

Wallace Absolute Return Limited
ABN 58 100 854 788

Annual Financial Report
For The Year Ended 30 June 2010

Level 3
20 Loftus Street
Sydney NSW 2000

Tel (02) 9255 9751
Fax (02) 9255 9701

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WALLACE ABSOLUTE RETURN LIMITED
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PERFORMANCE SUMMARY

- 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 earnings per share after tax 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.
- No dividends were declared or paid during the year.

WALLACE ABSOLUTE RETURN LIMITED
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Listed Portfolio Composition
As at 30 June 2010

Australian Stock Exchange Listed Positions at 30 June 2010

Name	Total Value \$
BHP Billiton Limited	188,250
Rio Tinto Limited	173,316
Wesfarmers Limited	171,900
Woolworths Limited	162,120
Australia & New Zealand Banking Group Limited	155,592
Commonwealth Bank of Australia	145,920
Leighton Holdings Limited	144,750
QBE Insurance Group Limited	141,960
Westpac Banking Corporation	135,872
National Bank of Australia Limited	135,024
TOTAL	\$1,554,704

Unlisted Investments and Fixed Interest Securities held at 30 June 2010

Name	Total Value \$
HAL Data Services Pty Limited – Loan Note	-
HAL Data Services Pty Limited – Shares	-
TOTAL	\$-

Note 19 of the Financial Report discloses what has occurred subsequent to 30 June 2010 regarding the unlisted investments and securities.

WALLACE ABSOLUTE RETURN LIMITED
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CHAIRMAN'S LETTER

30 September 2010

Dear Shareholder

I present you with the Annual Report for the year ended 30 June 2010 of Wallace Absolute Return Limited ("Company").

- The Company recorded a loss after tax of \$2.3m in the year ended 30 June 2010 (2009: \$59.6m loss). Earnings per share after tax were a loss of 2.68 cents for the year ended 30 June 2010 (2009: loss of 70 cents). The Company's results were adversely affected as a consequence of significant non-recurring expenses being incurred as a result of the strategic review of the Company undertaken by the previous Board.
- The Company's net assets fell to \$2,638,901 on 30 June 2010, down 46.2% since 30 June 2009, primarily as a result of the expenses incurred for the aforementioned strategic review.

This was another extremely disappointing result.

On 21 September 2010, three new Directors were appointed to the Board, all nominated by Armidale Investment Company Pty Limited (AIC) following the closing of its off-market takeover offer, and joined Mark Schiliro (also nominated by AIC) and the three incumbent directors stepped down. The Board now comprises four directors, three of whom are non-executive, of whom two are independent non-executives.

The immediate priorities of the new directors are:

- Ensuring a smooth transition from the previous Directors to the new Board;
- Reducing recurring operating costs as far as is possible, whilst continuing to comply with the many regulatory obligations facing the Company;
- Gaining value from the Company's exposure to HAL Data Services Pty Ltd (HAL).

I look forward to providing shareholders with an update on these priorities at the Annual General Meeting on 29 November 2010.

Yours sincerely



Gabriel Radzynski
Executive Chairman

EXECUTIVE CHAIRMAN'S REPORT

The Executive Chairman's Report provides some more detail on significant expense items that contributed to the Company's results as well as updating shareholders on litigation proceedings, changes to the Board of Directors, and the Company's exposure to HAL

Expenses – Rights issue, Takeovers Panel proceedings and Takeover Offers

The Company announced a Rights issue on 5 May 2010. As a result of this, a shareholder (Armidale Investment Company Pty Limited ("AIC")) made an application to the Takeover Panel, in relation to this rights issue. Following a settlement, the Company received a formal takeover offer from AIC. Subsequent to the end of the reporting period, another bidder, E-Quest Pty Limited ("E-Quest") launched an on-market takeover offer.

These events led to a number of expenses being incurred by the Company.

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 considered material. The expenses outlined have since been incurred, resulting 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.

Board of Director Changes

The following changes to the board of directors of the Company have occurred since 30 June 2010:

Appointments

Mark Schiliro – appointed as independent Non-Executive Director on 13 August 2010.
Gabriel Radzyminski – appointed as Executive Chairman on 21 September 2010.
Mark Smith - appointed as Non-Executive Director on 21 September 2010.
Steve White - appointed as independent Non-Executive Director on 21 September 2010.

Resignations

Kenneth Barry, Alan Liddle and Michael Birch all resigned on 21 September 2010.

The current Board ("current Board") comprises Gabriel Radzyminski, Mark Smith, Steve White and Mark Schiliro.

The former Board ("former Board") comprised Kenneth Barry, Alan Liddle and Michael Birch.

EXECUTIVE CHAIRMAN'S REPORT (CONTINUED)

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 former Board together with Mark Schiliro was unable to establish whether the investment in HAL at cost of \$41,632,174 is recoverable at 30 June 2010. The former Board together with Mark Schiliro 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.

The current Board will be focusing on gaining value from the Company's exposure to HAL.



Gabriel Radzynski
Executive Chairman
Sydney 30 September 2010

WALLACE ABSOLUTE RETURN LIMITED
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CORPORATE GOVERNANCE STATEMENT

BOARD FUNCTIONS

The functions of the Board include:

1. Charting the direction, strategies and financial objectives of Wallace Absolute Return Limited ("the Company");
2. Overseeing and monitoring organisational performance against these strategies and objectives;
3. Ensuring any significant risks facing the Company and its investments have been identified and appropriate control, monitoring and reporting mechanisms are in place;
4. Monitoring financial performance including approval of the annual and half-year financial reports and liaising with the Company's auditors;
5. Enhancing the reputation of the Company;
6. Appointing and assessing the performance of the Managing Director; and
7. Communicating with and protecting the rights and interests of all shareholders and other stakeholders.

The current Board is in the process of reviewing all Board policies.

BOARD COMPOSITION

The current Board comprises Gabriel Radzynski, Mark Smith, Steve White and Mark Schiliro.

