WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788

Appendix 4E Statement
Preliminary Final Report

RESULTS FOR ANNOUNCEMENT TO THE MARKET
YEAR ENDED 30 JUNE 2010

All comparisons to the year ended 30 June 2009

2.1 Comparison to prior year

	Current Year 2010 $	Prior Year 2009 $	Up/ Down	% change from prior year
Revenue profit/ (loss) from ordinary activities	143,000	(46,652,483)	Up	100.3%
(Loss) before income tax attributable to members	(2,264,605)	(48,679,431)	Down	95.3%
Net (Loss) after tax attributable to members	(2,264,605)	(59,601,460)	Down	96.2%

2.2 Dividends (distributions)

No dividends were declared or paid during the year.

2.3. NTA Backing	2010	2009
Net tangible asset backing per share	$0.03	$0.06

2.4 Summary and comments

- Loss after tax of $2.3 million for the year to 30 June 2010 compared to a loss after tax of $59.6 million for the year to 30 June 2009.
- Net Tangible Assets per share fell to $0.03 as at 30 June 2010 compared to $0.06 as at 30 June 2009.
- Basic loss per share was a loss of $0.03 in the year to 30 June 2010 compared to a loss of $0.70 for the year to 30 June 2009.
- Results were adversely affected as a consequence of significant non recurring expenses being incurred as a result of the strategic review of the Company.

This report is based on the Financial Report which is in the process of being audited.

All the documents comprise the information required by Listing Rule 4.3A

2.5 Returns to shareholders (including distributions and buy backs)

No buybacks occurred and no dividends were paid or declared during the year.

2.6 Significant features of operating performance

Wallace Absolute Return Limited reports a loss after tax for the year to 30 June 2010 of $2,264,605.

The performance of the Company was unsatisfactory for the year, however the Company was subjected to a number of non-recurring expenses due to the Company undertaking a strategic review of operations which was announced to shareholders at its 2009 Annual General Meeting (AGM).

The strategic review of the Company was instigated by the Board of Directors ("the Board") to address the fact that, in the view of the Board, the Company did not have sufficient scale based on its liquid assets to remain a viable independent entity.

The Board considered that these expenses should be incurred to deliver a strategic outcome to shareholders, namely, to give shareholders the option of either participating in a recapitalisation of the Company or sell into a takeover offer for the shares of the Company.

2.7 Report on trends in performance

The key trend which the Board expects to impact performance going forward is that unless additional capital is raised, the expense base of the Company will exceed the revenue generated by the assets of the Company.

The Company instigated a capital raising in the second half of the financial year that was not completed and monies were returned. In the view of the Board, given the differential between expenses and revenue, unless further capital is raised the net asset value of the Company will continue to decline.

The Board has invested Company funds into the equity market as the Board expects that over the long term this will provide a higher return than bank interest rates. With regard to the share portfolio held by the Company, the following factors may adversely impact the performance of the portfolio:

- Deterioration in the global economic outlook;
- Sovereign debt fears;
- Inflationary pressures; and
- Non-systemic individual stock risks.

2.8 Report any factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified

Expenses - Takeover Offers

The Company has received takeover offers from Armidale Investment Company Pty Limited (“AIC”) and E-Quest Capital Pty Limited (“E-Quest”), which have a number of implications for both the current reporting period and future performance of the Company. The Company has estimated further expenses which may be incurred following a completed takeover offer from either AIC or E-Quest.

In the Target’s Statement lodged with the ASX on 6 August 2010 in response to the E-Quest offer, the Company outlined expenditure which it considers material. If these forecast costs are incurred, it will result in a net tangible asset value of approximately 2.3 cents per share.

Litigation

In July 2009, the Company filed a damages claim in the Supreme Court of New South Wales against its former fund manager, Wallace Funds Management Pty Limited (in liquidation) (“WFM”) and former Managing Director, Richard Wallace and his related entities. WFM filed a cross-claim against the Company, including in relation to unpaid fees and other expenses.

On 15 June 2010, administrators were appointed to WFM. On or about 20 July 2010, WFM was placed into liquidation. As a result of these events, under the Corporations Act the proceedings against WFM are automatically stayed. The stay does not directly affect the Company’s claims against the other defendants. The liquidators (then administrators) of WFM were requested to consent to lifting the stay but they indicated that they did not wish to take any further part in the proceedings. The Company is at present considering applying to the Court for leave to continue the proceedings against WFM.

Whilst the Company would appear to have a strong case against WFM, Richard Wallace and the other defendants, the litigation risk and the related ability to recover any damages or costs award are inherently uncertain.

