding tax will need to be deducted from franked Dividends paid by PAYCE.

Resident Australian Shareholders – Tax Implications on Disposal of the Preference Shares

The disposal of the Preference Shares by a Resident Australian Shareholder will be a capital gains tax (CGT) taxable event.

The cost base of the Preference Shares will include the:

- (i) original value of the issued Preference Shares received by the Shareholder as a result of participating in the Buy-Back of the Ordinary Shares held in PAYCE; and
- (ii) Dividends that were applied by PAYCE in the issue of additional Preference Shares.

If the Preference Shares have been held for at least 12 months prior to the sale (excluding the day of acquisition and the day of disposal) and the shareholder disposing of the Preference Shares is either an individual, trustee of a trust, or a complying superannuation fund, then the shareholder may be eligible to apply a CGT discount to reduce the amount of the taxable capital gain. Individuals and trusts are entitled to a 50% CGT discount and complying superannuation funds are entitled to a 33 1/3rd % CGT discount. Companies are not entitled to the CGT discount.

A capital loss will be realised where the reduced cost base of the shares exceeds the capital proceeds from the disposal. Capital losses may only be offset against any capital gains realised by the Preference Share Holder in the same income year or else can be carried forward to future income years and applied against future capital gains. The ability to carry forward any capital losses will be dependent on being able to satisfy the loss recoupment rules.

Non-Resident Australian Shareholders – Tax Implications on Disposal of the Preference Shares

Non-Residents may be subject to Australian capital gains tax that may arise upon the sale of their Preference Shares if at the time of sale they have a greater than 10% interest in PAYCE (or had such an interest throughout a 12 month period in the 24 months before the sale) and the majority of the value of PAYCE is derived from Australian real property.

Non Resident Shareholders should seek their own tax advice in their country of residence as to whether the proceeds on sale of the Australian Securities will be taxable in their country of residence.

GST

No GST should be payable by Preference Share Holders in respect of their acquisition or subsequent disposal of the Preference Shares, regardless of whether the shareholder is a resident or non-resident and regardless of whether or not the shareholder is registered for GST.

No GST should be payable by the Preference Share Holders on receiving any Dividend distributions from PAYCE.

Stamp Duty

NSW Marketable Security Duty of 0.6% will be payable on the transfer or buy-back of the Preference Shares calculated by reference to either the consideration payable for and unencumbered value of the Preference Shares (whichever is the higher). The duty will be payable by the transferee.

As at the date of this Replacement Prospectus, the NSW Commissioner of Taxation has advised that the NSW Marketable Security duty on the transfer of unlisted NSW shares will be abolished from 1 July 2016.

Potential income tax liability

As detailed in the Explanatory Statement, the Buy-Back price of \$9.80 includes a component of deemed unfranked dividends for taxation purposes (\$8.26 per Ordinary Share) no franking credits will be utilised in relation to the Buy-Back.

It is possible that some Shareholders may have an income tax liability that exceeds the cash component of the Buy-Back consideration.

Disclaimer – Tax Implications – Resident & Non Resident Participating Shareholders

The tax comments in this Replacement Prospectus are of a general nature. PAYCE recommends that all prospective investors obtain their own professional advice in relation to the potential taxation consequences of participating in the Offer. Neither PAYCE nor any of its Directors or officers, nor its taxation or other advisors, accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences themselves.

7 DETAILS OF THE OFFER

7.1 Description of the Offer

Under this Replacement Prospectus, PAYCE is offering Eligible Shareholders the opportunity to acquire Preference Shares as partial consideration for the Buy-Back of their Ordinary Shares.

The consideration for the Buy-Back of one Ordinary Share will be:

- (a) \$0.80 in cash paid upon cancellation of the Ordinary Shares;
- (b) \$0.80 in cash paid 12 months after the cancellation of the Ordinary Shares; and
- (c) \$0.70 cash paid 18 months after the cancellation of the Ordinary Shares; and
- (d) one Preference Share issued at \$7.50 upon cancellation of each Ordinary Share.

This Replacement Prospectus sets out the details relating to that part of the Offer for the issue of Preference Shares.

7.2 Effect on PAYCE's capital structure

Current capital structure

As at the date of this Replacement Prospectus, PAYCE has on issue 29,745,225 Ordinary Shares.

Impact on share capital

The issue of Preference Shares will occur in parallel with a decrease in the number of Ordinary Shares in PAYCE, as the Preference Shares will be issued as partial consideration for the Buy-Back of Ordinary Shares.

If PAYCE buys back the maximum number of Ordinary Shares under the Buy-Back, being 9,915,075 Ordinary Shares (or one-third of Ordinary Shares currently on issue), then the number of Ordinary Shares on issue will be reduced to 19,830,150.

Whilst the number of fully paid Ordinary Shares will decrease, the number of Preference Shares will increase by the same number. If PAYCE issues the maximum number of Preference Shares, then the number of Preference Shares on issue will be 9,915,075.

Directors' voting power

As at the date of this document, the Directors either directly or indirectly have the following interests in Ordinary Shares. The intentions of the Directors and/or their associated entities (if any) to participate in the Buy-Back are also indicated below:

Director	Associated shareholding entity	Ordinary Shares	Percentage of total Ordinary Shares on issue	Intention to participate
Brian Boyd	Lanox Pty Ltd	8,806,799	29.6%	0
Brian Boyd	Ruz Pty Ltd	2,718,661	9.1%	1,660,000
Roger Short	Jurocorp Pty Ltd	65,000	0.2%	40,000
Christopher Gabriel	Not applicable	0	0.0%	Not applicable

Substantial Shareholders

As described in section 2.3(d) of the Explanatory Statement, PAYCE's largest Shareholder is Lanox Pty Ltd, which is associated with Mr Brian Boyd, the Managing Director of PAYCE. Mr Boyd has advised PAYCE that Lanox Pty Ltd, which holds 8,806,799 Ordinary Shares, will not participate in the Buy-Back, but will continue to maintain its shareholding.

Mr Boyd is also associated with Ruz Pty Ltd, which holds 2,718,661 Ordinary Shares. Mr Boyd has advised that this entity intends to participate in the Buy-Back for up to 1,660,000 Ordinary Shares, and will retain a minimum of 1,058,661 Ordinary Shares (without any Scale Back occurring).

Mr Boyd's intentions in relation to participation in the Buy-Back, and the application of any Scale Back, will ensure that following the Buy-Back, entities associated with Mr Boyd will continue to hold less than 50% of the Ordinary Shares in PAYCE in total.

In practical terms, depending on the level of participation by Shareholders in the Buy-Back, the voting power of entities associated with Mr Boyd may increase, giving his associated entities a potentially greater capacity to influence the voting results of resolutions which may be considered by PAYCE Shareholders in the future (by voting for or against such resolutions). Such resolutions could include, for example, resolutions to appoint or remove directors, to amend the constitution of PAYCE, or to increase or decrease the number of shares on issue.

Under the Corporations Act, entities associated with Mr Boyd would be excluded from voting on resolutions where Mr Boyd or those associated entities may benefit from it or are affected by it. Any resolutions which could be considered by PAYCE Shareholders in the future would require the approval of a minimum of 50% of total votes cast by Shareholders entitled to vote on the resolution. As Mr Boyd will ensure that, following the Buy-Back, his associated entities will hold less than 50% of the total Ordinary Shares on issue irrespective of the level of participation in the Buy-Back, these entities will not be able to control the results of any resolution, but could have a substantial influence on the outcome of any resolution.

7.3 Application for Preference Shares

In order to apply for Preference Shares, Shareholders must complete the Application & Acceptance Form accompanying this Replacement Prospectus. By lodging an Application & Acceptance Form, Eligible Shareholders acknowledge that they have received and read this Replacement Prospectus.

Completed Application & Acceptance Forms may be posted to the following address:

Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

7.4 Minimum investment

The minimum number of Ordinary Shares that Shareholders may apply to be bought back for the issue of Preference Shares is one.

7.5 Maximum investment

The maximum number of Ordinary Shares that Shareholders may apply to be bought back for the issue of Preference Shares is all of an individual Shareholder's shareholding, subject to a Scale Back required to comply with the Buy-Back Limit.

The combined maximum number of Ordinary Shares that all Shareholders may apply to be bought back for the issue of Preference Shares is 9,915,075 Ordinary Shares.

7.6 Holding Statement

Upon acceptance of an application for Preference Shares, Preference Share Holders will be provided with a statement indicating their holding of Preference Shares.

7.7 Transferability of Preference Shares

Preference Shares may be transferred in whole or in part. However, there is no established secondary market for the Preference Shares.

7.8 Priority

The Preference Shares will rank equally among themselves and ahead of Ordinary Shares in relation to dividends and return of capital, but will have no entitlement to share in any surplus in the event of a winding up.

7.9 Taxation

A summary of the likely taxation consequences for holders of Preference Shares is set out in Section 6.8.

7.10 Brokerage and stamp duty

No brokerage or stamp duty is payable by Preference Share Holders in respect of the Preference Shares.

7.11 Entry and exit fees

No fees are payable by Preference Share Holders in relation to their entry or exit of the Offer.

7.12 Enquiries

Further information about the Preference Shares can be obtained by contacting +617 3009 9887.

8 THE BUSINESS OF PAYCE

8.1 Introduction

PAYCE Consolidated Limited is the holding company of an Australian property group whose business model focuses on long-term medium density apartment and mixed use (retail/commercial) product and urban renewal projects. PAYCE is listed on the ASX under the ticker "PAY".

This Replacement Prospectus describes the activities and financial performance and position of PAYCE.

More information about PAYCE and its business operations can be found at www.payce.com.au.