The former Board comprised Kenneth Barry, Alan Liddle and Michael Birch.

The composition of the Board is subject to shareholder approval. All nominations for appointment to the Board are considered by the current Board. The Board prior to 13 August 2010 comprised 3 independent directors: Kenneth Barry (Chairman), Alan Liddle and Mark Schiliro, and one executive director, Michael Birch. Mark Schiliro was appointed a director of the Company on 13 August 2010.

On 21 September 2010, the former Board resigned and the current Board was appointed. The current Board includes two independent non-executive Directors, Steve White and Mark Schiliro. Gabriel Radzynski and Mark Smith are Executive Chairman and Non-Executive Directors respectively.

The Executive Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's function. The Executive Chairman's role is to manage the affairs of the Company.

The details of the directors' experience, qualifications, special responsibilities and attendance at meetings are set out in the Directors' Report. At each annual general meeting, one third of the Board (other than the Managing Director) must retire and, if those directors so choose, may offer themselves for re-election.

The Board has in place formal processes for performance evaluation of the directors and key executives.

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CORPORATE GOVERNANCE STATEMENT

POLICIES

Board policies relevant to the composition and functions of Directors include:

- The former Board was required to consist of a majority of independent Directors and the membership of the Audit Committee was to consist solely of independent Directors. The current Board is reviewing this policy.
- The Audit Committee must be chaired by an independent Director other than the Board Chairman.
- The Board will generally meet monthly with an agenda designed to provide adequate information about the affairs of the Company, allow the Board to guide and monitor management and assist involvement in discussions and decisions on strategy.
- The Board has an agreed policy on the circumstances in which Directors are entitled to obtain access to company documents and information.

INDEPENDENCE

The Board assesses the independence of each Director. For this purpose an independent Director is:

1. A non-executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment;
2. Is not a substantial shareholder of the Company (as defined in section 9 of the Corporations Act 2001);
3. Within the last two years has not been employed in an executive capacity by the Company;
4. Within the last two years has not been a principal of a material professional advisor or a material consultant to the Company;
5. Is not a material supplier or customer of the Company; and,
6. Has no material contractual relationship with the Company.

In addition to being required to conduct themselves in accordance with the ethical policies of the Company, Directors are required to be meticulous in their disclosure of any material contract or relationship in accordance with the *Corporations Act 2001* and this disclosure extends to the interests of family companies and spouses. Directors are required to strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the *Corporations Act 2001* and the Company's policies.

Each of the current non-executive Directors of the Company, excluding Mark Smith, has been assessed as independent. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

1. The specific disclosures made by each non-executive Director as referred to above;
2. Where applicable, the related party dealings referable to each non-executive Director, noting that those dealings are not material under accounting standards;
3. That no non-executive Director has ever been employed by the Company or any of its subsidiaries;
4. That no non-executive Director is, or has been associated with a supplier, professional adviser, consultant to or customer of the Company which is material under accounting standards; and

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CORPORATE GOVERNANCE STATEMENT

INDEPENDENCE (CONTINUED)

5. That no non-executive Director personally carries on any role for the Company otherwise than as a Director of the Company.

The Company does not consider that term of service on the Board is a factor affecting a Director's ability to act in the best interests of the Company. Independence is judged against the ability, integrity and willingness of the Director to act.

Due to the size of the Company and the Board no nomination committee has been established.

RESOURCES AVAILABLE TO DIRECTORS

Independent Directors have the right to seek independent professional advice in the furtherance of their duties as Directors of the Company at the Company's expense.

The Executive Chairman's prior approval of such expenditure is required.

BUSINESS CONDUCT

Conflicts of Interest

In accordance with the Constitution of the Company and the *Corporations Act 2001*, Directors must disclose to the Board any personal material interest which they may have in a matter that relates to the affairs of the company in compliance with section 191 of the *Corporations Act 2001* and any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and must not vote on the matter.

Confidentiality

Directors must not use or publish non-public information of the Company except where disclosure is authorised or legally mandated.

Fair Dealing

The Company actively promotes a set of values designed to assist all personnel in their dealings with each other, competitors, customers and the community.

Company Assets

All employees of the Company are required to protect and ensure efficient use of the Company's assets for legitimate business purposes.

Legal Compliance

The Company actively promotes compliance with laws and regulations, the reporting of unlawful/unethical behaviour, and protection for those who report violations in good faith.

DIRECTOR DEALINGS IN COMPANY SECURITIES

The Board has a policy in place for Directors of the Company which prohibits them from dealing in the Company's shares without the consent of at least one other Director.

Directors must not deal if they are in possession of information which is price sensitive.

The Board is aware of its obligation to keep the market fully informed.

AUDIT ARRANGEMENTS

Committees

The Board has established an Audit Committee to assist in the execution of its duties and to allow detailed consideration of complex financial and other issues. Due to the size of the Board other committees have not been established.

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CORPORATE GOVERNANCE STATEMENT

AUDIT ARRANGEMENTS (CONTINUED)

Audit Committee

The former Board's Audit Committee comprised Alan Liddle (Chairman), Kenneth Barry and Mark Schiliro (after appointment on 13 August 2010) who were independent directors. The current Board's Audit Committee comprises Mark Schiliro (Chairman) and Steve White. The main responsibilities of the Audit Committee include reviewing the effectiveness of the internal control environment, prudent management of financial risks, fulfilling the Company's accounting and financial reporting obligations, reviewing the effectiveness and efficiency of operations, and maintaining an effective and efficient audit.

In performing these functions, the Committee:

1. Reviews the financial statements and reports of the Company;
2. Reviews accounting policies to ensure compliance with current laws, relevant regulations and accounting standards;
3. Conducts any investigations relating to financial matters, records, accounts and reports which it considers appropriate; and
4. Reviews all material matters requiring exercise of judgment by management and reports those matters to the Board.

The Board makes use of external independent specialists to ensure that appropriate risk management practices are in place.