Return from HAL Data Services Pty Limited (“HAL”)

On 26 November 2009, the Company and HAL agreed to restructure the Company’s investments in HAL under a loan facility.

HAL is required to pay the Company an agreed percentage of free cash flow from its operations, after servicing commitments to secured creditors, towards repayment of the principal outstanding under the loan facility. A third party, Solar Fund is entitled to approximately 6.1% of any payments that are made to the Company.

HAL's minimum repayment obligations to the Company are as follows:

$53,679 payable on 31 July 2010;
$4,048,740 payable on 31 July 2011; and
$4,231,294 payable on 31 July 2012.

Post balance date, HAL made its minimum repayment obligation of $53,679 by 31 July 2010.

The Board is unable to establish whether the investment in HAL at cost of $41,632,174 is recoverable at 30 June 2010. The Board has valued the investment in HAL Data Services Pty Limited ("HAL") at $Nil for the following reasons:

- an independent expert has valued the Company's investment in HAL at between $Nil and $2m and, has stated that "there is a very high risk that WAB will not receive any material return from its investment in HAL";
- the Company has no security for the debt investment;
- there are a number of secured creditors ranking ahead of the Company; and
- trading conditions for HAL remain very difficult.

Appointment of Additional Director

The Board appointed Mr Mark Schiliro as a non-executive director of the Company on 13 August 2010.

Michael Birch
Managing Director

Date: 31 August 2010

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Proceeds from the sale of investments		2,399,864	30,421,387
Cost of investments sold		(2,465,793)	(36,421,939)
Unrealised loss on investments		(167,909)	-
Other income - legal and consulting fees recoverable	2	244,505	-
Other revenue from ordinary activities	2	780	111,970
Dividend income		56,195	196,981
Interest income		91,247	4,162,103
Impairment loss on investments	8	-	(41,632,174)
Brokerage and other investment costs		(6,377)	(23,724)
Depreciation and amortisation expenses		(1,030)	(8,309)
Administration expenses	3a	-	(163,983)
Borrowing costs		(29,194)	(195,204)
Consulting fees		(421,349)	(146,270)
Directors' fees		(494,218)	(319,712)
Doubtful debts expense - claims/interest receivable	7	(10,542)	(3,518,120)
Legal fees		(890,466)	(398,484)
Other expenses from ordinary activities		(570,318)	(743,953)
(Loss) before income tax (expense) / benefit		**(2,264,605)**	**(48,679,431)**
Income tax (expense) / benefit	4	-	(10,922,029)
(Loss) attributable to members	**3**	**(2,264,605)**	**(59,601,460)**
Other comprehensive income			
Other comprehensive income net of tax		-	-
Total comprehensive loss for the year		**(2,264,605)**	**(59,601,460)**
Basic and diluted (loss) per share (cents per share)	**5**	**(2.68)**	**(70.45)**

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010 $	2009 $
ASSETS			
Cash and cash equivalents	**6**	1,376,221	5,798,505
Trade and other receivables	**7**	258,337	18,709
Current tax asset	**4**	3,032	-
Financial assets - held for trading	**8a**	1,554,704	-
Financial assets - available for sale	**8b**	-	-
Financial assets - loans and receivables	**8c**	-	-
Other assets	**9**	58,691	15,717
Deferred tax assets	**4**	-	-
Plant and equipment	**10**	515	1,545
TOTAL ASSETS		**3,251,500**	**5,834,476**
LIABILITIES			
Trade and other payables	**11**	612,599	333,508
Current tax liabilities	**12**	-	597,462
Deferred tax liabilities		-	-
TOTAL LIABILITIES		**612,599**	**930,970**
NET ASSETS		**2,638,901**	**4,903,506**
EQUITY			
Issued capital	**13**	89,491,831	89,491,831
Accumulated losses	**14**	(86,852,930)	(84,588,325)
TOTAL EQUITY		**2,638,901**	**4,903,506**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital $	(Accumulated Losses) $	Total Equity $
At 1 July 2008	**89,491,831**	**(24,986,865)**	**64,504,966**
Total comprehensive income for the period			
Loss for the year	-	(59,601,460)	(59,601,460)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(59,601,460)	(59,601,460)
At 30 June 2009	**89,491,831**	**(84,588,325)**	**4,903,506**
At 1 July 2009	**89,491,831**	**(84,588,325)**	**4,903,506**
Total comprehensive income for the period			
Loss for the year	-	(2,264,605)	(2,264,605)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(2,264,605)	(2,264,605)
At 30 June 2010	**89,491,831**	**(86,852,930)**	**2,638,901**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from the sale of investments		2,397,276	28,428,698
Dividends received		58,412	820,217
Interest received		91,247	1,160,902
Other receipts from customers		780	111,970
Payments for investments purchased		(4,192,196)	(10,616,369)
Payments to suppliers and employees		(2,148,115)	(1,843,233)
Borrowing costs		(29,194)	(195,203)
Income tax refund/(paid)		(600,494)	778,519
Net cash (used in) / provided by operating activities	**16b**	**(4,422,284)**	**18,645,501**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		-	(2,118)
Net cash used in investing activities		-	**(2,118)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from rights issue		881,696	-
Refund of cancelled rights issue		(881,696)	-
Net cash provided by / (used in) financing activities		**-**	**-**
Net (decrease) / increase in cash held		**(4,422,284)**	**18,643,383**
Cash at the beginning of the financial year		**5,798,505**	**(12,844,878)**
Cash at the end of the financial year	**16a**	**1,376,221**	**5,798,505**