8.2 PAYCE's Business Model

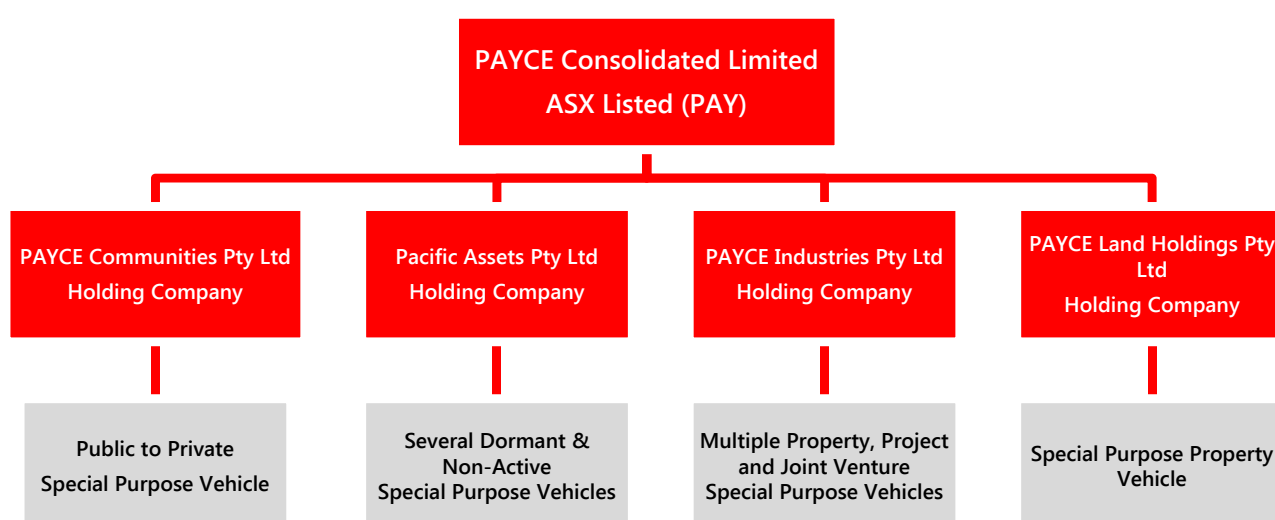
Since 2002, PAYCE has successfully delivered in excess of 2,500 residential and mixed use apartments across Sydney and PAYCE aims to deliver over 7,500 residential and mixed use apartments over the next five years at Riverwood (Washington Park), Ermington, Wentworth Point, Kirrawee, Auburn and Melrose Park in Sydney and West End in Brisbane.

PAYCE focuses on providing new, affordable product, and is committed to building sustainable and vibrant communities. It is supported by an experienced and dedicated management team, and is committed to a disciplined development timetable and the execution of a financially secure business model.

PAYCE aims to be a leading provider of residential and mixed use development product. It intends to continue to acquire and develop property in accordance with a disciplined and financially moderate business model.

8.3 Corporate Structure

Set out below is a diagrammatic representation of the PAYCE corporate group:



8.4 Business strategy

PAYCE is a significant Australian property group whose business model focuses on long-term medium density apartment and mixed use (retail/commercial) product and urban renewal projects. PAYCE focuses on property developments within Sydney and Queensland including large urban renewal and community projects.

8.5 Sector overview

Industry reports indicate that Sydney's population is expected to expand to approximately 6 million people by 2036, which will drive long term and consistent housing demand. This population growth will be largely driven by net overseas migration. Sydney's growth over the next 25 years indicates the requirement for over half a million new apartments.

As such, Sydney requires the construction of circa 32,000 new dwellings (apartments / houses) each year to accommodate the projected 1.5 million extra people into Sydney over the next 20 years; however only circa 15,000 dwellings have been built per annum in recent years, with the exception of 2013 when 21,000 new dwellings were completed.

The most recent census of population and housing indicates that the Sydney market has the most severe imbalance between supply and demand of all capital cities in Australia. The challenges to redressing this situation in Sydney include limited land supply, geographical constraints, land ownership fragmentation and zoning restrictions, together with all planning constraints and delays. As a result of these barriers to entry, many developers are deterred and the supply of new dwellings diminishes.

Median unit prices and affordability

According to Australian Property Monitors, in the year to June 2014, the median unit price in Sydney increased by 13.3% to \$573,255. This can be compared to the median house price in Sydney of \$811,837 (increased by 17% from June 2013).

The past 24 months has shown strong and consistent levels of buyer activity in the affordable entry level price category, whilst there has been softer demand for more expensive product.

Locational factors

In Sydney, the location of the development is paramount in driving the decision of prospective purchasers, particularly first time buyers and owner occupiers. There has been, and will continue to be, strong demand for dwellings within the inner and middle rings (within 10-20 kilometres of the CBD), with buyers now willing to forgo internal space to ensure immediate access to amenity including infrastructure, transport, education, employment, cafes, restaurants, bars and beaches.

PAYCE operates largely within the medium density residential apartment market to deliver high quality, affordable apartments located in close proximity to infrastructure and other amenities within the inner and middle rings of Sydney.

Key customers and suppliers

PAYCE works with a variety of service providers, suppliers, contractors and consultants to develop and build its medium density apartment and mixed use (retail/commercial) product and urban renewal projects. PAYCE is not reliant on a single service provider or supplier, instead working with several different parties depending on the project being undertaken.

In terms of customers, PAYCE is similarly not dependent on a key customer or customer base. It markets and sells its completed apartment and mixed use (retail/commercial) products to

interested third parties in the market place according to demand.

Key competitors and barriers to entry

PAYCE's key competitors include other significant listed and unlisted property developers within the Sydney and Queensland markets.

Given PAYCE's significant business history, PAYCE's Directors believe that there are several barriers to entry for new competitors entering the sector. These include:

- the identification and purchase of appropriate development sites at a reasonable price;
- the complexity of the development approval process;
- the sourcing of appropriate funding to both purchase and develop the identified site.

External threats

PAYCE faces various risks in implementing its business strategy. These are summarised in Section 10.4 of the Replacement Prospectus.

8.6 PAYCE Project Experience

The below table provides a summary of the development projects undertaken by PAYCE since 2000:

Project description	Completed
Mariner's Cove, 248 unit residential development located at Wentworth Point, Sydney	2000
Corfu, 54 unit residential development located at Marine Parade, Wentworth Point, Sydney	2002
Santorini and Portofino, 58 unit residential and commercial development, Wentworth Point, Sydney	2003
Mykonos, 79 unit residential development on Amalfi Drive, Wentworth Point, Sydney	2004
Positano / Monaco / Monte Carlo, 101 unit residential development located at The Piazza, Wentworth Point, Sydney	2004
Capri, 87 unit residential development located on Bennelong Road, Wentworth Point, Sydney	2004
Bellagio, 141 unit residential development located at Wentworth Point, Sydney	2005
Sorrento, 120 unit residential and commercial development on Hill Road, Wentworth Point, Sydney	2006
Paros, 131 unit residential development on Hill Road, Wentworth Point, Sydney	2006
Palermo, 245 unit residential and commercial development on Hill Road, Wentworth Point, Sydney	2007
Valencia, 173 unit residential development on Marine Parade, Wentworth Point, Sydney	2007

Project description	Completed
The Artisan, 129 unit residential development on Blackwall Point Road, Chiswick, Sydney	2011
APEX, 153 unit residential/commercial development on Defries Avenue, Victoria Park, Sydney	2012
Meridian, 123 unit social housing residential development, Kentucky Road, Washington Park, Riverwood, Sydney	2013
East Village, 206 unit residential and mixed use retail / commercial development in Victoria Park, Sydney	2014
Platinum, 322 unit residential development in Victoria Park, Sydney	2014

8.7 Important contracts

In carrying out its business operations, PAYCE enters into important contracts with:

- Joint Venture / Joint Operation participants
These agreements outline the roles and responsibilities of the participants in the development of sites.
- Builders appointed to construct the relevant developments
These agreements outline the contractual obligations of the parties for the construction of residential and mixed use retail / commercial developments on the site.

These contracts are based on industry practice, and do not contain unusual provisions or clauses which impose onerous obligations on PAYCE.

8.8 Financing arrangements

PAYCE has funding arrangements at both the corporate and project / development level.

At the corporate level, PAYCE has issued a \$50 million senior secured corporate note expiring in December 2018.

At a development level, PAYCE (or where relevant the joint operation participants) arrange funding for either or both the purchase and development of specific sites. This project funding is generally limited recourse in nature and therefore creates limited or no exposure to the other parts of PAYCE.

8.9 Capital Management Policy

As part of its PAYCE corporate governance requirements (outlined in Section 9.4 of this Replacement Prospectus) the Directors consider PAYCE's capital management policy and strategy on an on-going basis.

8.10 Recent development activities

During the period up until the date of this Replacement Prospectus, PAYCE maintained its development activities, progressing the development of multiple sites and acquiring additional development sites as detailed below:

Development Properties

Washington Park (Riverwood North) NSW

Washington Park is a four staged residential development in Sydney's south west producing over 600 apartments. PAYCE has commenced construction of 389 units over the first two stages, called "Como" and "Fairmount", which are expected to be completed in 2015. Progress on the remaining 2 residential stages of the project is progressing with pre-sales and early works having already commenced.

Rasmussen Townsville

This land comprises 255 hectares of land currently zoned rural, situated at Beck Drive, Rasmussen in Townsville. The land is currently subject to an application for rezoning to residential.

Riverwood, Pennsylvania Avenue

This vacant unimproved land, of approximately 3,000 square meters, is zoned for general residential uses.

Marshall St, Bankstown

Site area of 4,200 square meters, has been recently approved for 60 residential apartments. The site is subject to a put and call contract for sale to a third party.

Kirrawee

The Kirrawee development is situated on 4.2 hectares located on the previous Kirrawee Brick Pit Site in the Sutherland Shire of Sydney. The Company continues to progress the planning and pre-construction activities of a mixed use development, having recently received concept plan approval for up to 749 residential apartments and an open plaza retail of 14,190 square meters.

