

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

Appendix 4D Statement
Half-Year Report

RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF YEAR ENDED 31 DECEMBER 2010
All comparisons to the half year ended 31 December 2009

	6 months ended 31 December 2010	6 months ended 31 December 2009	% change prior year
	\$	\$	
Gain from sale of investments	154,882	-	100
Other revenue	446,694	2,439,504	(81.69)
Net Loss before tax	(570,618)	(817,062)	30.16
Net Loss after tax	(570,618)	(817,062)	30.16
Net Assets	2,922,783	4,086,444	(28.48)
Net Assets excl Deferred Tax Assets (DTA)	2,922,783	4,086,444	(28.48)
Net Tangible Assets per share	0.03	0.05	(40)
Net Tangible Assets per share (excluding DTA)	0.03	0.05	(40)
Dividend paid on ordinary shares	Nil	Nil	-

Commentary and explanation of the results

Summary

- Loss before tax of \$570,618 for the half-year to 31 December 2010.
- Loss after tax of \$570,618 for the half-year to 31 December 2010.
- Net Tangible Assets per share remained at \$0.03 as at 31 December 2010 from 30 June 2010.
- Basic earnings per share was a loss of 0.67 cents in the half-year to 31 December 2010.
- No dividend has been paid or declared.

Performance

The results were adversely affected by ongoing legal costs and consulting fees relating to:

- Claim against Richard Wallace and his related entities; and
- Investment in Hal Data Services Pty Limited (**HDS**).

Commentary

Commentary on the results for the period is contained in the Directors Report accompanying the Interim Half Year Financial Report dated 28 February 2011.

NOTES

1. The current reporting period is the half-year ended 31 December 2010. For Appendix 4D, the comparative period is the half-year ended 31 December 2009.
2. This report is based on accounts which have been the subject of audit review.
3. All the documents comprise the information required by listing rule 4.2.A.
4. The information should be read in conjunction with the most recent annual report.

WALLACE ABSOLUTE RETURN LIMITED
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**WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788**

PORTFOLIO

AS AT 31 DECEMBER 2010

PORTFOLIO POSITIONS

There were no listed investments on hand as at 31 December 2010.

Cash and Cash Equivalents

Total Value \$
881,815

UNLISTED INVESTMENTS AND FIXED INTEREST SECURITIES

Name

Hal Data Services Pty Limited – Shares and Loan Note
Finance Facility provided to Hal Data Services Pty Limited

Total Value \$
Nil
2,248,001

TOTAL

2,248,001

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

In respect of the half year ended 31 December 2010, the directors of the company submit the following report together with the financial statements of Wallace Absolute Return Limited ("the Company").

The names of directors who held office during or since the end of the half year:

Mr Gabriel Radzynski	Chairman – Non-Executive (appointed 21 September 2010)
Mr Mark Smith	Director - Non-Executive (appointed 21 September 2010)
Mr Steve White	Director – Independent Non-Executive (appointed 21 September 2010)
Mr Mark Schiliro	Director – Independent Non-Executive (appointed 13 August 2010)
Mr Kenneth Barry	Former Chairman – Non-Executive (resigned 21 September 2010)
Mr Alan Liddle	Director – Non-Executive (resigned 21 September 2010)
Mr Michael Birch	Director – Managing (resigned 21 September 2010)

Review of operations	6 months to 31/12/2010	6 months to 31/12/2009
	\$	\$
Loss before income tax	(570,618)	(817,062)
	<hr/>	<hr/>
Loss from ordinary activities after income tax	<u>(570,618)</u>	<u>(817,062)</u>
Net Assets	2,922,783	4,086,444
Net Assets excluding Deferred Tax Assets	2,922,783	4,086,444
Loss per share (cents per share)	(0.67)	(0.97)

Performance

Wallace Absolute Return Limited recorded a loss of \$570,618 for the half year to 31 December 2010.