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

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Wallace Absolute Return Limited ("the Company") is a listed public company, incorporated and domiciled in Australia. The financial report of the Company complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

New Accounting Standards and Interpretations

The accounting policies set out below have been consistently applied to all years presented except for the adoption of the following new and revised Accounting Standards as of 1 July 2009.

AASB 101 Presentation of Financial Statements
In September 2007 the Australian Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Terminology changes
The revised version of AASB 101 contains a number of terminology changes, including the amendments of the names of the primary financial statements.

Reporting changes in equity
The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the Statement of Changes in Equity, with non-owner changes in equity presented in the Statement of Comprehensive Income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the Statement of Changes in Equity.

Statement of comprehensive income
The revised AASB 101 requires all income and expenses to be presented in either one statement, the Statement of Comprehensive Income, or two statements, a separate Income Statement and a Statement of Comprehensive Income. The previous version of AASB 101 required only the presentation of a single Income Statement.

The Company has elected to present one statement.

Other comprehensive income
The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the Statement of Comprehensive Income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

B. Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Taxation Office ("ATO").

i. Trading Income

Profits and losses realised from the sale of investments and unrealised gains and losses are included in the Statement of Comprehensive Income in the year they are incurred. Realised and unrealised profits and losses on trading derivative instruments are reflected in the Statement of Comprehensive Income (refer to Note 1D).

ii. Dividend Income

Dividends and distributions are brought to account on the date that the shares or units are traded ex-dividend. All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii. Interest Income
Interest income is recognised as it accrues, taking into account the effective interest rate on the associated financial asset.

iv. Other Income
Other income is recognised when the right to receive the income has been established.

C. Cash and cash equivalents
For the purpose of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions net of bank overdrafts, and investments in money market instruments maturing within less than two months.

D. Financial instruments
Recognition and Initial Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention. This is the date the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement
i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial instruments (continued)

v. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated as:

a the amount at which the financial asset or financial liability is measured at initial recognition;
b less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Derivative instruments

Derivative financial instruments held by the Company are traded in a less active market. The use of settlement price provided by recognised exchanges is a valuation technique commonly used by market participants to price derivative instruments and it has been demonstrated to provide reliable estimates of prices obtained in actual market transactions. An appropriate measure of fair value is the use of a valuation technique which includes using recent arm's length market transactions between knowledgeable and willing parties, discounted cash flow analysis and option pricing models.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

E. Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment of value.

Depreciation is calculated on a straight line basis over the useful life of the asset commencing from the time the asset is held ready for use.

The useful lives used for each class of depreciable assets are:

Computer	3 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Impairment of financial assets

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

Individually significant financial assets are tested for impairment separately. The remaining financial assets are assessed on a group basis based on credit risk.

An impairment loss on loans and receivables is calculated as the difference between its carrying amount and either its fair value or the present value of the estimated future cash flows. An impairment loss on an available-for-sale financial asset is calculated by reference to its fair value.

Impairment losses are recognised in the Statement of Comprehensive Income.

G. Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

H. Critical accounting estimates and judgments

The Board of Directors ("the Board") evaluates estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

The Board has valued the investment in HAL Data Services Pty Limited ("HAL") at $Nil.

The Company commissioned an independent valuation of HAL which was included in the Company's Target Statement in response to the off-market bid made by Armidale Investment Company Pty Limited which was lodged with the ASX on 26 July 2010. The independent expert adopted a valuation range for the Company's investment in HAL of $Nil to $2m. The Board has adopted a nil valuation as stated in Notes 8 and 19.