Joint Venture Owned Development Activities

"Royal Shores", Ermington - Joint Venture with Sekisui House

Royal Shores Ermington, located approximately 15km west of the Sydney CBD, is situated on a 2 hectare site located on the Parramatta River at Ermington. Pre-sales for the projects 612 residential dwellings commenced in late 2014 and construction is due to commence by mid-2015. PAYCE has a 50% economic interest in the project.

Melrose Park – Joint Venture with Sekisui House

In August 2014, PAYCE, in joint venture, acquired two adjacent tenanted industrial sites, totalling 16 hectares, in Melrose Park, Sydney for \$118.5 million. PAYCE has a 50% economic interest in the project.

Long term development opportunities for the sites are currently being assessed.

Sydney Olympic Park Ferry Terminal, NSW - Joint Venture with Sekisui House

This 1.8 hectare mixed use development, located at the Sydney Olympic Park Ferry Terminal, Wentworth Point will deliver up to 250 residential units with ground floor commercial/retail uses. Pre-sales for the project are expected to commence in the second quarter of 2015. The development application has been approved and project commencement is expected following completion of the pre-sale campaign. PAYCE has a 50% economic interest in the project.

West End – Joint Venture with Sekisui House

Encompasses a 2.6 hectare mixed-use residential and retail development located in South Brisbane to construct over 1,000 residential units and a 10,000 square meter retail precinct. The site was acquired for \$45 million in May 2014. The lodgement of a site master plan is expected to occur in the second quarter of 2015, with approval expected within 12 months thereafter. PAYCE has a 50% economic interest in the project.

Bay Park, Wentworth Point (TNT Site) - Joint Venture with Sekisui House

Bay Park is 2.6 hectare site (currently tenanted) located within the established “Waterfront” estate at Wentworth Point. Concept Plan approval for the development has been achieved and PAYCE continues to progress the planning and pre-construction activities of the project expected to include circa 680 residential apartments. PAYCE has a 50% economic interest in the project.

Platinum, Victoria Park – Joint Venture with DASCO

Development of the 322 residential unit ‘Platinum’ project was completed and settled (with profit recognition occurring) in December 2014 and January 2015. PAYCE has a 50% economic interest in the project.

Auburn - Joint Venture with DASCO

On 26 August 2014, PAYCE entered into a contract to acquire two adjacent industrial lots (totalling 14 hectares) located in Auburn for \$50 million. Settlement of this transaction occurred in February 2015. PAYCE has a 60% economic interest in the project.

The majority of the site is subject to a 5 year lease. Long term development opportunities for the sites are currently being assessed.

Baulkham Hills - Joint Venture with DASCO

In late 2014, PAYCE exchanged contracts to acquire, subject to sub-division, a 1.9 hectare site, located at Baulkham Hills. The site is currently zoned for medium density residential development. PAYCE is currently preparing a development application, to be lodged in mid-2015, for the construction of up to 65 residential townhouses. PAYCE has a 60% economic interest in the project.

Castle Hill - Joint Venture with DASCO

In late 2014, PAYCE acquired a 2.9 hectare site, located at Castle Hill, currently approved for 14 large residential lots. PAYCE are currently reviewing the existing approval. PAYCE has a 60% economic interest in the project.

9 PAYCE MANAGEMENT & CORPORATE GOVERNANCE

9.1 Board composition

The board comprises two non-executive independent directors, and the executive Managing Director, Brian Boyd.

Profiles of the Directors are set out below:

9.2 Profiles of Directors

Brian Boyd – Chairman and Managing Director

Brian has over 32 years experience in the property development industry and brings a wealth of commercial experience and knowledge to development projects. He is a substantial shareholder in PAYCE.

Brian was previous a director and major shareholder in Paynter Dixon, a construction company with over 90 years of operations. Brian was also previously a director of Santa Sabina College in Sydney, where he held the position of chairman of its property committee.

Roger Short – Non-executive Director

Roger was appointed a non-executive independent Director in 1996. He practised as a lawyer for over 33 years, involved in large scale property development projects and commercial and public infrastructure, retiring from practice with McCullough Robertson in 2005.

He has been a director of public companies for more than 26 years and continues to be involved in company governance in the construction and infrastructure industries.

Roger is a member of the PAYCE audit committee.

Chris Gabriel – Non-executive Director

Chris was appointed as a non-executive independent Director in 2010. Chris brings substantial knowledge to PAYCE from over 30 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, a principal in practice since 1976, and is a registered company auditor.

Chris is a member of the PAYCE audit committee.

9.3 Senior management

Brian Bailison – Chief Financial Officer and Company Secretary

Brian has over 15 years experience in finance, corporate finance and operations from senior roles in listed and unlisted businesses in South Africa and Australia, including senior positions at Rand Merchant Bank Limited and the Ivany Investment Group.

Brian holds Bachelor of Commerce and Bachelor of Accounting (Cum Laude) degrees from the University of Witwatersrand and is a member of the Institute of Chartered Accountants of Australia. He is also a Non-executive Director of ASX listed children care operator G8 Education Limited.

Dominic Sullivan – General Manager

Dominic has nearly 20 years experience spanning both the public and private sectors in property, legal, commercial and public roles. He is a former commercial lawyer with the Crowns Solicitors Office, and also served as Mayor of Randwick City for 6 years. He holds a Bachelor of Laws (Hons) and Bachelor of Arts (Hons).

Dominic has extensive experience in property development, approvals and transactions, as well as in corporate affairs across a number of property sectors, including residential, retail and child care.

Dominic has been with PAYCE since 2004, and has been involved in a number of PAYCE investments and projects across residential and commercial developments, including its flagship mixed use development at Wentworth Point, as well as PAYCE's major housing renewal project with the New South Wales government at Riverwood in Sydney.

9.4 Corporate Governance

The Directors are responsible for the corporate governance practices of PAYCE and its group of entities. Other than as set out in PAYCE's Annual Report 2014, PAYCE's governance approach accords with the principles and recommendations of the ASX Corporate Governance Council.

9.5 Board Charter

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

The Directors are accountable to Shareholders for the performance of PAYCE. Their key responsibilities are to:

- o Determine and approve the corporate strategy, policy and direction of PAYCE with a view to maximising shareholder value, and to set goals and objectives for management;
- o Approve all accounting policies, financial reports and material reporting by or on behalf of PAYCE;
- o Determine PAYCE's dividend policy and the amount and timing of all dividends paid to shareholders;
- o Oversee the processes for identifying the major risks facing PAYCE, and review that appropriate and adequate controls, monitoring and reporting mechanisms are in place;
- o Review the performance and effectiveness of PAYCE's corporate governance policies and procedures, and consider any amendments to those policies and procedures;
- o Approve the appointment of Directors to the Committees established by the Directors; and
- o Maintain high business standards and ethical behavior throughout PAYCE.

9.6 Audit Committee

The Audit Committee was established by the Directors to support and advise the Directors on fulfilling their responsibilities to shareholders, employees and other stakeholders of PAYCE by:

- Assisting the Directors in fulfilling their oversight responsibilities for the financial reporting process, the system of internal control relating to all matters affecting PAYCE's financial performance, the audit process, and PAYCE's process for monitoring compliance with laws and regulations and the code of conduct; and
- Supervising PAYCE's risk management practices.

The current members of the Audit Committee are Roger Short and Christopher Gabriel.

9.7 Disclosure Policy

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

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 PAYCE.

9.8 Remuneration Committee

Due to the structure and size of PAYCE, the Directors have not established a Remuneration Committee. In consultation with the Managing Director, the Directors are responsible for determining remuneration benchmarks, performance objectives and approving remuneration arrangements.

9.9 Ethical Code of Conduct

The Directors have implemented a Code of Conduct that applies to all Directors, officers and employees of PAYCE. 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 PAYCE's assets;
- Compliance with laws and regulations; and
- Encouraging the reporting of unlawful or unethical behavior.

9.10 Diversity Policy

The Directors are committed to workplace diversity, in particular gender diversity, and have adopted a Diversity Policy that includes but is not limited to, gender, age, ethnicity and cultural background. PAYCE recognises the benefits arising from employee and director diversity,

including a broader pool of employees, higher employee retention, and benefits arising from contributions of people with diverse backgrounds, experiences and perspectives.

9.11 Securities Trading Policy

PAYCE has a Securities Trading Policy that details the legal duties placed upon the Directors, officers and employees of PAYCE in respect of their dealings in the securities of PAYCE.

9.12 Continuous Disclosure and Related Party Interests

Directors who hold Ordinary Shares at the Buy-Back Record Date of 7.00pm on 11 May 2015 will be able to participate in the Buy-Back to the same extent as all other Eligible Shareholders.

As at the date of this document, the Directors either directly or indirectly have the following interests in Ordinary Shares. The intentions of the Directors and/or their associated entities (if any) to participate in the Buy-Back are also indicated below:

Director	Associated shareholding entity	Ordinary Shares	Percentage of total Ordinary Shares on issue	Intention to participate
Brian Boyd	Lanox Pty Ltd	8,806,799	29.6%	0
Brian Boyd	Ruz Pty Ltd	2,718,661	9.1%	1,660,000
Roger Short	Jurocorp Pty Ltd	65,000	0.2%	40,000
Christopher Gabriel	Not applicable	0	0.0%	Not applicable

10 RISK FACTORS

10.1 Introduction

This Section identifies the areas which the Directors believe to be the major risks associated with an investment in Preference Shares.

There are specific risks which relate directly to the business of PAYCE. In addition, there are other general risks, many of which are largely beyond the control of PAYCE and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of PAYCE and the value of the Preference Shares.