The period between 30 June 2010 and 31 December 2010 is best described in two parts: the first, until late September was a time when the Company was the subject of two competing takeover bids, and expenses during this period reflect this; the second, from 21 September onwards, following the close of the successful takeover offer by Armidale Investment Company Pty Ltd (**AIC**), and the nomination of new Directors to the Board and the resignation of the former Directors, was a time when the new Directors were focused on reducing recurring operating costs and gaining value from the Company's exposure to Hal Data Services Pty Ltd (**HDS**).

During the half year, the Company has:

1. Been the subject of two competing takeover offers, leading to significant one-off costs.
2. Reduced on-going operational costs following the close of the successful takeover offer from AIC, and the appointment of AIC's nominees as Directors and the resignation of the former Directors.
3. Undertaken an operational review of HDS, following which a first ranking secured loan facility was established; and
4. Placed an additional 12,600,000 fully paid shares to wholesale investors, raising gross proceeds of \$882,000.

WALLACE ABSOLUTE RETURN LIMITED
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DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Performance (Continued)

The Directors, on 29 December 2010, also conditionally agreed with HDS and a number of parties, including Richard Wallace and his related entities to substantially restructure the existing financing from Lease Company of Australia Pty Ltd (**LCA**) in favour of HDS (**HDS/LCA Restructure**).

The restructure involves the cancellation of some of the current LCA notes, reducing the LCA notes outstanding from approximately \$24 million to \$3.5 million. The arrangements when completed will have the effect of materially reducing HDS's interest cost.

The company will also acquire LCA for \$100,000. The agreement is contingent on approval of the HDS/LCA Restructure by the LCA Noteholders.

Litigation against Richard Wallace and his related entities

On 29 December 2010 the Directors conditionally agreed to settle its litigation with Richard Wallace and associated entities by seeking a court order to award judgement in favour of those defendants with no orders as to costs.

The agreement is contingent on LCA Noteholder approval of the HDS/LCA Restructure and approval by the Supreme Court of NSW.

HDS Obligations to WAB

The Company's current position with HDS involves:

- A restructuring of the Company's investment in shares, loans and debentures issued by HDS announced (Amended Loan Note) announced on 27 November 2009; and
- A new financing facility provided by WAB to HDS (**HDS Debt Facility**), announced on 24 December 2010.

The key elements of the current debt structure arrangement are:

- HDS has met its minimum repayment obligations; \$57,161 was paid to the Company on 29 July 2010.
The remaining repayment obligations are as follows:
\$4,048,740 payable on 31 July 2011; and
\$4,231,294 payable on 31 July 2012
- The Amended Loan Note documentation also provides greater protections to the Company including:
 - ongoing reporting obligations;
 - a minimum repayment schedule (as above); and
 - guarantees from operating entities in the HDS Group.
- The loan will not bear interest. Instead, HDS has granted the Company an option to be issued ordinary shares in HDS. The option is exercisable in the following scenarios:
 - where HDS has fully repaid the principal outstanding, the Company has the right to require the issue to it of shares taking its total shareholding to 45% of HDS's equity (currently at 11.51%); and
 - where HDS defaults under the loan agreement, the Company can require the issue to it of shares taking its total shareholding to between 45% and 90% of HDS's equity, depending on the level of principal remaining outstanding under the loan agreement at the time of the default.

**WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788**

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

HDS Obligations to WAB (Continued)

The restructuring agreement with HDS was subject to a number of conditions subsequent which have not yet been fulfilled. The Company has been in receipt of all information required under the terms of the restructuring and continues to work with HDS to the extent it can to support its business and the requirements of secured creditors.

In determining a valuation of its investment in HDS as at 31 December 2010 the Directors continue to value the investment in HDS at \$Nil because the restructuring of HDS's financing from LCA is subject to a number of conditions precedent, none of which have been satisfied as at 31 December 2010.

The Directors intend to seek an independent valuation of the Company's interests in HDS following the satisfactory completion of all conditions precedent to the HDS/LCA Restructure.

Outlook

The HDS Debt Facility was drawn as at 31 December 2010 to approximately \$2,248,001. The first interest payment of \$44,567 was received subsequent to the balance date.