INDEPENDENCE OF AUDITORS

The Board:

1. Monitors the independence of its auditors;
2. Reviews the independent safeguards put in place by its auditors;
3. Requires the rotation of the audit partner every 5 years;
4. Reviews and may restrict the type of non-audit services which can be provided by its auditors;
5. Undertakes a review of non-audit fees paid to its auditors.

Auditor:

Moore Stephens Sydney is the Auditor of the Company appointed by the Board and continues in that office.

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CORPORATE GOVERNANCE STATEMENT

CONTINUOUS DISCLOSURE

The *Corporations Act 2001* and the ASX Listing Rules (Listing Rules) require that a company discloses to the market matters which could be expected to have a material effect on the price or value of the Company's securities. Management processes are in place to ensure that all material matters which may potentially require disclosure are promptly reported to the Managing Director. Matters reported are assessed and, where required by the Listing Rules, reported to the Australian Securities Exchange (ASX). The Executive Chairman is responsible for communications with the ASX and for ensuring that such information is not released to any person until the ASX has confirmed its release to the market. The Company recommenced in November 2009 publishing its NTA on a monthly basis through the ASX.

SHAREHOLDER COMMUNICATIONS

The Board aims to keep shareholders informed of all major developments affecting the Company's activities and its state of affairs through announcements to the ASX, releases to the media and dispatch of financial reports. The current Board is reviewing all shareholder communications and will update the communication options in due course.

BUSINESS RISKS

The Board is the vehicle to facilitate the identification of significant areas of business risk and to implement procedures to manage those risks. The Company's procedures manual contains detailed procedures in relation to the identification, analysis, evaluation, treatment and communication of risks associated with the Company's business.

INTERNAL CONTROL FRAMEWORK

The Company has developed a set of policies and procedures (set out in the Company's procedures manual) in relation to the Company's compliance and risk programs. This provides the Board and management with an ongoing program to identify, monitor and manage compliance issues and significant risks with a view to protecting the value of the shareholder's investment and safeguarding the Company's investments.

REMUNERATION

Due to the size of the Board no remuneration committee has been established.

The Board is responsible for the following:

1. Considering changes in remuneration policy likely to have a material impact on the Company;
2. Considering senior executive appointments;
3. Determining remuneration for senior management; and
4. Leadership performance of employees, legislative compliance in relation to employment issues, and any incentive plans operating within the Company.

The Company's policies regarding the terms and conditions of remuneration relating to the appointment and retirement of Board members are approved by the Board following receipt and consideration of professional advice where this is considered appropriate. Any increase in the maximum total remuneration of the Directors of the Company (other than the Managing Director or a Director who is a salaried officer), which was set at \$250,000 in 2002, is subject to the approval of shareholders. Non-executive Directors' remuneration, totalled \$119,900 for the financial year ended 30 June 2010 (2009 - \$120,105). Michael Birch, the former Managing Director, was remunerated separately.

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CORPORATE GOVERNANCE STATEMENT

ETHICAL STANDARDS

The Company sets standards of behavior required of all employees including:

1. To act properly and efficiently in pursuing the objectives of the Company;
2. To avoid situations which may give rise to a conflict of interest;
3. To know and adhere to the Company's Equal Employment Opportunity policy and programs;
4. To maintain confidentiality in relation to the affairs of the Company and its suppliers of services; and
5. To be absolutely honest in all professional activities.

These standards are communicated to staff. In addition, the Company has established insider trading guidelines for staff to ensure that unpublished price sensitive information about the Company or any other company is not used in an illegal manner.

BEHAVIOUR ISSUES

The Company is committed to providing fair, safe, challenging and rewarding work, recognising the importance of attracting and retaining the best staff and consequently, being in a position to provide good service to its investors.

There are various policies and systems in place to enable achievement of these goals, including:

1. Discrimination Guidelines;
2. Health and Safety Guidelines;
3. Recruitment and Selection Guidelines;
4. Performance feedback and review processes; and
5. Development and Progress Assessment Timetable.

The Company is strongly committed to maintaining an ethical workplace and complying with legal and ethical responsibilities. Staff are required to report fraud, corrupt conduct, mal-administration and serious and substantial waste by other working staff. A system has been established which allows staff to remain anonymous, if they wish, for reporting of these matters.

GOVERNANCE PHILOSOPHY

The Board places significant importance on the governance of the Company, which it believes is vital to its well-being. The Company has adopted a comprehensive framework of Corporate Governance Guidelines which are designed to properly balance performance and conformance and thereby allow the Company to undertake, in an effective and prudent manner, the investment activities which are the basis of its business.

WALLACE ABSOLUTE RETURN LIMITED
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COMPANY PROFILE

COMPANY PROFILE

The Company was listed on the Australian Securities Exchange ("ASX") on 28 January 2003. The Company offers investors the opportunity to participate in an absolute return product.

The Company is responsible for managing its portfolio.

The Board has approved the following investment Guidelines:

INVESTMENT GUIDELINES

Whilst the portfolio is managed internally by the Company, it is the responsibility of the Managing Director to maintain a detailed schedule of all securities held at any time, and provide this to the Board at the end of each month. This schedule must include reconciliation to these Investment Guidelines.

These guidelines will remain in force until changed by the Board.

Definitions

In these guidelines:

- **Absolute Net Open Position (ANOP)** is the sum of the Company's long and short positions, after netting related Securities.
- **Bank** has the same meaning as under the Banking Act 1959 (Cth) and includes Australian owned Banks, foreign subsidiary Banks and branches of foreign Banks that are authorised deposit taking institutions.
- **Securities** has the same meaning as under section 92(1) of the *Corporations Act 2001* (Cth).

Authorised Investments:

Securities listed on an approved stock exchange (as that term is defined in the Income Tax Assessment Act 1936);

Bonds, debentures, notes, bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any Bank or by the Commonwealth of Australia, any State or Territory of Australia or by any Australian corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;

Cash deposits with any Bank or the Company's prime broker accounts; and

Units or other interests in cash management trusts managed by any Bank.