The following is not intended to be an exhaustive list of the risk factors to which PAYCE is exposed.

In addition, the Independent Expert has assessed various advantages and disadvantages of the Offer in the Independent Expert's Report, some of which may be relevant to evaluating the risks associated with the Offer.

Before deciding to accept the Offer, Eligible Shareholders should:

- o read the entire Prospectus and the Independent Expert's Report;
- o consider the risk factors that could affect the financial performance of PAYCE;
- o review these factors in light of their personal circumstances; and
- o seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

10.2 Risks associated with Preference Shares

(a) Liquidity

The Preference Shares will not be quoted on the ASX. Accordingly, it is anticipated that there will be an illiquid market for the Preference Shares.

(b) Dividends may not be paid

There is a risk that Dividends will not be paid. The Terms of Issue of the Preference Shares do not require PAYCE to pay Dividends.

The payment of Dividends is subject to the satisfaction of a number of requirements, including among other things that the Directors, at their absolute discretion, resolve to declare and pay a Dividend. There is a risk that a Dividend may not be paid in full or at all.

Under the Terms of the Preference Shares, failure to pay a Dividend when scheduled will not constitute an event of default in respect of the Preference Shares.

In the event that PAYCE does not pay a Dividend when scheduled, a Preference Share Holder:

- o has no right to apply for PAYCE to be wound up or placed in administration, or to cause a receiver or a receiver and manager to be appointed in respect of PAYCE, merely on the grounds does not or may become unable to pay a Dividend when scheduled; and
- o will have no right of set-off and no off-setting rights or claims on PAYCE under the terms of the Preference Shares.

If PAYCE does not pay a Dividend in full on a Dividend Payment Date, then the Dividend Payment Restriction applies to PAYCE unless certain steps are taken to pay Dividends to the Preference Share Holders.

Dividends are cumulative. If a scheduled Dividend is not paid on the relevant Dividend Payment Date, PAYCE must pay an amount equal to the unpaid Dividends when it exercises its option to purchase the Preference Shares, as described in Section 5.3 of this Replacement Prospectus.

(c) Dividends may not be paid in cash

There is a risk that Dividends will be declared but paid as additional Preference Shares. The Terms of Issue of the Preference Shares do not require PAYCE to pay Dividends solely as cash. The issuance of further Preference Shares as consideration for Dividends may further expose Preference Share Holders to the risks outlined in this Section.

(d) Call option may not be exercised

Under the Terms of Issue of the Preference Shares, PAYCE is not required to exercise its option to purchase or buy-back the Preference Shares for a cash consideration of \$7.50 each on any Dividend Payment Date. There is a risk that PAYCE will never exercise its powers under this call option.

(e) Risks associated with exchange and conversion

There is a risk that, in the event that PAYCE breaches the Dividend Payment Restriction, and fails to rectify such breach within 90 days, that it will not exchange the Preference Shares for Redeemable Preference Shares as required in accordance with the Terms of Issue of the Preference Shares.

Even if the Preference Shares are exchanged for Redeemable Preference Shares in accordance with the Terms of Issue, there is no guarantee that PAYCE will be able to fund the redemption of those Redeemable Preference Shares in accordance with the Terms of Issue.

(f) Restrictions on rights and ranking in a winding-up

The Preference Shares are unsecured and unguaranteed.

In the event of a winding-up of PAYCE, Preference Share Holders will have a preference in terms of Dividends and the return of any capital ahead of Ordinary Shares, but will have no entitlement to share in any surplus in the event of a winding-up.

(g) Future issues by PAYCE

The Terms of Issue of the Preference Shares do not in any way restrict PAYCE from issuing further securities (except where a Dividend Payment Restriction exists) or from incurring further indebtedness.

PAYCE's obligations under the Preference Shares will rank subordinate and junior in a winding-up to PAYCE's obligations to holders of senior ranking securities and instruments, and all creditors. Accordingly, PAYCE's obligations under the Preference Shares will not be satisfied unless it can satisfy in full all of its obligations ranking senior to the Preference Shares.

In addition, PAYCE may in the future issue securities which:

- rank for dividends or payments of capital equal with, behind or ahead of the Preference Shares;

- have the same or different dividend, interest or distribution rates as those for the Preference Shares;
- have the same or different terms and conditions as the Preference Shares.

PAYCE may incur further indebtedness and may issue further securities including Preference Shares before, during or after the issue of these Preference Shares.

An investment in the Preference Shares carries no right to participate in any future issue of securities, whether equity preference shares, debt or otherwise, by PAYCE.

An investment in Preference Shares carries no right to be redeemed or otherwise repaid at the same time as PAYCE redeems or otherwise repays other securities, whether equity, shares, debt or otherwise.

(h) Dividends may not be franked

There is no obligation for PAYCE to pay franked Dividends.

(i) Taxation consequences

A general outline of the taxation consequences of acquiring Preference Shares for Eligible Shareholders who are Australian residents for taxation purposes is set out in the Australian Taxation Summary in Section 6.8 of this Replacement Prospectus. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential applicant.

Accordingly, Eligible Shareholders should seek independent advice concerning their own individual tax position.

(j) Accounting standards

New accounting standards or amendments to accounting standards issued by either the International Accounting Standards Board or the Australian Accounting Standards Board may affect the reported earnings and financial position of PAYCE in future financial periods. This may adversely affect the ability of PAYCE to pay Dividends.

(k) Amendment of Terms of Issue of the Preference Shares

PAYCE may amend the Terms of Issue of the Preference Shares without the approval of Preference Share Holders, where such amendments are necessary or desirable amendments which the Directors consider are not likely to be materially prejudicial to the interests of Preference Share Holders as a whole. PAYCE may also amend the Terms of Issue of the Preference Shares if the amendment has been approved by a special resolution of Preference Share Holders.

10.3 General investment risks

(a) Economic conditions

The operating and financial performance of PAYCE may be influenced by a variety of general economic and business conditions, including:

- the level of inflation;
- interest rates;
- government fiscal, monetary and regulatory policies;
- industrial disputes;

- o fluctuations in the global economy and international exchange rates; and
- o capital market conditions.

Prolonged deterioration in general economic conditions, including an increase in interest rates, could have a corresponding adverse impact on the financial and operating performance of PAYCE.

(b) Accounting Standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Directors' and PAYCE's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in PAYCE's financial statements.

(c) Taxation risks

A change to the current taxation regime in Australia or overseas may affect PAYCE and its Shareholders. Personal tax liabilities are the responsibility of each individual Eligible Shareholder. PAYCE is not responsible either for taxation or penalties incurred by Eligible Shareholders.

(d) Changes in law

Any amendments to laws and regulations affecting land, taxation, compliance and general government policies may have an adverse impact on PAYCE's performance.

10.4 Risks associated with PAYCE and its business

(a) Dependence on the Australian economy

The performance of PAYCE is influenced by the level and cyclical nature of business activity in Australia, which, in turn, is impact by both domestic and international economic and political events. There can be no guarantee that a weakening in the Australian economy, and/or that a weakening in the economic and business conditions of other countries, will not have an adverse effect on PAYCE's financial condition and its operations.

(b) Competitive environment

The property development industry is highly competitive. As a result, PAYCE faces intense competition in many aspects of its business.

If PAYCE is unable to compete effectively in its business sectors, its market share may decline, which may adversely impact on its profitability.

(c) Reputational damage

PAYCE's ability to successfully undertake property development projects and commercialise these projects effectively could be adversely affected if its reputation is damaged.

There are various potential sources of reputational damage including potential conflicts of interest, failing to comply with legal requirements, ethical issues, litigation, failing to comply with building and construction standards, improper sales and trading practices, technology failures, security breaches and risk management failures. PAYCE's reputation could also be adversely affected by the actions of other stakeholders within the property development industry in general.

(d) Funding risk

There is no guarantee that PAYCE will be able to continue to meet its existing funding arrangements, or that the obligations imposed by its current funding arrangements will remain the same.

There is no assurance that PAYCE will be able to obtain adequate funding for its ongoing property development projects at acceptable prices or at all.

(e) Operational risk

Operational risk is the risk of loss resulting from inadequate or ineffective internal processes, people and systems, or from external events.

Operational risks could impact on PAYCE's operations or adversely affect the demand for its products and services and its reputation, which could in turn adversely affect its businesses, financial performance and prospects.

(f) Accounting policies

The accounting policies adopted by PAYCE regulate the way in which it records and reports its financial position. Management must exercise judgment in selecting and applying many of these accounting policies and methods. There is a risk that these accounting policies may be applied inaccurately, resulting in a misstatement of financial position and the results of operations.

(g) Litigation and regulatory proceedings

PAYCE is exposed to the risk of litigation and/or regulatory proceedings brought by or on behalf of stakeholders in the property development sector, with whom it conducts business, as well as shareholders and regulators. While there are no material legal proceedings that are current or known to be threatened against PAYCE, there can be no assurance that significant litigation will not arise in the future and that the outcome of legal proceedings from time to time will not have an adverse effect on PAYCE's business, financial performance, financial condition or prospects.

(h) Environmental risk

PAYCE undertakes property development projects in a number of geographical locations. Any significant environmental change or external event (including fire, storm, drought, flood, earthquake or pandemic, in any of these locations has the potential to disrupt business activities, impact on PAYCE's operations, damage property and otherwise affect the value of assets held in the affected locations and PAYCE's ability to recover amounts owing to it.

(i) Other risks

The operations of PAYCE may be affected by a number of circumstances beyond PAYCE's control, including:

- weather and natural disasters;
- workplace accidents that relate to various operational or development activities of the business, which could involve employees, contractors and third parties;
- incidents or delays involving development machinery and equipment;
- information systems failure;
- fraudulent actions;

- labour shortages or industrial unrest;
- infrastructure disruptions;
- increase in costs or shortages/delays in obtaining necessary materials;
- fluctuations in electricity, fuel and water prices;
- civil disobedience, sabotage, hijacking or terrorist activity.