Key estimates

(i) *Impairment*

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Critical accounting estimates and judgments (continued)

Key judgments

(ii) *Claims Receivable - HAL*

Included in trade receivables at the end of the reporting period is an amount receivable from HAL for $244,505 representing costs recoverable on restructuring of the HAL debt. No provision has been recognised in the accounts against this amount.

(iii) *Recognition of Deferred Tax Assets*

A deferred tax asset of $25,750,256 has not been recognised as the Company is of the opinion that there will not be sufficient foreseeable taxable profits in order to offset the tax losses (See Note 4).

Apart from the above there are no estimates or judgments that have a material impact on the financial results of the Company for the year ended 30 June 2010.

I. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

J. Goods and services tax (GST)

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of tax recoverable from, or payable to the ATO is included within other assets or other liabilities.

Cash flows are presented in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

K. Segment reporting

The financial report is for the entity Wallace Absolute Return Limited. Wallace Absolute Return Limited is a publicly listed Company limited by shares, incorporated and domiciled in Australia. The Company is engaged in investment activities, conducted primarily in Australia.

L. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

M. Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

N. New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of the following standards:

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 (applicable for annual reporting periods commencing on or after 1 January 2013).

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. New Accounting Standards for Application in Future Periods (continued)
These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    a) the objective of the entity's business model for managing the financial assets; and
    b) the characteristics of the contractual cash flows.

AASB 24: Related Party Disclosure (Revised) (applicable for annual reporting periods commencing on or after 1 January 2012).

This standard is applicable retrospectively and the Company has not yet determined the potential impact on the financial statements.

This standard has clarified the definition of a related party to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

AASB 8: Operating Segments has been changed but will have no material impact for the Company.

There are no other impending changes that will have a material impact on the financial statements of the Company.

	Note	2010 $	2009 $
NOTE 2 - REVENUE			
Other revenue from ordinary activities consists of the following:			
Sundry income		780	1,690
Claims Receivable – HAL		244,505	-
Foreign exchange gain		-	110,280
		245,285	**111,970**
NOTE 3 – PROFIT /(LOSS) FROM ORDINARY ACTIVITIES			
Profit /(loss) from ordinary activities before income tax expense has been determined after:			
a. Administration expenses			
Management fee	18	-	163,983
		-	**163,983**
b. Auditor's remuneration			
Auditing or reviewing the financial report		85,700	89,210
Other services provided by related practice of auditor		14,500	12,559
		100,200	**101,769**
NOTE 4 - TAXATION			
a. Income tax expense			
The components of tax expense comprise:			
- Current tax (includes reversal of deferred tax balances)		-	10,922,029
- Deferred tax		-	-
		-	**10,922,029**
b. Current and deferred tax balances			
Assets			
- Deferred tax assets		-	-
- Income tax		3,032	-
		3,032	**-**
Liabilities			
- Current tax liability	12	-	597,462

	Note	2010 $	2009 $

NOTE 4 – TAXATION (continued)

c. Numerical reconciliation of current income tax expense prima facie tax payable		
(Loss) for the year before tax	(2,264,605)	(48,679,431)
Tax at the Australian tax rate of 30%	(679,382)	(14,603,829)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Imputation credits	22,319	176,131
- Under(over) provision for income tax, prior year	-	-
- Tax effect on investment in HAL not recognised	-	12,489,652
- Derecognition of deferred tax asset/liability	-	10,324,567
- Non deductible expenses	1,071	-
- Temporary differences (incl excess franking credits converted to losses) and tax losses not recognised	655,992	2,535,508
Current income tax expense /(benefit)	**-**	**10,922,029**
d. Dividend franking account		
30% franking credits available to the shareholders of the Company for subsequent financial years	-	(597,462)

Franking credits as at 30 June 2010 of $22,319 have been converted to tax losses.

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

i. franking credits that will arise from the payment of the current tax liability;
ii. franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
iii. franking credits that will arise from the receipt of dividends recognised as receivables at the year-end; and
iv. franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available net assets to declare dividends, and the payment of dividends do not prejudice the Company's ability to pay its creditors and is fair and reasonable to the Company's shareholders as a whole.

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(a) occur. The unrecognised deferred tax asset as at 30 June 2010 is $25,750,256.