Restrictions on Authorised Investments:

80% or more of the Securities held by the Company must be Securities of members of the S&P/ASX 200 Index;

The maximum individual position for a Security is 10% of the ANOP at the time of purchase or 15% of the ANOP at market value;

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COMPANY PROFILE

INVESTMENT GUIDELINES (CONTINUED)

The maximum investment of the ANOP for the top 5 listed positions at the time of purchase is 40% and 55% of the ANOP at market value;

The Company must not invest in unlisted securities without the prior written approval of the Board of Directors of the Company;

The Company must not use leverage on the portfolio unless it is with a prime broker approved by the Company.

If the Company has approved the use of a prime broker, the maximum gearing in the portfolio must not exceed two times the net asset value of the portfolio at any given time;

The Company must not enter into stock lending agreements or arrangements unless it is with a prime broker approved by the Company; and

The Company must not trade in Over the Counter Derivatives or similar financial instruments.

WALLACE ABSOLUTE RETURN LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

Your Directors present their report on the results of Wallace Absolute Return Limited ("the Company") for the financial year ended 30 June 2010.

DIRECTORS

The names and particulars of the Directors of the company in office at any time during or since the end of the financial year are:

Kenneth Barry - LL.B. (Chairman and Non-executive Director) – Resigned 21 September 2010

Kenneth Barry is a corporate and commercial lawyer. He is the chairman of the Australian board of management of Coolmore Australia. He is also a director of DWS Advanced Business Solutions Limited, Next Generation Clubs Australia Pty Limited, Thoroughbred Breeders Australia Limited and MAP Capital Pty Ltd. Mr. Barry was a member of the Audit Committee.

Alan Liddle - BA (Hons), MBA, FAICD (Non-executive Director) – Resigned 21 September 2010

Alan Liddle is a professional director and investor. He was the co-founder of the ASX listed Micromedical Industries Limited and its Chief Executive Officer from 1986 to 1998. He held senior management roles with fund manager Edward Lumley Limited and was a lecturer in advanced financial management for the Institute of Chartered Secretaries and Administrators. He has advised numerous public and private companies on issues relating to organisational structure, valuation and raising capital. He is currently Chief Executive Officer of Immune System Therapeutics Limited. Mr. Liddle was the Chairman of the Audit Committee.

Michael Birch - B.Ec., LL.B., M.Acc., M.Bus. (Managing Director) – Resigned 21 September 2010

Michael Birch has over 15 years experience in the finance industry having been employed previously by UBS Warburg, Macquarie Bank and ANZ Bank. Michael has a Bachelor of Economics and a Bachelor of Laws from the University of Tasmania and Master of Accounting and Master of Business from the Mount Eliza Business School. Michael resigned as a director of Wallace Funds Management Pty Limited on 3 July 2008.

Mark Schiliro – BCom, ACA (Non-executive Director) – Appointed a director on 13 August 2010

Mark Schiliro was formerly a partner in the Chartered Accountancy firm Grosvenor Schiliro, and is currently a Partner of the auditing firm MNSA, a director of the registered auditing firm MNSA Pty Limited, and a director of the Chartered Accountancy firm Mark Schiliro and Associates (MNSA) Pty Limited. Mark has over twenty years experience as a Chartered Accountant (ACA), and completed his Bachelor of Commerce majoring in Accounting, Finance and Systems from the University of New South Wales. Mark is a member of the Institute of Chartered Accountants, a registered tax agent, a registered company auditor and has recent experience of being the auditor of eight listed companies.

Mark Smith – BOptom (Non-executive Director) – Appointed a director on 21 September 2010

Mark lives in Armidale in country New South Wales. He has been a long term investor for many years. He has also established a number of successful small businesses in the New England region of New South Wales. Mark is also a part time owner-builder, farmer and apiarist.

Gabriel Radzysinski – BA(Hons), MCom (Executive Chairman) – Appointed a director on 21 September 2010

Gabriel is Managing Director of Sandon Capital Pty Limited, a boutique investment management and advisory firm. He has advised a number of shareholders in listed companies on engaging with boards and management and is portfolio manager of the Sandon Capital Activist Fund. Prior to establishing Sandon Capital he was Head of Private Capital at Centric Wealth Ltd. He has more than 10 years of investment experience, including managing investments across a number of asset classes.

Steve White – MM (Non-executive Director) – Appointed a director on 21 September 2010

Steve is a Principal and Director of Noah's Rule, a specialist risk advisory firm providing independent input and advice on strategy and execution to companies managing significant financial markets exposures. Steve has had over 20 years experience in banking including roles with Barclays Capital Singapore, Rothschild and HSBC Japan in their treasury divisions. Steve is actively involved working with Managing Directors and Chief Financial Officers in developing the strategies and solutions to their company's Financial Markets Risks, ensuring the management of these risks are within corporate strategy while enhancing any potential upside. Steve is a Graduate Member of the Australian Institute of Company Directors and has a Masters of Management from MGSM.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

COMPANY SECRETARY

Michael Birch has been the Company secretary since the start of the financial year to the date of this report.

DIRECTORS' MEETINGS

The number of directors' meetings held during the financial year and attendances by directors are:

	Number of Meetings Held	Number of Meetings Attended
Director		
Kenneth Barry – Chairman	34	34
Alan Liddle	34	34
Michael Birch	34	34

PRINCIPAL ACTIVITIES

The Company is engaged in investment activities, conducted primarily in Australia. No significant change in these activities took place during the year except that the Company invested some of its cash into ASX 200 listed companies.

OPERATING AND FINANCIAL REVIEW

The net loss after income tax of the Company for the year amounted to \$2,264,605 (2009 loss: \$59,601,460) and the loss before income tax was \$2,264,605 (2009 loss: \$48,679,431).

The Performance Summary on page 1 highlights the operating and financial results of the Company.

FINANCIAL POSITION

The net assets of the Company have decreased by \$2,264,605 from \$4,903,506 at 30 June 2009 to \$2,638,901 as at 30 June 2010.