Based on the current level of income expected from the HDS Debt Facility (assuming the principal outstanding remains at current levels and that HDS makes all interest payments), the Company expects to meet its level of recurring expenses current as at the date of this report. There is of course, no guarantee that either income or expenses will remain at these levels.

The company intends to explore further opportunities to provide funding to HDS if it considers these offer an attractive return opportunity (with an acceptable level of risk) and if these have the potential to contribute to enhancing the value of the Company's historic exposure to HDS.

The company is also revising the current absolute investment policy to ensure it is appropriate for the current capital base of the Company. The Directors will release to the market any changes to this policy ahead of its taking effect.

The Directors sold down the listed portion of the Company's portfolio in anticipation of agreeing to provide additional financing to HDS. Until the conditions precedent of the HDS/LCA Restructure are met, the Company will keep the remainder of the company assets in cash or cash equivalents.

Dividends Declaration

No dividend has been paid or declared during the period (2009: Nil).

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed on behalf of the Board in accordance with a resolution of the Directors.



GABRIEL RADZYMSKI

Chairman

In Sydney, this 28 day of February 2011

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**Auditor's Independence Declaration
To The Directors of Wallace Absolute Return Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Wallace Absolute Return Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



G S Layland
Director - Audit & Assurance

Sydney, 28 February 2011

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Notes	31/12/2010 \$	31/12/2009 \$
Unrealised Gain on Investments		-	99,539
Realised Gain on Investments		154,882	-
Interest Income		25,752	2,086,889
Dividend Income		50,746	6,053
Other Income		370,196	247,023
Brokerage and Other Investment Costs		(410)	(3,054)
Administration Expenses		(13,118)	-
Doubtful Debts Expense		-	(2,296,742)
Consulting Fees – Corporate and Other Advisory Fees		(513,154)	(146,129)
Consulting Fees – Michael Birch		(116,974)	(190,706)
Directors' Fees		(82,101)	(57,310)
Legal Fees		(151,034)	(334,575)
Finance Costs		(3,479)	(12,811)
Other Expenses		(291,924)	(215,239)
Loss before Income Tax		(570,618)	(817,062)
Income Tax Expense		-	-
Loss after Income Tax for the Period		(570,618)	(817,062)
Other Comprehensive Income		-	-
Total Comprehensive Loss for the Period		(570,618)	(817,062)
Loss Attributable to Owners of the Company		(570,618)	(817,062)
Comprehensive Loss Attributable to Owners of the Company		(570,618)	(817,062)
Basic and Diluted Loss per Share (Cents per Share)	3	(0.67)	(0.97)

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	31/12/2010 \$	30/06/2010 \$
ASSETS			
Cash and Cash Equivalents		881,815	1,376,221
Trade and Other Receivables	4	2,257,171	258,337
Current Tax Assets		4,943	3,032
Financial Assets - Held for Trading	5	-	1,554,704
Financial Assets - Loans and Receivables	5	-	-
Financial Assets – Available for Sale	5	-	-
Other Assets		9,743	58,691
Plant and Equipment		342	515
TOTAL ASSETS		<u>3,154,014</u>	<u>3,251,500</u>
LIABILITIES			
Trade and Other Payables		231,231	612,599
TOTAL LIABILITIES		<u>231,231</u>	<u>612,599</u>
NET ASSETS		<u>2,922,783</u>	<u>2,638,901</u>
EQUITY			
Issued Capital	7	90,346,331	89,491,831
Accumulated Losses		(87,423,548)	(86,852,930)
TOTAL EQUITY		<u>2,922,783</u>	<u>2,638,901</u>

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2009	89,491,831	(84,588,325)	4,903,506
Total Comprehensive Income for the Period			
Loss for the Period	-	(817,062)	(817,062)
Other Comprehensive Income for the Period	-	-	-
Total Comprehensive Income for the Period	-	(817,062)	(817,062)
Balance at 31 December 2009	<u>89,491,831</u>	<u>(85,405,387)</u>	<u>4,086,444</u>
Balance at 1 July 2010	89,491,831	(86,852,930)	2,638,901
Total Comprehensive Income for the Period			
Loss for the Period	-	(570,618)	(570,618)
Other Comprehensive Income for the Period	-	-	-
Total Comprehensive Income for the Period	-	(570,618)	(570,618)
Transactions with Owners, Recorded Directly in Equity			
Issue of Share Capital	882,000	-	882,000
Share Issue Costs	(27,500)	-	(27,500)
Balance at 31 December 2010	<u>90,346,331</u>	<u>(87,423,548)</u>	<u>2,922,783</u>