	2010 $	2009 $
NOTE 5 – LOSS PER SHARE		
a. Reconciliation of (loss) to net (loss)		
Net (loss)	(2,264,605)	(59,601,460)
Loss used in calculation of basic loss per share	**(2,264,605)**	**(59,601,460)**
b. Weighted average number of shares	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted (loss) per share	84,455,052	84,455,052

NOTE 6 – CASH AND CASH EQUIVALENTS

	2010 $	2009 $
Cash at bank	1,376,221	5,798,505
	1,376,221	**5,798,505**

Cash balances not available for use:
A cash balance of $20,000 (2009: $20,000) held in a term deposit is not available for use by the Company at the reporting date due to the amount being a performance bond, lodged to satisfy the requirements of the Company's Australian Financial Services License. A term deposit of $26,162.47 is also held as part of the Company’s ASX listing requirements.

Terms and conditions:
The weighted average interest rate for cash and cash equivalents as at 30 June 2010 was 3.19% (2009: 1.84%).

NOTE 7 – TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
GST receivable	7,882	-
Interest Receivable – Notes, Debentures and Bonds	-	3,528,661
Less Provision for Doubtful Debts	-	(3,518,119)
Claims receivable - HAL	244,505	-
Dividends receivable	5,950	8,167
	258,337	**18,709**

Included in trade receivables at the end of the reporting period is an amount receivable from HAL for $244,505 representing costs recoverable on restructuring of the HAL debt.

Interest receivable of $10,542 was written off in 2010 as part of the HAL restructuring.

	Note	2010 $	2009 $
NOTE 8 – FINANCIAL ASSETS			
Investments			
Total market value of investments held long	8a	1,554,704	-
		1,554,704	**-**
a. Market value of listed investments held for trading:			
Long positions			
Listed Shares		1,554,704	-
		1,554,704	**-**
b. Market value of 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. Market value of investments in loans and securities :			
HAL Data Services Pty Limited – Unsecured Notes at cost		-	37,031,039
HAL Data Services Pty Limited – Loan Note at cost		37,031,039	-
Less Impairment		(37,031,039)	(37,031,039)
		-	-

The loan note entitles the Company to receive principal payments in priority to the current equity holders in accordance with cash forecasts agreed between HAL Data Services Pty Limited (HAL) and the Company.

On 26 November 2009, the Company and HAL agreed to restructure the Company's investments in HAL under a loan facility. HAL is required to pay the Company an agreed percentage of free cash flow from its operations, after servicing commitments to secured creditors, towards repayment of the principal outstanding under the loan facility. A third party, Solar Fund is entitled to approximately 6.1% of any payments that are made to the Company.

HAL's minimum repayment obligations to the Company are as follows:

$53,679 payable on 31 July 2010;
$4,048,740 payable on 31 July 2011; and
$4,231,294 payable on 31 July 2012.

The loan note documentation also provides greater protections to the Company including:

- ongoing reporting obligations;
- a minimum repayment schedule; and
- guarantees from operating entities in the HAL Group.

The loan will not bear interest. Instead, HAL has granted the Company an option to be issued ordinary shares in HAL. The option is exercisable in the following scenarios:

- where HAL 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 HAL's equity; and
- where HAL 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 HAL's equity, depending on the level of principal remaining outstanding under the loan agreement at the time of the default.

	Note	2010 $	2009 $

NOTE 8 – FINANCIAL ASSETS (CONTINUED)

The Board is unable to establish whether the investment in HAL at cost of $41,632,174 is recoverable at 30 June 2010.

The Board has valued the investment in HAL Data Services Pty Limited ("HAL") at $nil for the following reasons:

- an independent expert has valued the Company's investment in HAL at between $Nil and $2m and, has stated that "there is a very high risk that WAB will not receive any material return from its investment in HAL" (also see note 19);
- the Company has no security for the debt investment;
- there are a number of secured creditors ranking ahead of the Company; and
- trading conditions for HAL remain very difficult.

NOTE 9 – OTHER ASSETS

		2010 $	2009 $
Prepayments		58,691	15,717
		58,691	**15,717**

NOTE 10 – PLANT AND EQUIPMENT

		2010 $	2009 $
Computer equipment and furniture - at cost		2,118	41,647
Less accumulated depreciation		(1,603)	(40,102)
		515	**1,545**
Movements in carrying amounts			
Movement in carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:			
Balance at the beginning of the year		1,545	7,736
Additions		-	2,118
Depreciation expense		(1,030)	(8,309)
Carrying amount at the end of the year		**515**	**1,545**

NOTE 11 – TRADE AND OTHER PAYABLES

	Note	2010 $	2009 $
Unclaimed shareholder distributions		131,463	132,338
Trade creditors		405,136	126,170
Accrued expenses		76,000	75,000
Amounts payable to Director-related parties	18a.	-	-
		612,599	**333,508**

Terms and conditions:
Trade creditors as at 30 June 2010 represent unpaid supplier invoices which are usually settled within 30 days.