REMUNERATION REPORT

i) Principles used to determine the nature and amount of remuneration

The Company's policy for determining the nature and amount of remuneration of board members and senior executives of the Company is as follows:

- a. The maximum total remuneration of the Directors of the Company (other than the Managing Director or a Director who is a salaried officer) has been set at A\$250,000 per annum to be divided among them in such proportions as they think fit;
- b. Directors, including the former Managing Director, were not entitled to Directors' fees while they were employees or principals of the former Manager (Wallace Funds Management Pty Limited – in liquidation).

The remuneration of the Directors is not linked to the performance of the Company.

Michael Birch, the former Managing Director, was remunerated commensurate with the skills and expertise required and details of his Agreement are dealt with in paragraph (viii) of the Remuneration Report.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

REMUNERATION REPORT (CONTINUED)

The Board ensures that director reward satisfies the following key criteria for good reward governance practices:

- a. competitiveness and reasonableness;
- b. acceptability to members;
- c. transparency

Directors' remuneration excludes insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses insurance contracts, in accordance with common commercial practice.

ii) Directors' fees

The current base remuneration for non-executive directors was last reviewed with effect from 1 July 2004.

iii) Benefits

Directors received no additional benefits other than base remuneration.

iv) Retirement Benefits

No retirement benefits are provided to Directors.

v) Directors' remuneration disclosures

The remuneration of each Director of Wallace Absolute Return Limited during the year is set out in the following table:

Directors' Remuneration

	Short term benefits		Post employment benefits			
Names	Cash salary & fees		Superannuation		TOTAL	
	2009	2010	2009	2010	2009	2010
	\$	\$	\$	\$	\$	\$
Directors						
K Barry (former Chairman)	-	35,000	76,300	41,300	76,300	76,300
A Liddle (former Non-executive Director)	40,205	40,906	3,600	3,600	43,805	44,506
M Birch (CEO & former Managing Director)	215,549	373,412	-	-	215,549	373,412
Total Remuneration:	255,754	449,318	79,900	44,900	335,654	494,218

Mark Schiliro was appointed as a non-executive director on 13 August 2010 and his remuneration is \$40,000 p.a plus superannuation of \$3,600. The remuneration of Gabriel Radzynski, Mark Smith and Steve White has not been determined.

Management fees and performance fees of \$NIL (2009 - \$163,983) were paid in relation to its investment portfolio to Wallace Funds Management Pty Limited (in liquidation), a company formerly controlled by Richard Wallace.

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DIRECTORS' REPORT
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REMUNERATION REPORT (CONTINUED)

vi) Company performance, shareholder wealth and Non- Executive Directors' remuneration

The following table compares the Company performance and non-Executive Directors' remuneration since 1 July 2004:

Directors	2010	2009	2008	2007	2006
Net after tax (loss) / profit (\$)	(2,264,605)	(59,601,460)	(23,790,279)	3,446,219	3,193,068
Dividends paid (cents per share)	-	-	-	10.0	10.0
Share Price (\$)	0.06	0.07	0.36	1.02	1.00
Non- Executive Directors' remuneration	119,900	120,105	119,900	119,900	119,900

vii) Specified Executives

There were no specified executives (other than Directors) for the Company during the financial year.

viii) Service Agreements

The Non Executive Directors were initially appointed on 1 June 2002.

Michael Birch's services as an executive and company secretary are provided to the Company pursuant to an agreement which may be terminated by the Company on 3 calendar months' notice and no termination payment is payable.

Subject to Rule 6.16(c) of the Company's Constitution, at every annual general meeting 1/3 of the Directors or, if their number is not a multiple of 3, then, subject to the Listing Rules, the number nearest to 1/3, must retire from office and are eligible for re-election.

The Company paid a fee for management services in relation to its investment portfolio to Wallace Funds Management Pty Limited (in liquidation), a company formerly controlled by Richard Wallace, a former director of the Company. The Management Agreement commenced on 22 October 2002 and was terminated on 26 March 2009. During the financial year the Company paid to Wallace Funds Management, in accordance with the Management Agreement, management fees of \$nil (2009: \$163,983) inclusive of GST and a performance fee of \$nil (2009: \$nil).

ix) Loans to Directors

There were no loans provided to Directors during the financial year.

x) Remuneration Options

There were no options granted as remuneration during the financial year.

xi) Shares Issued on Exercise of Remuneration Options

There were no shares issued on the exercise of options granted as remuneration during the financial year.

xii) Directors shareholdings

The shareholding of each director of Wallace Absolute Return Limited during the year is set out in the following table:

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REMUNERATION REPORT (CONTINUED)

xii) Directors shareholdings (Continued)
2010

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

All directors' shares have been disposed of subsequent to 30 June 2010 under the takeover offer from Armidale Investment Company Pty Limited ("AIC").

2009

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

* shares held prior to being appointed a director on 3 February 2009.

** shares held prior to ceasing as a director on 19 December 2008.

AUDIT COMMITTEE

The Company's former Audit Committee comprised Alan Liddle (Chair), Kenneth Barry and Mark Schiliro (after appointment on 13 August 2010).

MEETINGS OF AUDIT COMMITTEE

Meetings held during the year were as follows:

Director	Audit Committee meetings Number of Meetings Held	Number of Meetings Attended
Alan Liddle – Chairman	5	5
Kenneth Barry	5	5

NON AUDIT SERVICES PROVIDED BY THE AUDITOR

The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are of the view that the nature and scope of each type of non-audit service provided did not compromise the auditor's independence. For the year ended 30 June 2010, fees paid or payable for non-audit work performed by the auditor included the following:

Other services provided by related practice of auditor	\$14,500
Other assurance services	\$NIL

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2010 has been received and can be found on page 22 of the Annual Report.

DIVIDENDS

No dividends were paid or declared during the year.

WALLACE ABSOLUTE RETURN LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

EVENTS SUBSEQUENT TO REPORTING DATE

Board of Director Changes

The following changes to the board of directors of the Company have occurred since 30 June 2010:

Appointments

Mark Schiliro – appointed as independent Non-Executive Director on 13 August 2010.