11 MATERIAL AGREEMENTS

11.1 Inspection of significant documents

The Directors consider that certain agreements and documentation are significant to this Replacement Prospectus or may be relevant to prospective applicants. The Directors consider that the agreements summarised below and elsewhere in this Replacement Prospectus are those which applicants would reasonably regard as material, and which would be required to make an informed decision whether or not to participate in the offer.

Set out below is a brief summary of the more important provisions of these documents.

In addition, copies of the following documents are available for inspection during normal office hours at the registered office of PAYCE for 13 months after the date of this Replacement Prospectus:

- o the constitution of PAYCE; and
- o the consents to the issue of this Replacement Prospectus.

11.2 Constitution

The following is a summary of the major provisions of PAYCE's constitution:

Shares

The Directors are entitled to issue shares in the capital of PAYCE, grant Options over unissued shares and settle the manner in which fractions of a share are to be dealt. The Directors may decide the persons to whom and the terms on which shares are issued or Options are granted as well as the rights and restrictions that attach to those shares or Options.

The Constitution also permits the issue of preference shares on terms determined by the Directors.

PAYCE may also sell a share that is part of an unmarketable parcel of shares in accordance with the procedure set out in the Constitution.

Variation of class rights

The rights attached to any class of share may only be varied with the consent in writing of members holding at least three-quarters of the shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Share transfers

Shares may be transferred in accordance with the Corporations Act, or by a written transfer in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer of shares where it is permitted to do so by the Corporations Act or the ASX Listing Rules.

General meetings

Each shareholder, Director, ASX and such other person (including the auditor), as set out in the constitution, are entitled to receive notice of and attend any general meeting of PAYCE. Three shareholders must be present to constitute a quorum for a general meeting and no business

may be transacted at any meeting except the election of a chair and the adjournment of the meeting, unless a quorum is present.

Voting rights

Subject to any rights or restrictions attached to any shares or class of shares, on a show of hands each shareholder present has one vote and, on a poll, one vote for each fully paid share held. Voting may be in person or by proxy, attorney or representative. If the votes are equal on a proposed resolution, the Chairman has a casting vote in addition to any deliberative vote.

Remuneration of Directors

Each Director is entitled to such remuneration from PAYCE for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate the amount fixed by PAYCE in general meeting.

Remuneration may be provided in such manner that the Directors decide, including by way of non-cash benefits. Directors who devote special attention to the business of PAYCE or who otherwise perform services which are outside their ordinary duties as Directors may be paid extra remuneration.

Interests of Directors

A Director who has an interest in a matter that is being considered at a meeting of Directors may be present and be counted in a quorum at the meeting despite that interest, unless that is prohibited by the Corporations Act.

Election of Directors

There must be a minimum of three Directors and the maximum number of Directors may not be more than 10 unless PAYCE in general meeting resolves otherwise.

Where required by the Corporations Act or ASX Listing Rules, PAYCE must hold an election of Directors each year. The number of Directors to retire is decided having regard to the number of Directors at the date of the notice calling PAYCE's annual general meeting. No Director, other than the Managing Director, may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected.

With respect to the retirement of Directors, the Directors longest in office since last being elected must retire. If a number of Directors were elected on the same day, the Directors to retire shall (in default of agreement between them) be determined by ballot.

Dividends

If the Directors determine that a final or interim dividend is payable, it will (subject to the terms of issue on any shares or class of shares) be paid on all shares proportionate to the amount for the time being paid on each share. Dividends may be paid by cash, electronic transfer or any other method as the Directors determine.

The Directors may capitalise and distribute the whole or part of the amount forming part of the undivided profits of PAYCE, representing profits arising from an ascertained accretion to capital or a revaluation of the assets of PAYCE, arising from the realisation of any assets of PAYCE, or otherwise available for distribution as a dividend to shareholders. Such capitalisation and distribution must be in the same proportions which the shareholders would be entitled to receive if distributed by way of a dividend.

12 ADDITIONAL INFORMATION

12.1 Consents and disclaimers of responsibility

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Replacement Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by-law, expressly disclaims and takes no responsibility for any part of this Replacement Prospectus other than a reference to its name and a statement included in this Replacement Prospectus with the consent of that party as specified in this Section.

Boardroom Pty Limited has given its written consent to being named as the share registry to PAYCE in this Replacement Prospectus. Boardroom Pty Limited has not withdrawn its consent prior to the lodgement of this Replacement Prospectus with the ASIC.

Hanrick Curran Corporate Finance Pty Ltd has given and has not withdrawn its written consent to PAYCE to being named as the Independent Expert in this Replacement Prospectus, and to the inclusion of references to its Independent Expert's Report, in the form and context in which it is referenced.

12.2 Interests of experts and advisers

Other than as set out below or elsewhere in this Replacement Prospectus, no person named in this Replacement Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Replacement Prospectus:

- (a) has any interest, or has had any interest during the last two years, in the formation or promotion of PAYCE, or in property acquired or proposed to be acquired by PAYCE in connection with its formation or promotion, or the Offer; and
- (b) no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of PAYCE or the Offer.

12.3 Interests of Directors

Other than set out below or elsewhere in this Replacement Prospectus:

- (a) no Director or proposed Director of PAYCE has, or has had in the two years before lodgement of this Replacement Prospectus, any interest in the formation or promotion of PAYCE, or the Offer of Preference Shares, or in any property proposed to be acquired by PAYCE in connection with information or promotion of the Offer of the Preference Shares; and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of PAYCE either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her in connection with the promotion or formation of PAYCE or the Offer of Preference Shares.

Directors' shareholdings

The Directors of PAYCE or their associates have a beneficial interest in the following Ordinary Shares in PAYCE at the date of this Replacement Prospectus:

Director	Shares
Brian Boyd	11,525,460
Roger Short	65,000
Christopher Gabriel	0

The intentions of the Directors to participate in the Offer are set out in section 9.12 of this Replacement Prospectus.

Payments to Directors

The Constitution of PAYCE provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by PAYCE's shareholders in general meeting, with that sum to be divided amongst the Directors as they agree.

The maximum aggregate amount which may be paid to the Directors is \$240,000 per annum.

12.4 Transactions with related parties

Except as otherwise disclosed in this Replacement Prospectus, there are no related party transactions associated with the Offer.

12.5 Documents incorporated by reference

In accordance with section 712 of the Corporations Act, PAYCE identifies documents that it has lodged with ASIC containing important information for investors, professional analysts and advisors. Such information is taken to be included in this Replacement Prospectus under section 712(3) of the Corporations Act.

The Directors also rely upon section 712(3) of the Corporations Act with the inclusion by reference to the material referred to below for full disclosure of relevant information to Eligible Shareholders. The documents that are incorporated into this Replacement Prospectus by reference are:

Date	Title	Description of the document
17/04/2015	Dividend details	Declaration of dividends on ordinary shares of PAYCE
16/04/2015	Offer document relating to equal access buy-back	Offer document setting out details of the equal access share buy-back
02/04/2015	Proxy Form for EGM	Proxy form associated with Notice of General Meeting
02/04/2015	Notice of Extraordinary General Meeting/Proxy Form	Notice of General Meeting and Explanatory Memorandum seeking Shareholder approval for a proposed equal access share Buy-Back, which annexes the

Date	Title	Description of the document
		Independent Expert's Report
09/03/2015	Kirrawee project update	The Kirrawee project received concept plan approval from the NSW Planning Assessment Commission to increase the gross floor area to 85,000 sqm.
20/02/2015	Half Yearly Report and Accounts	Financial Report of PAYCE for the half-year ending 31 December 2014.
02/03/2015	Notice of Extraordinary General Meeting/Off Market Buy-Back	Notice of General Meeting seeking shareholder approval for a proposed equal access share buy back
13/01/2015	TOV: PAY Application Received & Withdrawn	The Takeovers Panel consented to a request by ASIC to withdraw its application to the Panel following cancellation by PAYCE of the proposed general meeting.
13/01/2015	TOV: PAYCE - President Makes Interim Orders	The Takeovers Panel made interim orders in response to an application by ASIC in relation to the proposed meeting of PAYCE to consider whether to approve an equal access share buy back.
12/01/2015	Extraordinary General Meeting - Cancelled	PAYCE cancelled the general meeting scheduled for 13 January 2015 following application by ASIC to the Takeovers Panel.
12/01/2015	Extraordinary Meeting - Update	Two entities associated with Managing Director Brian Boyd provided undertakings not to vote at the general meeting scheduled for 13 January 2015.
22/12/2014	Offer Document relating to an equal access buy-back	Offer Document to Shareholders relating to a proposed equal access buy-back of Shares in return for a combination of cash and preference shares
09/12/2014	Notice of Extraordinary General Meeting/Off Market Buy-Back	Notice of General Meeting seeking shareholder approval for a proposed equal access share buy back
29/10/2014	East Village – Victoria Park,	Provided a further update from

Date	Title	Description of the document
	New South Wales	ASX Announcement dated 14 October 2014 on progress of 'East Village' project.
14/10/2014	Proposed amendment of Conditions of Senior Secured Notes	Advised of PAYCE's intention to seek approval from the holders of the 9.50% Notes due 3 December 2018, to amend the Conditions attaching to those Notes.
14/10/2014	East Village – Victoria Park, New South Wales	Advised that the 206 residential units forming part of the mixed use 'East Village' project had reached practical completion with settlements commencing.
13/10/2014	Completion of sale of development land	Advised of completion of the sale of a development site in Hurstville, Sydney.
08/10/2014	Annual Report to Shareholders	Financial Report of PAYCE for the year ending 30 June 2014
08/10/14	Notice of Annual General Meeting 2014	Notice of PAYCE's annual general meeting, scheduled for 11 November 2014 to consider the financial reports, the election of Roger Short as director, the adoption of a new Constitution, and the renewal of the non-marketable parcels rule.
02/09/14	Land Acquisition & Joint Operation	<p>Advised of completion of contract to acquire a 2 hectare industrial site in Melrose Park, Sydney for \$23.5 million.</p> <p>Advised that site is adjacent to the site acquired and disclosed via the ASX Announcement dated 15 August 2014.</p> <p>Advised that PAYCE has entered into a 50:50 Joint Operation with Sekisui House on both sites.</p>
26/08/14	Acquisition of Land - Auburn	Confirmation of the exchange of contracts for the acquisition of two industrial lots located in Auburn, in Sydney's western suburbs for \$50 million.
22/08/14	Full year Statutory Accounts	Financial Report, Directors' Report

Date	Title	Description of the document
		and auditor's report for PAYCE Consolidated Limited for the year ended 30 June 2014
22/08/14	Preliminary Financial Report	Preliminary Final Report for PAYCE Consolidated Limited for the year ended 30 June 2014.
15/08/14	Acquisition of land	Confirmation of the exchange of contracts for the acquisition of a 14 hectare industrial site in the western suburbs of Sydney for \$95 million.
18/07/14	Sale of land	Confirmation of the execution of contracts for the sale of a development site in Hurstville, Sydney for \$43 million.