Accrued expenses are settled within the terms of payment offered, which are usually within 30 days.

Trade and other payables are unsecured and non-interest bearing.

	Note	2010 $	2009 $
NOTE 12 – CURRENT TAX LIABILITIES			
CURRENT			
Income tax payable		-	597,462
		-	**597,462**

NOTE 13 – ISSUED CAPITAL

		2010 $	2009 $
Issued and paid-up capital			
84,455,052 (2009: 84,455,052) fully-paid ordinary shares issued		89,491,831	89,491,831
Fully-paid ordinary shares			
Balance at the beginning of the reporting period		89,491,831	89,491,831
Nil (2009: $Nil) shares bought back from on market share buy-back		-	-
Share issue costs net of tax		-	-
Balance at the end of the reporting period		**89,491,831**	**89,491,831**

a. Options
No options have been issued by the Company during the financial year. At balance date the number of options over ordinary shares in the Company was nil.

b. Ordinary Shares
Ordinary shares participate in the dividends and the proceeds on winding up of the Company in proportion to the number of shares held. In the event of winding up of the Company, ordinary shareholders rank after unsecured creditors.

At shareholder meetings a shareholder is entitled to vote on a show of hands and when a poll is called they are entitled to one vote for each ordinary share held.

c. Capital Management
Management controls the capital of the Company in order to maintain a good debt to equity ratio, endeavour to provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

		2010 $	2009 $

NOTE 14 – ACCUMULATED LOSSES

(Accumulated losses) at the beginning of the financial year		(84,588,325)	(24,986,865)
Net (loss) attributable to members of the entity		(2,264,605)	(59,601,460)
(Accumulated losses) at the end of the financial year		**(86,852,930)**	**(84,588,325)**

NOTE 15 - DIVIDENDS

There were no dividends paid during the year ended 30 June 2010 (2009 - $Nil).

NOTE 16 – CASH FLOW INFORMATION

a. Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

		2010 $	2009 $
Cash at bank	6	1,376,221	5,798,505
		1,376,221	5,798,505

b. Reconciliation of cash flow from operations with loss from ordinary activities after income tax

		2010 $	2009 $
Loss from ordinary activities after income tax		(2,264,605)	(59,601,460)
Non-cash flows in loss from ordinary activities			
Depreciation		1,030	8,309
Unrealised loss on investments		167,909	-
Changes in assets and liabilities:			
(Increase) / Decrease in trade debtors		(241,845)	1,913,255
Decrease in sundry debtors		2,217	623,236
(Increase) / Decrease in investments		(1,722,614)	65,207,798
(Increase) / Decrease in other assets		(42,974)	773,401
Increase/ (Decrease) in other payables and accruals		279,092	(1,201,067)
(Decrease) / Increase in income tax payable		(600,494)	10,922,029
Cash flows from operations		**(4,422,284)**	**18,645,501**

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	2010 $	2009 $

NOTE 17 – FINANCIAL RISK MANAGEMENT

Overview
The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board has overall responsibility for the establishment and oversight of the risk management framework.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company manages and monitors its credit risk, liquidity risk and market risk through the use of investment guidelines approved by the Board, which provides limits and targets on investment activities. Reports are provided to the Board on investment/liquidity activities.

a. Credit Risk
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at reporting date was:

	2010 $	2009 $
Cash and cash equivalents	1,376,221	5,798,505
Trade and other receivables	258,337	18,709
Financial assets - held for trading	1,554,704	-
Financial assets - available for sale	-	-
Financial assets - loans and receivables	-	-
Other financial assets	58,691	15,717
Total	**3,247,953**	**5,832,931**

Impairment losses
Interest on the investments in HAL Data Services Pty Limited in 2009 form part of Trade and Other Receivables and were past due and impairment losses of $3,518,119 were recognised during 2009. Apart from the claims receivable from HAL of $244,505, none of the Company's receivable balances at 30 June 2010 are past due.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables.

The Company's exposure to Trade and Other Receivables credit risk is influenced mainly by the individual characteristics of each party.

The Company limits its exposure to investment credit risk on cash by investing the majority of cash $1,293,172 (94%) in liquid securities with Macquarie Cash Management Trust and Westpac Banking Corporation Limited. Given the high credit ratings of both institutions, management does not expect any counterparty to fail to meet its obligations.