Gabriel Radzynski – appointed as Executive Chairman on 21 September 2010.

Mark Smith - appointed as Non-Executive Director on 21 September 2010.

Steve White - appointed as independent Non-Executive Director on 21 September 2010.

Resignations

Kenneth Barry, Alan Liddle and Michael Birch all resigned on 21 September 2010.

Company Takeover

The Company had been the subject of two competing takeover offers from Armidale Investment Company Pty Limited ("AIC") since 1 June 2010 and E-Quest Capital Pty Limited ("E-Quest") since 12 July 2010 and has lodged various ASX announcements in relation to these offers.

The AIC offer involved acquisitions by AIC both through "on market" purchases and acceptances through the "off market" takeover offer of 25 June 2010.

The E-Quest offer of 7.1 cents per ordinary share expired on 13 September 2010.

In an ASX announcement dated 6 August 2010, the Supplementary Target Statement, the former Board recommended acceptance of the AIC offer of 7.3 cents per ordinary share which was due to expire on 13 September 2010.

In an ASX announcement dated 14 September 2010, the former Board recommended acceptance of the increased AIC offer of 7.9 cents per ordinary share which expired on 20 September 2010.

Change of Control

On 10 September 2010, Presmore Pty Limited ATF Smith Miller Family Trust, Armidale Investment Company Pty Limited and Sandon Capital Pty Limited notified the ASX they had acquired 46,189,956 shares (54.7% of voting power) thereby giving Mark Smith effective control of the Company. Subsequent notification on 21 September 2010 advised a holding of 56,933,968 shares (67.4% of voting power).

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.

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 former 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 and the rendering of the Company's invoice for \$244,505) however, such information did not materially change the Independent Expert's valuation of HAL.

The former Board together with Mark Schiliro considered that the HAL investment continues to be high risk and has therefore not altered its valuation of HAL from nil.

The current Board will be focusing on gaining value from the Company's exposure to HAL.

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FOR THE YEAR ENDED 30 JUNE 2010

EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

Investment by HAL in the Company

As at 15 September 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 advised that this holding is in a trustee capacity.

"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

Pursuant to the Services and Infrastructure Agreement, Asia Pacific Asset Management Pty Limited ("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.

Completion Fee

As there has been a change in the control of the Company as a result of a takeover offer, the Company has paid Allier Capital Pty Limited, pursuant to an agreement, an amount of \$330,000 (including GST) subsequent to 30 June 2010.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than stated elsewhere in this report no significant changes in the Company's state of affairs occurred during the financial year.

FUTURE DEVELOPMENTS

The restructure of the HAL debt may lead to the Company recovering in excess of the Directors valuation of its investment in HAL. The Company will keep shareholders informed of its progress with this restructure. The Company will continue to manage the liquid assets of the Company, which will result in switching between cash and equity investments depending on market conditions, balanced against the importance of capital preservation.

ENVIRONMENTAL ISSUES

The Company's operations are not subject to significant environmental regulation under the law of the Commonwealth or any State or Territory.

OPTIONS

At 30 June 2010 there were no options outstanding. No options have been granted over unissued shares during or since the end of the financial year.

WALLACE ABSOLUTE RETURN LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has executed a deed of indemnity for each of the directors which indemnify them to the extent permitted by Sections 199A, 199B and 199C of the *Corporations Act 2001*.

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The total amount of the premium paid in relation to the above was \$109,297 (2009: \$57,948).

No indemnities have been given or insurance premiums paid during or since the end of the financial year for any person who is or has been an auditor of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

Signed in accordance with a resolution of the Board of Directors:



GABRIEL RADZYMSKI
Executive Chairman

In Sydney, this 30th day of September 2010

**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 audit of Wallace Absolute Return Limited for the year ended 30 June 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Moore Stephens Sydney
Chartered Accountants



Spiro Tzannes
Partner

Dated in Sydney, this 30th day of September 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

**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

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

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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.

The financial report was approved for release by the Board of Directors on 30 September 2010.

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 assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. The financial statements have been prepared on a liquidity basis as this best suit the needs of the users.

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

The Australian Standards Board revised AASB 101, which is mandatory to apply to the current year 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.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 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 assets, except for those which are expected to mature within 12 months after the end of the reporting period.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 which may be held by the Company may be 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
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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.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 former Board together with Mark Schiliro valued the investment (shares and loan note) 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 former Board together with Mark Schiliro has adopted a nil valuation as stated in Notes 8 and 19.

The current Board will be focusing on gaining value from the Company's exposure to HAL.

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.

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 are not 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 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).

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. New Accounting Standards for Application in Future Periods (continued)

This standard is applicable retrospectively and amends 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.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	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

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
NOTE 4 – TAXATION (CONTINUED)			
<i>c. Numerical reconciliation of current income tax expense prima facie tax payable</i>			
(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
<i>d. Dividend franking account</i>			
30% franking credits available to the shareholders of the Company for subsequent financial years		-	(597,462)

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 does 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.

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
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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

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

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.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
NOTE 8 – FINANCIAL ASSETS			
Investments			
Total market value of investments held long	8a	1,554,704	-
		1,554,704	-
<i>a. Market value of listed investments held for trading:</i>			
Long positions			
Listed Shares		1,554,704	-
		1,554,704	-
<i>b. Market value of investments in unlisted corporations available for sale :</i>			
HAL Data Services Pty Limited – Shares at cost		4,601,135	4,601,135
Less Impairment		(4,601,135)	(4,601,135)
		-	-
<i>c. Market value of investments in loans and securities :</i>			
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 interest and/or 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

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
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NOTE 8 – FINANCIAL ASSETS (CONTINUED)

The former Board together with Mark Schiliro was unable to establish whether the investment in HAL at cost of \$41,632,174 is recoverable at 30 June 2010.

The former Board together with Mark Schiliro 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.