Copies of these documents are available to Shareholders free of charge. These documents may be accessed via PAYCE's website at www.payce.com.au. In addition, copies of these documents have been lodged with the ASX, and may be obtained from the ASX website.

12.6 Continuous disclosure obligations

PAYCE complies with its continuous disclosure obligations by way of announcements made through the ASX in compliance with its Disclosure Policy as summarised in section 9.7 of this Replacement Prospectus.

12.7 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$92,290 and are expected to be applied towards the items set out in the table below:

Item of expenditure	Fees and expenses
ASIC fees	\$2,290
Corporate advisory fees	\$50,000
Legal fees	\$35,000
Printing and distribution	\$5,000
TOTAL	\$92,290

12.8 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the *Corporations Act* to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Replacement Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application & Acceptance

Form. If you have not, please contact PAYCE and PAYCE will send you, for free, either a hard copy or a further electronic copy of this Replacement Prospectus or both. Alternatively, you may obtain a copy of this Replacement Prospectus on PAYCE's announcements page on ASX (www.asx.com.au)

PAYCE reserves the right not to accept an Application & Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Application & Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

12.9 Privacy statement

If you complete an Application & Acceptance Form, you will be providing personal information to PAYCE. PAYCE collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Replacement Prospectus.

The collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the *Corporations Act* and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Preference Shares, PAYCE may not be able to accept or process your application.

13 DIRECTORS' AUTHORISATION

This Replacement Prospectus is issued by PAYCE and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the *Corporations Act* each Director has consented to the lodgment of this Replacement Prospectus with the ASIC.

A handwritten signature in black ink, appearing to read 'B. Boyd', written over a faint horizontal line.

Brian Boyd
Chairman
For and on behalf of
PAYCE Consolidated Limited

SCHEDULE – TERMS OF ISSUE OF PREFERENCE SHARES

1. DEFINITIONS

In these terms of issue for Preference Shares, the following words and expressions have the following meanings:

'ASIC' means the Australian Securities and Investments Commission;

'ASX' means ASX Limited ACN 008 824 691 or the financial market operated by it as the context requires;

'Business Day' has the meaning given to that term in the ASX Listing Rules;

'Call Option' means PAYCE's option to Repurchase the Preference Share pursuant to clause 3.8;

'Change in Control Event' means, on any date, an event where a person (and its associates) or such persons acting together which held, whether directly or indirectly, 40% or less of the issued Ordinary Shares of PAYCE as at the Issue Date (and including a zero holding) subsequently holds, whether directly or indirectly, more than 40% of the issued Ordinary Shares of PAYCE on that date;

'PAYCE' means PAYCE Consolidated Limited ABN 19 001 566 310;

'Directors' means the directors of PAYCE from time to time;

'Dividend' means a dividend payable at the discretion of PAYCE on the Preference Shares in accordance with clause 3;

'Dividend Payment Date' means each 3 September, 3 December, 3 March and 3 June until the Preference Shares are purchased or bought back;

'Dividend Payment Restriction' means the restrictions imposed on PAYCE if a Dividend is not paid on the Preference Shares, as set out in clause 3.7;

'Dividend Period' means the period from, and including, the Issue Date or the preceding Dividend Payment Date (whichever is later) until, but not including, the next Dividend Payment Date;

'Dividend Rate' means:

- (a) from the Issue Date until (but excluding) the day which is 12 months from the Issue Date: 6% per annum;
- (b) on each yearly anniversary of the Issue Date, the Dividend Rate will increase by an additional 1% per annum. For example:
 - (i) from the day which is one year from the Issue Date, until (but excluding) the day which is two years from the Issue Date: 7% per annum;
 - (ii) from the day which is two years from the Issue Date, until (but excluding) the day which is three years from the Issue Date: 8% per annum,and thereafter increasing by 1% per annum in each following yearly period, until the date which is six years from the Issue Date, when the Dividend Rate increases to 12% per annum, at which time the Dividend Rate will be capped at 12% per annum;

'Issue Date' means the date on which the Preference Shares are issued;

'Issue Price' deemed to be \$7.50 per Preference Share;

'Law' and 'Corporations Law' means the Corporations Act 2001 and the Corporations Regulations;

'Listing Rules' means the official listing rules of ASX;

'Ordinary Shares' means an ordinary share in the capital of PAYCE;

'Preference Share' means a preference share in the capital of PAYCE issued in accordance with these terms and conditions;

'Preference Share Exchange Date' has the meaning given to it in clause 3.8(b);

'Preference Share Holder' means the registered holder of a Preference Share;

'Redeemable Preference Shares' are those shares issued in accordance with clause 3.8;

'Repurchase' in relation to a Preference Share means to Buy-Back or cancel the Preference Share in any manner permitted by the Corporations Law and the Listing Rules;

'Shareholders' means the holders of Ordinary Shares in PAYCE.

2. DESCRIPTION

2.1 Terms of issue

These are the terms of issue on which PAYCE will issue the Preference Shares.

2.2 Issue Price

The Preference Shares will be issued as partial consideration for a Buy-Back of Ordinary Shares undertaken by PAYCE on or around June 2015, with an Issue Price of \$7.50 each.

3. DIVIDENDS

3.1 Dividends

Subject to clause 3.2, PAYCE shall pay to Preference Share Holders, on each Dividend Payment Date, a preferential Dividend on each Preference Share. The Dividend per Preference Share will be calculated as follows:

$$\text{DIV} = \frac{\text{DR} \times \text{IP} \times \text{D}}{365}$$

Where:

- DIV is the amount of the dividend payable on each Preference Share on the Dividend Payment Date (the 'Dividend Entitlement');
- DR is the Dividend Rate applicable for that Dividend Period;
- IP is the Issue Price; and
- D is the number of days in that Dividend Period.

3.2 Payment of Dividend

- (a) The Dividend may at the discretion of PAYCE, be paid by either or a combination of:
- (i) a cash payment; and/or
 - (ii) the issue of further Preference Shares with an Issue Price of \$7.50 each, representing an amount equivalent to the Dividend Entitlement (with any fractional amount remaining paid in cash).

- (b) The payment of a Dividend is subject to:
 - (i) the Directors, at their discretion, declaring the Dividend to be payable or otherwise resolving to pay the Dividend;
 - (ii) there being funds legally available for the payment of dividends; and
 - (iii) compliance with these terms of issue, including but not limited to the restriction set out in clause 3.7.

3.3 Record Dates

A Dividend is only payable to those persons registered as holders of Preference Share at the date on which the books of PAYCE close for Preference Share Holders in respect of each relevant Dividend.

3.4 Calculation of Dividends

All calculations to be undertaken with respect to Dividends will be to four decimal places. For the purposes of making a dividend payment in respect of a Preference Share Holder's aggregate holding, any fraction of a cent will be disregarded.

3.5 Dividends are cumulative

Dividends are cumulative. If all or any part of a scheduled Dividend is not paid (Unpaid Dividend) on the relevant Dividend Payment Date because of the restrictions in clause 3.2(b), PAYCE has an obligation to pay the Unpaid Dividend at the time of Repurchase in accordance with clause 4. No interest accrues on any Unpaid Dividend and no Preference Share Holder has any claim or entitlement in respect of interest on any Unpaid Dividend.

3.6 Optional dividend

Without limiting clause 3.2(b) or clause 3.5, PAYCE may at its absolute discretion, elect at any time to pay Preference Share Holders an optional dividend in an amount equal to the unpaid amount of all scheduled (but unpaid) Dividends for the period immediately preceding the payment date of the optional dividend (**Optional Dividend**).

3.7 Dividend Payment Restriction

If a scheduled Dividend has not been paid on Preference Shares in full for any reason within five business Days of the relevant Dividend Payment Date, PAYCE must not:

- (a) declare or otherwise determine to pay, or pay, a dividend or make any distribution on any class of its share capital other than Preference Shares; or
- (b) redeem, reduce, cancel, Buy-Back or acquire for any consideration any share capital, unless:

- (a) where a scheduled Dividend has not been paid in full within five business Days of the relevant Dividend Payment Date, since that date, PAYCE has paid to Preference Share Holders in full an Optional Dividend; or

- (b) all Preference Shares have been purchased or bought back by PAYCE, provided that nothing in this clause will be taken to prevent a payment by way of pro rata payments to Preference Share Holders and the holders of any security which ranks in respect of dividends or return of capital equally with the Preference Shares.