NOTE 17 – FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. As all derivative contracts are transacted through recognised exchanges, credit risk associated with these contracts is considered minimal.

b. Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2010

	Statement of Financial Position $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $	More than 5 years $
Non-derivative financial liabilities							
Trade and other payables	612,599	(612,599)	(612,599)	-	-	-	-
	612,599	**(612,599)**	**(612,599)**	**-**	**-**	**-**	**-**

30 June 2009

	Statement of Financial Position $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $	More than 5 years $
Non-derivative financial liabilities							
Trade and other payables	333,508	(333,508)	(333,508)	-	-	-	-
	333,508	**(333,508)**	**(333,508)**	**-**	**-**	**-**	**-**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

Typically, the Company ensures that it maintains at all times, levels equivalent to normal operating expenditure for at least one month to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's major cash outflows are the purchase of securities and payment of operating expenses, the levels of which are managed by the Board. The Company's inward cash flows depend upon the level of sales of securities, dividends, interest received and any exercise of options that may be on issue.

NOTE 17 – FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company monitors its cash flow requirements by reference to known transactions to be paid or received.

The Company holds a portion of its portfolio in cash and securities sufficient to ensure that it has cash available to meet all payments.

c. Market Risk
Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market place.

By its nature, as an investment company that invests in tradable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

The Company has investment guidelines which place limits on the composition of the investment portfolio.

d. Net Fair Values
The carrying amounts of financial instruments on the Statement of Financial Position approximate their net fair values.

Hierarchy Structure of Investments
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2010	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Listed investments held for trading	1,554,704	-	-	1,554,704
Investments in unlisted corporations available for sale	-	-	-	-
Investments in loans and securities	-	-	-	-
	1,554,704	-	-	1,554,704
30 June 2009				
Listed investments held for trading	-	-	-	-
Investments in unlisted corporations available for sale	-	-	-	-
Investments in loans and securities	-	-	-	-
	-	-	-	-

		2010 $	2009 $

NOTE 17 – FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Sensitivity Analysis
The Company has performed a sensitivity analysis relating to its exposure to interest rate risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis
At 30 June 2010, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2010 $	2009 $
Change in loss after tax		
- Increase in interest rate by 100 basis points	13,625	15,992
- Decrease in interest rate by 100 basis points	(13,625)	(15,992)
Change in equity		
- Increase in interest rate by 100 basis points	13,625	15,992
- Decrease in interest rate by 100 basis points	(13,625)	(15,992)

NOTE 18 – RELATED PARTY TRANSACTIONS

a. Directors' transactions with the Company

i) The Company paid a fee for management services in relation to its investment portfolio to Wallace Funds Management Pty Limited (in liquidation) ("WFM"), a Company controlled by Mr. Richard Wallace, a former Director of the Company. As at 30 June 2009, Mr Michael Birch held 10% of the issued capital of WFM. Mr Birch ceased to be an employee of WFM on 30 June 2008 and resigned as a Director of WFM on 28 July 2008.
During the year, the following amounts were paid to WFM in accordance with the Management Agreement terminated on 26 March 2009.

	Note	2010 $	2009 $
Management fees – WFM	3	-	163,983
		-	163,983

ii) The amounts due and payable at balance date to WFM in accordance with the Management Agreement terminated on 26 March 2009.

	Note	2010 $	2009 $
Management fees – WFM	3	-	-
		-	**-**

b. Related party transactions
There were no related party transactions during the year ended 30 June 2010.

c. Key management personnel
Information regarding individual Directors' and Executives' compensation and equity ownership disclosures is set out below:

NOTE 18 – RELATED PARTY TRANSACTIONS (CONTINUED)

Directors' Remuneration

	Short term benefits		***Post employment benefits***			
Names	**Cash salary & fees**		***Superannuation***		***TOTAL***	
	2009 $	**2010 $**	**2009 $**	**2010 $**	**2009 $**	**2010 $**
Directors						
Mr. K Barry (Chairman)	-	35,000	76,300	41,300	76,300	76,300
Mr. A Liddle (Non-executive Director)	40,205	40,000	3,600	3,600	43,805	43,600
Mr. M Birch (CEO & Managing Director)	215,549	373,412	-	-	215,549	373,412
Total Remuneration:	**255,754**	**448,412**	**79,900**	**44,900**	**335,654**	**493,312**

Directors' Shareholding

The movement during the year in the number of ordinary shares held, directly or indirectly, by each of the Directors, including their related parties, is as follows**:**

2010 **Directors**	**Balance 1 July 2009**	**Net Change**	**Balance 30 June 2010**
Mr. Kenneth Barry	54,724	-	54,724
Mr. Alan Liddle	23,467	4,000	27,467
Mr. Michael Birch *	143,350	-	143,350
	221,541	4,000	225,541

2009 **Directors**	**Balance 1 July 2008**	**Net Change**	**Balance 30 June 2009**
Mr. Kenneth Barry	54,724	-	54,724
Mr. Alan Liddle	23,467	-	23,467
Mr Michael Birch *	-	143,350	143,350
Mr. Richard Wallace **	46,144	(46,144)	-
	124,335	97,206	221,541

* shares held prior to being appointed a Director on 3 February 2009.
** shares held prior to ceasing as a Director on 19 December 2008.