The current Board will be focusing on gaining value from the Company's exposure to HAL.

NOTE 9 – OTHER ASSETS

Prepayments	58,691	15,717
	58,691	15,717

NOTE 10 – PLANT AND EQUIPMENT

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

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

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
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NOTE 11 – TRADE AND OTHER PAYABLES (CONTINUED)

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 12 – CURRENT TAX LIABILITIES

CURRENT

Income tax payable	-	597,462
	-	597,462

NOTE 13 – ISSUED CAPITAL

Issued and paid-up capital

84,455,052 (2009: 84,455,052) fully-paid ordinary shares issued	89,491,831	89,491,831
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Fully-paid ordinary shares

Balance at the beginning of the reporting period	89,491,831	89,491,831
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Nil (2009: \$Nil) shares bought back from on market share buy-back	-	-
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Share issue costs net of tax	-	-
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Balance at the end of the reporting period	89,491,831	89,491,831
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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.

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
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NOTE 13 – ISSUED CAPITAL (CONTINUED)

c. Capital Management (continued)

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.

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:

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

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

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 and 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:

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 (Refer Note 7).

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.

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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.

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

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17 – FINANCIAL RISK MANAGEMENT (CONTINUED)

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).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2010				
Listed investments held for trading	1,554,704	-	-	1,554,704
Investments in unlisted corporations available for sale - at cost	-	-	4,601,135	4,601,135
Less Impairment	-	-	(4,601,135)	(4,601,135)
Investments in loans and securities - at cost	-	-	37,031,039	37,031,039
Less Impairment	-	-	(37,031,039)	(37,031,039)
	<u>1,554,704</u>	<u>-</u>	<u>-</u>	<u>1,554,704</u>
30 June 2009				
Listed investments held for trading	-	-	-	-
Investments in unlisted corporations available for sale - at cost	-	-	4,601,135	4,601,135
Less Impairment	-	-	(4,601,135)	(4,601,135)
Investments in loans and securities - at cost	-	-	37,031,039	37,031,039
Less Impairment	-	-	(37,031,039)	(37,031,039)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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:

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 formerly controlled by Richard Wallace, a former Director of the Company. As at 30 June 2009, 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 3 July 2008.

During the year, the following amounts were paid to WFM in accordance with the Management Agreement terminated on 26 March 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.			
Management fees – WFM	3	-	-
		-	-

b. Related party transactions

There were no other 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:

WALLACE ABSOLUTE RETURN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
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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						
K Barry (former Chairman)	-	35,000	76,300	41,300	76,300	76,300
A Liddle (former Non-executive Director)	40,205	40,906	3,600	3,600	43,805	44,506
M Birch (CEO & former Managing Director)	215,549	373,412	-	-	215,549	373,412
Total Remuneration:	255,754	449,318	79,900	44,900	335,654	494,218

Mark Schiliro was appointed on 13 August 2010 and his remuneration is \$40,000 p.a plus superannuation of \$3,600. The remuneration of Gabriel Radzynski, Mark Smith and Steve White has not been determined.

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
Kenneth Barry	54,724	-	54,724
Alan Liddle	23,467	4,000	27,467
Michael Birch *	143,350	-	143,350
	221,541	4,000	225,541

All directors' shares have been disposed of subsequent to 30 June 2010 under the takeover offer from Armidale Investment Company Pty Limited ("AIC").

2009

Directors	Balance 1 July 2008	Net Change	Balance 30 June 2009
Kenneth Barry	54,724	-	54,724
Alan Liddle	23,467	-	23,467
Michael Birch *	-	143,350	143,350
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

Board of Director Changes

The following changes to the board of directors of the Company have occurred since 30 June 2010:

Appointments

Mark Schiliro – appointed as independent Non-Executive Director on 13 August 2010.
Gabriel Radzyninski – appointed as Executive Chairman on 21 September 2010.
Mark Smith - appointed as Non-Executive Director on 21 September 2010.
Steve White - appointed as independent Non-Executive Director on 21 September 2010.

Resignations

Kenneth Barry, Alan Liddle and Michael Birch all resigned on 21 September 2010.

Company Takeover

The Company had been the subject of two competing takeover offers from Armidale Investment Company Pty Limited (“AIC”) since 1 June 2010 and E-Quest Capital Pty Limited (“E-Quest”) since 12 July 2010 and has lodged various ASX announcements in relation to these offers.

The AIC offer involved acquisitions by AIC both through “on market” purchases and acceptances through the “off market” takeover offer of 25 June 2010.

The E-Quest offer of 7.1 cents per ordinary share expired on 13 September 2010.

In an 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 was due to expire on 13 September 2010.

In an ASX announcement dated 14 September 2010, the Board recommended acceptance of the increased AIC offer of 7.9 cents per ordinary share which expired on 20 September 2010.

Change of Control

On 10 September 2010, Presmore Pty Limited ATF Smith Miller Family Trust, Armidale Investment Company Pty Limited and Sandon Capital Pty Limited notified the ASX they had acquired 46,189,956 shares (54.7% of voting power) thereby giving Mark Smith effective control of the Company. Subsequent notification on 21 September 2010 advised a holding of 56,933,968 shares (67.4% of voting power).

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.

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 former 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 and the rendering of the Company's invoice for \$244,505) however, such information did not materially change the Independent Expert's valuation of HAL.

NOTE 19 – EVENTS SUBSEQUENT TO BALANCE DATE (CONTINUED)

Investment in HAL Data Services Pty Limited (“HAL”) (continued)

The former Board together with Mark Schiliro considered that the HAL investment continues to be high risk and has therefore not altered its valuation of HAL from \$Nil.

The current Board will be focusing on gaining value from the Company's exposure to HAL.

Investment by HAL in the Company

As at 15 September 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 advised that this holding is in a trustee capacity.

“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

Pursuant to the Services and Infrastructure Agreement, Asia Pacific Asset Management Pty Limited (“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.