3.8 Consequences of breach of Dividend Payment Restriction

- (a) If PAYCE breaches the Dividend Payment Restriction set out in clause 3.7, and fails to rectify such breach through the payment of Dividends on the Preference Shares within 90 days of such breach, PAYCE must on the expiration of that 90 day period give Preference Share Holders a notice, stating that on the Preference Share Exchange Date, all Preference Shares will be exchanged for Redeemable Preference Shares (Redeemable Preference Shares) having the same rights as the Preference Shares with an additional right allowing holders to immediately (or at any time) require PAYCE to redeem those Redeemable Preference Shares. Each Preference Share will be cancelled in exchange and consideration for the issue of one Redeemable Preference Share.
- (b) For the purposes of this clause, 'Preference Share Exchange Date' means the date which is three Business Days after the date of the notice given under clause 3.8(a).
- (c) Notice given in accordance with clause 3.8(a) is irrevocable once given. Failure to give such notice when required under clause 3.8(a) does not affect the obligation of PAYCE to exchange the Preference Shares for Redeemable Preference Shares when required in accordance with these terms.
- (d) If, on a Preference Share Exchange Date, a Redeemable Preference Share is not issued in exchange for a Preference Share, that Preference Share remains on issue until the Redeemable Preference Share is issued to the holder or the Preference Share is purchased or bought back by PAYCE, and clause 3.7 continues to apply. This clause does not affect the obligation of PAYCE to issue the Redeemable Preference Shares when required in accordance with these terms.

3.9 Effect of exchange

- (a) Upon the exchange of Preference Shares for Redeemable Preference Shares on the Preference Share Exchange Date in accordance with clause 3.8, all other rights conferred or restrictions imposed on those Preference Shares will no longer have effect and those Preference Shares will be cancelled.
- (b) Each Preference Share Holder irrevocably:
 - (i) acknowledges and agrees that it is obliged to accept Redeemable Preference Shares upon an exchange of Preference Shares in accordance with these terms notwithstanding anything which might otherwise affect an exchange of Preference Shares for Redeemable Preference Shares, including:
 - A. any change in the financial position of PAYCE since the Issue Date;
 - B. any disruption to capital markets generally;
 - C. any breach by PAYCE of an obligation in connection with the Preference Shares or the Redeemable Preference Shares; or
 - D. it being impossible or impracticable to sell or otherwise dispose of Redeemable Preference Shares;
 - (ii) agrees to provide to PAYCE any information which PAYCE may consider necessary or desirable to give effect to the exchange of a Preference Share for a Redeemable Preference Share in accordance with these terms; and
 - (iii) appoints PAYCE as its agent and attorney with power in its name and on its behalf to do all things necessary to give effect to the exchange of a

Preference Share for a Redeemable Preference Share in accordance with these terms, including:

- A. completing and executing such instruments for and on its behalf as PAYCE considers necessary or desirable to give effect to an exchange of a Preference Share for a Redeemable Preference Share in accordance with these terms; and
- B. appointing in turn its own agent or delegate.

3.10 Redemption of Redeemable Preference Shares

- (a) Redeemable Preference Shares issued in accordance with clause 3.8(a) may be redeemed by the holder submitting a redemption notice (Redemption Notice) to PAYCE at any time which:
 - (i) is in the form made available by PAYCE on request;
 - (ii) specifies the Redeemable Preference Shares to which it relates; and
 - (iii) is accompanied by evidence of title reasonably satisfactory to PAYCE.

Once the Redemption Notice has been given, the holder of the Redeemable Preference Shares must not deal with, transfer, dispose or otherwise encumber the Redeemable Preference Shares which are the subject of that Redemption Notice.

- (b) PAYCE must within 90 days of receipt of a Redemption Notice, redeem the Redeemable Preference Shares the subject of that Redemption Notice and pay to the holder the redemption amount, which is the aggregate of:
 - (i) the issue price of the Redeemable Preference Shares (being \$7.50 per Redeemable Preference Share); and
 - (ii) an amount equal to the unpaid amount of any scheduled Dividends which have not been paid on the Preference Shares and/or Redeemable Preference Shares for the period preceding the date on which the Redemption Notice is given under clause 3.10(a).
- (c) If PAYCE does not redeem the Redeemable Preference Shares when required to do so in accordance with this clause, the Redeemable Preference Shares will remain on issue until they are redeemed, purchased or bought-back by PAYCE.

4. CALL OPTION

4.1 Option to Repurchase

- (a) Each Preference Share Holder grants to PAYCE an option to Repurchase on any Dividend Payment Date some or all of the Preference Shares they may hold, for an amount equal to:
 - (i) the Issue Price of each Preference Share; plus
 - (ii) the unpaid amount of any scheduled Dividends which have not been paid on the Preference Shares during the period prior to the date on which the notice is given under clause 4.1(b).
- (b) At least 30 days (but no more than 3 months) before the relevant Dividend Payment Date, PAYCE may give notice to one or more Preference Share Holders stating that it

will exercise its option under clause 4.1(a) to Repurchase a specified number of Preference Shares from that Preference Share Holder in accordance with clause 4.3.

4.2 Repurchase on Change in Control Event

If a Change in Control Event occurs, PAYCE may at its discretion, Repurchase some or all of the Preference Shares, by giving notice to the Preference Share Holders at any time (but no later than 30 days after the date on which the event occurs) after the Change in Control Event occurs.

4.3 Repurchase procedure

- (a) Subject to PAYCE having obtained all necessary approvals and consents required under the Corporations Act, the ASX Listing Rules and PAYCE's constitution, PAYCE may, where it has given a notice pursuant to clause 4.1(b) that it proposes to Repurchase all or some of the Preference Shares, Repurchase the Preference Shares that were the subject of that notice on the relevant date.
- (b) The consideration for any Repurchase of a Preference Share under this clause 4.3 will be a cash payment equal to the Issue Price of \$7.50 per Preference Share.
- (c) Each Preference Share Holder appoints PAYCE and each of the Directors, jointly and all severally, to be the lawful attorneys of the Preference Share Holder to accept all offers and to execute all notices and other documents necessary or desirable to effect a Repurchase of Preference Shares pursuant to this clause 4.3.

5. GENERAL RIGHTS AND OBLIGATIONS OF PREFERENCE SHARES

5.1 Ranking

Preference Shares rank equally amongst themselves in all respects.

5.2 Preferential Dividend

Preference Shares rank in priority to Ordinary Shares for the payment of dividends.

5.3 Return of Capital

If there is a return of capital on a winding-up of PAYCE, Preference Share Holders will be entitled to receive out of the assets of PAYCE available for distribution to holders of shares, in respect of each Preference Share held, a cash payment equal to the sum of:

- (a) the amount of any Dividend Entitlement which has not been satisfied in full including any Dividend Entitlement which has accrued for the period from and including the date of the preceding Dividend Payment Date to the date of commencement of the winding-up; and
- (b) the Issue Price,

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind the Preference Shares.

5.4 Shortfall on Winding Up

If, upon a return of capital, there are insufficient funds to pay in full the amounts referred to in clause 5.3 and the amounts payable in respect of any other shares in PAYCE ranking as to such distribution equally with the Preference Share on a winding-up of PAYCE, the Preference Share Holders and the holders of any such other shares will share in any distribution of assets of PAYCE in proportion to the amounts to which they respectively are entitled.

5.5 Participation in Surplus Assets

Preference Shares do not confer on their holders the right to participate in the surplus assets of PAYCE on a winding-up beyond the rights set out in clauses 5.3 and 5.4.

5.6 Takeovers and Schemes of Arrangement

If a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors, or the Directors recommend a member's scheme of arrangement, the Directors will use reasonable endeavours to procure that equivalent takeover offers are made to Preference Share Holders or that they participate in the scheme of arrangement.

5.7 Participation in New Issues

A Preference Share does not confer rights to subscribe for new securities in PAYCE or to participate in any bonus or rights/entitlement issues.

5.8 Notices

Preference Share Holders are entitled to the same rights as Ordinary Shareholders to receive notices, reports and audited accounts and to attend meetings.

5.9 Transfers of Preference Shares

A transfer of a Preference Share will only be accepted as a proper instrument of transfer in registerable form if it complies with the requirements of PAYCE's constitution and the Law.

5.10 Holding statements

Holding statements in respect of Preference Shares may be provided by PAYCE to members from time to time.

6. VOTING RIGHTS

A Preference Share does not entitle its holder to vote at any general meeting of PAYCE except in the following circumstances:

- (a) on a proposal:
 - (i) to reduce the share capital of PAYCE;
 - (ii) that affects rights attached to the Preference Share;
 - (iii) to wind up PAYCE; or
 - (iv) for the disposal of the whole of the property, business and undertaking of PAYCE;
- (b) on a resolution to approve the terms of a buy-back agreement;
- (c) during a period in which a Dividend or part of a Dividend on the Preference Share is in arrears; or
- (d) during the winding up of PAYCE.

Under these circumstances, Preference Share Holders will be entitled to one vote per Preference Share.

7. AMENDMENTS TO THE TERMS OF ISSUE

Subject to complying with all applicable laws, PAYCE may without the authority, assent or approval of Preference Share Holders amend or add to these terms of issue if such amendment or addition is, in the opinion of PAYCE:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error; or
- (c) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of Preference Share Holders.

8. INTERPRETATION

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these terms of issue and PAYCE's constitution, then, to the maximum extent permitted by law, the provisions of these terms of issue will prevail.
- (b) If a calculation is required under these terms of issue, unless the contrary intention is expressed, the calculation will be performed to four decimal places.
- (c) Definitions and interpretation under PAYCE's constitution will also apply to these terms of issue.