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

WALLACE ABSOLUTE RETURN LIMITED
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STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	31/12/2010	31/12/2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Sale of Investments	1,709,177	-
Dividends Received	55,415	6,720
Interest Received	25,752	47,431
Other Receipts from Investment Activities	61,888	280
Payments for Investments Purchased	-	(1,131,543)
Payments to Suppliers and Employees	(1,508,274)	(825,971)
Finance Costs	(3,479)	(13,040)
Income Tax Paid	-	(598,639)
Net Cash (Used) / Provided in Operating Activities	340,479	(2,514,762)
CASH FLOWS FROM INVESTING ACTIVITIES		
HDS Loan Provided	(1,689,385)	-
Purchases of Equipment	-	(13,377)
Cash (Used) in Investing Activities	(1,689,385)	(13,377)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	854,500	-
Cash Provided in Investing Activities	854,500	-
Net (Decrease) in Cash Held	(494,406)	(2,528,139)
Cash and Cash Equivalents at the Beginning of the Half Year	1,376,221	5,798,505
Cash and Cash Equivalents at the End of the Half Year	881,815	3,270,366

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The half year financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard *AASB134: Interim Financial Reporting*, and other applicable Australian Accounting Standards (including Australian Accounting Interpretations).

These half year financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly these half year financial statements are to be read in conjunction with the 30 June 2010 annual financial statements and any public announcements made by Wallace Absolute Return Limited ("the Company") during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

These half-year financial statements were approved by the Board of Directors on 28 February 2011. The accounting policies have been consistently applied, unless otherwise stated, and are consistent with those in the 30 June 2010 annual financial statements and the corresponding interim report.

The financial statements have been prepared on an accruals basis and are based on historical cost with the exception of financial assets and liabilities which have been measured at fair value.

(b) Impairment of Financial Assets

At each reporting date, entities must assess whether there is any objective evidence of impairment of a financial asset as a result of past events that could have an impact on the estimated future cash flows expected to be generated by the financial asset. Where such evidence exists, a formal impairment test needs to be conducted.

Where a permanent impairment is identified, the impairment loss is recognised in the Statement of Comprehensive Income. Subsequent declines in that asset must also be recognised directly to the Statement of Comprehensive Income.

Refer to Note 6 for further information.

(c) Details of Reporting Period

The current reporting period is the half year ended 31 December 2010. For the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows, the previous corresponding period is the half year ended 31 December 2009. For the Statement of Financial Position, the previous corresponding date is 30 June 2010.

(d) Segment Reporting

The half year financial statements are for the individual entity Wallace Absolute Return Limited. It is a publicly listed company limited by shares, incorporated and domiciled in Australia. The company is engaged in investment activities conducted predominantly in Australia and derives revenue and investment income from listed and unlisted securities and fixed interest securities.

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

NOTE 2 - DIVIDEND PAID

No dividend was paid during the half year or has been declared since half year end.

NOTE 3 - LOSS PER SHARE

	31/12/2010	31/12/2009
Basic (loss) per share (cents per share)	(0.67)	(0.97)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	85,499,251	84,455,052

No adjustments were made to the loss from ordinary activities after income tax shown on the Statement of Comprehensive Income in deriving earnings used in the calculation of basic loss per share.

Diluted loss per share is the same as basic loss per share.