Completion Fee

As there has been a change in control of the Company as a result of a takeover offer, the Company has paid Allier Capital Pty Limited, pursuant to an agreement, an amount of \$330,000 (including GST) subsequent to 30 June 2010.

NOTE 20 – CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2010.

NOTE 21 – 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

DIRECTORS' DECLARATION

The Directors of Wallace Absolute Return Limited ("the Company") declare that:

1. The financial statements and notes as set out on pages 23 to 47 and the "Remuneration Report" in the Directors' Report set out on pages 15 to 18, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - b) giving a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company;
2. The former Managing Director, Michael Birch has declared that:
 - a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporation Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
3. At the date of this declaration, 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.

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



Gabriel Radzynski
Executive Chairman

Dated this 30th day of September 2010

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WALLACE ABSOLUTE RETURN LIMITED

We have audited the accompanying financial report of Wallace Absolute Return Limited ("the Company"), which comprises the statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of the 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Wallace Absolute Return Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Recoverable Amount of Shares and Loan Note in Hal Data Services Pty Limited

Without qualification to our opinion expressed above, we draw attention to Note 8 to the financial statements where the former board has disclosed that they were unable to establish whether the shares and loan note in Hal Data Services Pty Limited, at an original cost of \$41,632,174, was recoverable at 30 June 2010. The former board valued the investment in HAL Data Services Pty Limited at \$nil for the reasons set out in Note 8.

Report on the Remuneration Report

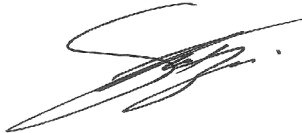
We have audited the Remuneration Report included in pages 15 to 18 of the Directors' Report for the year ended 30 June 2010. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Wallace Absolute Return Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



Moore Stephens Sydney
Chartered Accountants



Spiro Tzannes
Partner

Dated in Sydney this 30th day of September 2010

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788
SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS
AT 15 SEPTEMBER 2010

Name	Number of ordinary shares held	% of capital held
1. Mutual Trust Pty Limited (ATF Pinnacle Superannuation Fund)	20,901,666	24.75%
2. Presmore Pty Limited (ATF Smith-Miller Family Account)	10,029,374	11.88%
3. Armidale Investment Company Pty Limited	6,123,506	7.25%
4. HAL Data Services Pty Limited (ATF HAL Data Services Directors Superannuation Fund)	3,340,131	3.95%
5. E-Quest Capital Pty Limited	2,677,546	3.17%
6. Palicave Pty Limited (ATF Ranogajel Family Account)	2,175,000	2.58%
7. ABN Amro Clearing Sydney Nominees Pty Limited	1,677,875	1.99%
8. Scottow Pty Limited (ATF Scottow Superannuation Fund)	1,622,486	1.92%
9. Stuttgart Pty Limited	1,529,383	1.81%
10. Clough Superannuation Pty Limited (ATF Clough Superannuation Fund)	1,450,000	1.72%
11. Avanteos Investments Limited (Elphinestone Investment Account)	1,430,000	1.69%
12. Mr David Dominic Walsh	1,425,000	1.69%
13. ABN Amro Clearing Sydney Nominees Pty Limited	1,189,982	1.41%
14. Gatt Holdings Pty Limited (Raymond Gatt Account)	1,040,000	1.23%
15. HSBC Custody Nominees (Australia) Limited	1,000,000	1.18%
16. Kingstead Pty Limited (ATF Francis Family Retirement Fund Account)	841,964	1.00%
17. Hayes Funds Management Pty Limited (ATF Allan Hayes Superannuation Fund)	550,000	0.65%
18. Bollin Holdings Pty Limited (ATF MJ & DJ Larmer Superannuation Fund)	525,000	0.62%
19. PTG Superannuation Pty Limited (ATF PTG Superannuation Fund)	463,636	0.55%
20. Avanteos Investments Limited (Shelley Wilson Family Account)	420,000	0.50%
	60,412,549	71.53%

On 15 September 2010, there were 917 holders of ordinary shares in the capital of the Company. Holders of ordinary shares are entitled to one vote per share.

Number of shares held	Number of shareholders
1 - 1,000	50
1,001 - 5,000	193
5,001 - 10,000	188
10,001 - 100,000	426
100,001 - and over	60

The number of security investors holding less than a marketable parcel of 6,494 securities (\$0.077) on 15/9/2010 is 277 and they hold 812,005 securities.

SUBSTANTIAL SHAREHOLDINGS

As at 15 September 2010, the names and holdings of substantial shareholders are as follows:

Substantial Shareholders	No. of shares	% of Total
Pinnacle Superannuation Fund *	20,901,666	24.75%
Presmore Pty Limited	10,029,374	11.88%
Armidale Investment Company Pty Limited	6,123,506	7.25%

* On 9 September 2010, Pinnacle Superannuation Fund accepted the AIC offer.

WALLACE ABSOLUTE RETURN LIMITED
ABN 58 100 854 788
DIRECTORY

DIRECTORS

Gabriel Radzyninski – Executive Chairman
Mark Smith – Non-Executive Director
Steve White – Independent Non-Executive Director
Mark Schiliro – Independent Non-Executive Director

SECRETARY

Michael Birch

MANAGEMENT

Wallace Absolute Return Limited
Level 3
20 Loftus Street
Sydney NSW 2000
Tel (02) 9255 9751
Fax (02) 9255 9701
Internet: www.wallaceabsolutereturn.com.au

REGISTERED OFFICE

Level 3
20 Loftus Street
Sydney NSW 2000
Tel (02) 9255 9751
Fax (02) 9255 9701

AUDITORS

Moore Stephens Sydney
Chartered Accountants
Level 7
20 Hunter Street
Sydney NSW 2000
Email: info@moorestephens.com.au
Internet: www.moorestephens.com.au

SHARE REGISTRY

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Phone: (02) 8280 7111
Fax: (02) 9287 0303
Email: registrars@linkmarketservices.com.au
Internet: www.linkmarketservices.com.au

KEY DATES

Annual General Meeting Date: 29 November 2010