APPLICATION & ACCEPTANCE FORM

**EQUAL ACCESS SHARE BUY-BACK
APPLICATION & ACCEPTANCE FORM
ISSUER-SPONSORED HOLDING**

PAYCE Consolidated Limited
ACN 001 566 310
Website: www.payce.com.au

PLEASE RETURN TO:
By Mail: Boardroom Pty Limited
GPO Box 3933
SYDNEY NSW 2001
ENQUIRIES: (07) 3009 9887

#

Our Reference: #

Holder ID: #

Shareholding as at Buy-Back Record Date (11 May 2015): #

A. Ordinary Shares for which you may accept the Buy-Back Offer

You may accept for any number of Ordinary Shares up to: Ordinary Shares*

*less any Ordinary Shares sold by you where the transfer was registered after the Buy-Back Record Date of 11 May 2015.

B. Acceptance for ALL your Ordinary Shares

☐ Mark **X** to accept the Buy-Back Offer for all the Ordinary Shares in Section A.

C. Acceptance for SOME of your Ordinary Shares

I/we accept the Buy-Back Offer for Ordinary Shares.

If the number entered exceeds the number of Ordinary Shares in Section A, you will be taken to be accepting the Buy-Back Offer for all your Ordinary Shares. If you tick the box in Section B and insert a number in Section C, you will be taken to be accepting the Buy-Back Offer for all your Ordinary Shares.

Acknowledgements

Application for Preference Shares

I/we acknowledge that part of the consideration for the Buy-Back is the issue of Preference Shares in accordance with the Prospectus forming part of the Offer Document dated 4 May 2015.

I/we confirm that I/we hereby apply for the relevant number of Preference Shares corresponding with my/our participation in the Buy-Back, and direct that the Preference Shares issued to me/us as partial consideration for the Buy-Back be registered in the same name as that noted at the top of this form.

Address and bank account details

I/we acknowledge that PAYCE will send me/us the initial cash component of my/our Buy-Back consideration by electronic funds transfer (EFT) or cheque. I/we acknowledge that:

- it is my/our responsibility to ensure that PAYCE has the correct bank account details or address for me/us at the time the EFT or cheque will be received, having regard to the timetable set out in the Offer Document, subject to amendment by PAYCE by ASX Announcement. I/we indemnify PAYCE against any loss sustained by me/us or PAYCE as a result of me/us not receiving the cash component of the Buy-Back consideration as a result of PAYCE not having my/our correct details at that time.
- Where a Shareholding is in the name of joint Shareholders with different addresses, the EFT or cheque for the partial Buy-Back consideration will be transferred or mailed to the details of the joint Shareholder whose name appears first in PAYCE's Register.

D. Change of Address

☐ Mark **X** if you wish to make any changes to your address details (see Note 3 overleaf)

E. Please Sign Here

This section *must* be signed in accordance with the instructions overleaf to enable your acceptance to be valid

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Contact Name

Contact Daytime Telephone

Date

Email Address

EQUAL ACCESS SHARE BUY-BACK APPLICATION & ACCEPTANCE FORM - INSTRUCTIONS ISSUER-SPONSORED HOLDING

This Application & Acceptance Form is part of and must be read together with the PAYCE Consolidated Limited Buy-Back Offer Document dated 4 May 2015 (**Offer Document**). Words and expressions defined in the Offer Document have the same meanings in this Application & Acceptance Form.

1. Signing Instructions

You must sign this form as follows in the spaces provided at **Section E**:

Individual:	Where the holding is in one name, the holder must sign.
Joint Holding:	Where the holding is in more than one name, all of the Shareholders should sign.
Power of Attorney:	If you are signing under a Power of Attorney, you declare that you have had no notice of revocation of the Power or the death or liquidation of the donor of the Power. You must ensure that a copy of the Power of Attorney, certified by a solicitor or justice of the peace as being a true and correct copy, is received by PAYCE's Registry by the deadline for submitting the Application & Acceptance Form.
Companies:	Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director may also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.
Deceased Estates:	All executors must sign. If not already noted by the Registry, you must ensure that a copy of an Australian Grant of Probate or Letters of Administration, certified by a solicitor or justice of the peace as being a true and correct copy, is received by PAYCE's Registry by the deadline for submitting the Application & Acceptance Form.

2. Return of Acceptance: This Application & Acceptance Form must be received by PAYCE's Registry by one of the methods below by 5:00pm (Sydney Time) on 1 June 2015 (or any later time as may be announced by PAYCE on ASX):

By Hand:

Boardroom Pty Limited
Level 7
207 Kent Street
SYDNEY NSW 2000

By Post

Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2000

AN ACCEPTANCE NOT RECEIVED BY THE TIME, DATE AND METHOD NOTED ABOVE WILL BE INVALID.

3. Change of Address

Your pre-printed name and address is as it appears on the Register of PAYCE. If this information is incorrect, please mark the box at **Section D** of this Application & Acceptance Form and make the correction at the top of the form before you return it to the Registry.

**EQUAL ACCESS BUY-BACK
APPLICATION & ACCEPTANCE FORM
CHESS-SPONSORED HOLDING**

PAYCE Consolidated Limited
ACN 001 566 310
Website: www.payce.com.au

PLEASE RETURN TO:
By Mail: Boardroom Pty Limited
GPO Box 3933
SYDNEY NSW 2001
ENQUIRIES: (07) 3009 9887

#

Our Reference: #
Holder ID: #

Shareholding as at Buy-Back Record Date (11 May 2015): #

A. Fully Paid Shares for which you may accept the Buy-Back Offer

You may accept for any number of Ordinary Shares up to:

Ordinary Shares*

*less any Ordinary Shares sold by you where the transfer was registered after the Buy-Back Record Date of 11 May 2015.

B. Acceptance for ALL your Ordinary Shares

☐

Mark **X** to accept the Buy-Back Offer for all the Ordinary Shares in Section A.

C. Acceptance for SOME of your Ordinary Shares

I/we accept the Buy-Back Offer for

Ordinary Shares.

If the number entered exceeds the number of Ordinary Shares in Section A, you will taken to be accepting the Buy-Back Offer for all your Ordinary Shares. If you tick the box in Section B and insert a number in Section C, you will be taken to be accepting the Buy-Back Offer for all your Ordinary Shares.

Acknowledgements

Application for Preference Shares

I/we acknowledge that part of the consideration for the Buy-Back is the issue of Preference Shares in accordance with the Prospectus forming part of the Offer Document dated 4 May 2015.

I/we confirm that I/we hereby apply for the relevant number of Preference Shares corresponding with my/our participation in the Buy-Back, and direct that the Preference Shares issued to me/us as partial consideration for the Buy-Back be registered in the same name as that noted at the top of this form.

Address and bank account details

I/we acknowledge that PAYCE will send me/us the initial cash component of my/our Buy-Back consideration by electronic funds transfer (EFT) cheque. I/we acknowledge that:

- it is my/our responsibility to ensure that PAYCE has the correct bank account details or address for me/us at the time the EFT or cheque will be received, having regard to the timetable set out in the Offer Document, subject to amendment by PAYCE by ASX Announcement. I/we indemnify PAYCE against any loss sustained by me/us or PAYCE as a result of me/us not receiving the cash component of the Buy-Back consideration as a result of PAYCE not having my/our correct details at that time.
- Where a Shareholding is in the name of joint Shareholders with different addresses, the EFT or cheque for the partial Buy-Back consideration will be transferred or mailed to the details of the joint Shareholder whose name appears first in PAYCE's Register.

D. Please Sign Here

This section *must* be signed in accordance with the instructions overleaf to enable your acceptance to be valid

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Contact Name

Contact Daytime Telephone

Date

Email Address

EQUAL ACCESS BUY-BACK APPLICATION & ACCEPTANCE FORM - INSTRUCTIONS CHESS-SPONSORED HOLDING

This Application & Acceptance Form is part of and must be read together with the PAYCE Consolidated Limited Buy-Back Offer Document dated 4 May 2015 (**Offer Document**). Words and expressions defined in the Offer Document have the same meanings in this Application & Acceptance Form.

1. Signing Instructions

You must sign this form as follows in the spaces provided at **Section D**:

Individual:	Where the holding is in one name, the holder must sign.
Joint Holding:	Where the holding is in more than one name, all of the Shareholders should sign.
Power of Attorney:	If you are signing under a Power of Attorney, you declare that you have had no notice of revocation of the Power or the death or liquidation of the donor of the Power. You must ensure that a copy of the Power of Attorney, certified by a solicitor or justice of the peace as being a true and correct copy, is received by PAYCE's Registry by the deadline for submitting the Application & Acceptance Form.
Companies:	Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director may also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.
Deceased Estates:	All executors must sign. If not already noted by the Share Registry, you must ensure that a copy of an Australian Grant of Probate or Letters of Administration, certified by a solicitor or justice of the peace as being a true and correct copy, is received by PAYCE's Registry by the deadline for submitting the Application & Acceptance Form.

2. Return of Acceptance:

This Application & Acceptance Form must be received by your Sponsoring Broker in sufficient time to allow it to process this acceptance by **5:00pm (Sydney time) on 1 June 2015** (or any later time as may be announced by PAYCE on ASX) or you must satisfy any other requirements that your Sponsoring Broker has to notify it of your acceptance to enable it to process your acceptance by that time.

It is your responsibility to ascertain your Sponsoring Broker's contact details and the procedure that they require you to follow for accepting the Buy-Back Offer.

AN ACCEPTANCE NOT RECEIVED AS SPECIFIED ABOVE WILL BE INVALID.

PLEASE DO NOT RETURN THIS FORM TO PAYCE'S REGISTRY. The Registry cannot process your acceptance because you are a CHESS Holder, and any acceptance received by it WILL BE INVALID.

3. Change of Address

Your pre-printed name and address is as it appears on PAYCE'S Register. If this information is incorrect, as you are sponsored by a broker, you should advise your broker of any changes.