NOTE 4 – TRADE AND OTHER RECEIVABLES

	31/12/2010	30/6/2010
	\$	\$
GST Receivable	7,722	7,882
Claims Receivable - HDS	-	244,505
Loan Receivable - HDS	2,248,001	-
Interest Receivable	167	-
Dividends Receivable	1,281	5,950
	<u>2,257,171</u>	<u>258,337</u>

NOTE 5 - FINANCIAL ASSETS

	31/12/2010	30/6/2010
	\$	\$
Investments		
Total market value of investments held long	-	1,554,704
	<u>-</u>	<u>1,554,704</u>
a. Listed investments held for trading:		
Listed Shares	-	1,554,704
	<u>-</u>	<u>1,554,704</u>

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

NOTE 5 - FINANCIAL ASSETS (CONTINUED)

	31/12/2010	30/6/2010
	\$	\$
b. Investments in unlisted corporations available for sale:		
Hal Data Services Pty Limited – Shares at cost	4,601,135	4,601,135
Less Impairment	(4,601,135)	(4,601,135)
	-	-
c. Loans and securities:		
Hal Data Services Pty Limited – Loan Note at cost	36,973,878	37,031,039
Less Impairment	(36,973,878)	(37,031,039)
	-	-

Investments in HDS

In determining a valuation of its investment in HDS as at 31 December 2010 the Directors continue to value the investment in HDS at \$Nil because the restructuring of HDS's financing from LCA is subject to a number of conditions precedent, none of which have been satisfied as at 31 December 2010.

The Directors intend to seek a valuation of the Company's interests in HDS following the satisfactory completion of all conditions precedent to the HDS/LCA Restructure.

NOTE 6 - IMPAIRMENT

The directors of the company have valued shares and debt securities in Hal Data Services Pty Limited at \$Nil.

No impairment loss has been recognised (2009: \$Nil).

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

NOTE 7 - ISSUED CAPITAL

	31/12/2010	30/6/2010
	\$	\$
Issued and paid-up capital		
97,055,052 (30/6/2010: 84,455,052) fully-paid ordinary shares issued	<u>90,346,331</u>	<u>89,491,831</u>

NOTE 8 - CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

No contingent liabilities or capital commitments existed at 31 December 2010.

On 29 December 2010 the Directors conditionally agreed to settle its litigation with Richard Wallace and associated entities by seeking a court order to award judgement in favour of those defendants with no orders as to costs.

The agreement is contingent on LCA Noteholder approval of the HDS/LCA Restructure and approval by the Supreme Court of NSW.

NOTE 9 - EVENTS SUBSEQUENT TO BALANCE DATE

ASX Announcements

The Company made two announcements on its Net Tangible Assets dated 14 January 2011 and 14 February 2011.

Renounceable Rights Issue

The company was successful in its Renounceable Rights Issue raising \$2,264,618 from eligible shareholders. The shortfall in application was 10,553,728 shares where eligible shareholders applied for 7,161,258 additional new shares. The new shares were issued on 1 February 2011.

In accordance with the terms of the Shortfall Offer, 5,276,864 shares were issued to applicants under the Shortfall Offer and 5,276,864 shares were issued to the Underwriter Presmore Pty Limited as trustee of Serendipity Trust.

Change of Interests of Substantial Shareholder

The voting power of combined shareholdings of Presmore Pty Limited ATF Smith Miller Family Trust, Presmore Pty Limited ATF Serendipity Trust and Armidale Investment Company Pty Limited reduced from 67.9% to 59.1% as a result of the placement of 12,600,000 fully paid shares and then increased from 59.1% to 62.3% following the Renounceable Rights Issue.

WALLACE ABSOLUTE RETURN LIMITED
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DIRECTORS' DECLARATION

The directors of Wallace Absolute Return Limited declare that:

1. The financial statements and notes, as set out on pages 7 to 14 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position of the company as at 31 December 2010 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



GABRIEL RADZYMSKI
Chairman

Dated in Sydney this 28 day of February 2011

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Independent Auditor's Review Report To the Members of Wallace Absolute Return Limited

We have reviewed the accompanying half-year financial report of Wallace Absolute Return Limited ("Company"), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Wallace Absolute Return Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



Grant Thornton

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Wallace Absolute Return Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G S Layland
Director - Audit & Assurance

Sydney, 28 February 2011