NOTE 19 – EVENTS SUBSEQUENT TO BALANCE DATE

Appointment of Additional Director
The Board appointed Mr Mark Schiliro as a non-executive director of the Company on 13 August 2010.

Company Takeover
The Company has been the subject of two competing takeover offers from AIC and E-Quest since 1 June 2010 and has lodged various ASX announcements in relation to these offers.

The E-Quest offer of 7.1 cents per ordinary share expires on 10 September 2010.

In the latest ASX announcement dated 6 August 2010, the Supplementary Target Statement, the Board recommended acceptance of the AIC offer of 7.3 cents per ordinary share which expires on 13 September 2010 and is now unconditional.

Investment in HAL Data Services Pty Limited ("HAL")
As announced on 3 August 2010, HAL met the minimum repayment obligation to the Company at the end of July 2010 of $57,158 (of which approximately $53,679 was payable to the Company and approximately $3,479 was payable to a third party, the Solar Fund). HAL's next minimum repayment obligation is not due to the Company until 31 July 2011 and there remain a number of creditors ranking ahead of the Company.

Investment in HAL Data Services Pty Limited ("HAL") (continued)
The Company has issued an invoice to HAL in the amount of $244,505 in respect of the costs and expenses incurred by the Company in relation to financial documentation and conducting its due diligence review of HAL. These costs and expenses are payable by HAL in accordance with the terms of the restructuring agreement between the Company and HAL.

The Board provided updated information to the Independent Expert, Lonergan Edwards & Associates Limited in relation to HAL (including in relation to the payment of HAL's minimum repayment obligation at the end of July 2010) however, such information did not materially change the Independent Expert's valuation of HAL.

The Board considers that the HAL investment continues to be high risk and has therefore not altered its valuation of HAL from nil.

Investment by HAL in the Company
As at 25 August 2010 the Company's share register disclosed that HAL Data Services Pty Limited held 3,340,131 shares in the Company which equates to 3.95% of the ordinary shares on issue

The Board has been unable to establish whether this holding is in a direct or trustee capacity.

NOTE 19 – EVENTS SUBSEQUENT TO BALANCE DATE (CONTINUED)

Wallace Funds Management Pty Limited (in liquidation) ("WFM")
As previously announced, the Company filed a claim for damages in the Supreme Court of New South Wales against WFM, Richard Wallace (being the Company's former Managing Director) and related entities.

On 15 June 2010, administrators were appointed to WFM. On or about 20 July 2010, WFM was placed into liquidation. As a result of these events, under the Corporations Act the proceedings against WFM are automatically stayed. The stay does not directly affect the Company's claims against the other defendants. The liquidators (then administrators) of WFM were requested to consent to lifting the stay but they indicated that they did not wish to take any further part in the proceedings. The Company is at present considering applying to the Court for leave to continue the proceedings against WFM.

Whilst the Company would appear to have a strong case against WFM, Richard Wallace and the other defendants, the litigation risk and the related ability to recover any damages or costs award are inherently uncertain.

Services and Infrastructure Agreement – Asia Pacific Asset Management Pty Limited (APAM)
Pursuant to the Services and Infrastructure Agreement, APAM provides the Company with the use of office premises located at Level 3, 20 Loftus Street, Sydney together with other services.

APAM has given written notice to the Company of its intention to terminate the Services and Infrastructure Agreement on not less than 100 days from 4 August 2010.

Contingent Liabilities

If there is a change in control of the Company as a result of a takeover offer or scheme of arrangement, the Company will pay Allier Capital Pty Limited an amount equal to 5% of the Company's market capitalisation at the relevant offer price with a cap on the fee of $300,000.

There are no other contingent liabilities as at 30 June 2010.

NOTE 20 – COMPANY DETAILS

The registered office and principal place of business of the Company is:
Wallace Absolute Return Limited
Level 3, 20 Loftus Street
Sydney NSW 2000