



# 2011

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The directors present their report together with the financial statements of Metroland Australia Limited and its controlled entities, for the year ended 30 June 2011 and the independent audit report thereon.

## DIRECTORS

The names and details of the company's directors in office during the year and until the date of this report are as follows:

**Frank Shien (Chairman and Chief Executive Officer) Aged 59**

BA (Lon)

Mr Shien has extensive construction and property development experience and has business associates in Indonesia, Malaysia, Hong Kong and China. Mr Shien is a director of a number of property companies and during the last 15 years has been successfully developing commercial and residential property in Sydney.

Director since 1997.

**John Wardman (Independent Non-Executive Director) Aged 51**

B.Econ, FAICD

Mr Wardman has extensive experience in finance, including capital markets, corporate development and stockbroking. He holds a Degree in Economics from Macquarie University and is a Fellow of the Australian Institute of Company Directors.

Member of Audit Committee. Director since 1996.

**Steam Leung (Independent Non-Executive Director) Aged 52**

LREA

Mr Leung has 22 years experience in real estate in Australia, is a Licensed Real Estate Agent and Auctioneer, and is a Director of Colliers International (NSW) Pty Limited. He has extensive experience in sales and marketing of commercial properties and residential projects.

Mr Leung has an extremely strong involvement with the local Chinese community and is well connected to overseas Asian investors and developers. He is also one of the founders of the Australian NSW Chinese Real Estate Agent Society and is an important senior member of the Colliers Jardine's International team.

Member of Audit Committee. Director since 1997.

**Da Cheng Zhang (Independent Non-Executive Director) Aged 57**

Mr Zhang is of Chinese nationality. He is president of the HIT Group, which has two companies listed on the China Stock Exchange, one in Shanghai and the other in Shenzhen. Mr Zhang is also the vice-principal of the Harbin Institute of Technology in Harbin, PRC.

Director since February 2000.

**Shuqing Wang (Independent Non-Executive Director) Aged 58**

Mr Wang has 14 years experience in property development in China. He is involved in several property related companies in Shanghai, China, including Shanghai Forest Manor Real Estate Development Co., Ltd and Shanghai Manor Assets Management Co., Ltd. Mr Wang has extensive experience in real estate development; hotel and property management and in engineering.

Director since September 2009.

**Henry Tsang (Independent Non-Executive Director) Aged 69**

B Architecture

OAM

The Honourable Henry Tsang OAM has recently retired after serving a long period in the Parliament.

He is now Chairman of NSW-Asia Business Council and continues to have strong ties with Asia Pacific countries including China.

The Honourable Henry Tsang has extensive and strong relationship with the local communities and organizations and is also widely known internationally.

Director since February 2010. Member of Audit Committee.

**Wei Li (Non-Executive Director) Aged 38**  
MBA

Ms Li holds a Masters degree of Business Administration. She has held the position of Director of Corporate Communication of Lenovo Group Limited in Beijing, China. Part of her role as the director involved the planning, execution and consultancy in Olympic-related marketing activities including public relations, and contact relations with the various Governmental Institutions.

Appointed to the Board on 28 March 2011.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## **COMPANY SECRETARY**

Ms Helen Lay who was appointed to the position of company secretary in January 2005, resigned on 22 August 2011. She was replaced by Mr Frank Shien, who is also Chairman of the Board of Directors and Chief Executive Officer.

## **PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the financial year were commercial property development and construction; property rental; residential strata management; and investment and financial services.

There were no significant changes in the nature of the activities during the year.

## **CONSOLIDATED RESULTS**

The consolidated loss after income tax attributable to members of Metroland Australia Limited was \$1,086,827 (2010: loss of \$11,956,539).

## **REVIEW OF OPERATIONS**

### **Review of Financial Results**

During the 2011 financial year, the consolidated entity continued operations in property construction, development and management; property rental and management and investment and financial services.

The consolidated result for the year was a loss of \$1,086,827 after tax and minority interests, comprising a \$3.64 million loss from operations, a \$1.6 million loss resulting from the fair-value write-down of the consolidated entity's investment properties following independent valuations at 30 June 2011, and gain from joint venture entity loan forgiven of \$4.98 million and gain on dilution of interest in joint venture entities of \$1.49 million.

It was a difficult year for the Company. Where larger companies have been in the forefront and borne the initial impacts of the global financial crisis, the effects of the crisis has now filtered to smaller companies. As a result, the Company has been faced with a number of issues, including the withdrawal of funding from lending institutions resulting in the Company having to dispose of assets at a time when the market is weak and retail trade is down. The Company sold the Wentworthville Mall at Wentworthville for \$18.3 million, at a loss of \$2.93 million which is reflected in the consolidated accounts.

The Company had re-directed its resources into investments in shopping centre properties when it completed its residential development in Zenix in 2004 and the refurbishment and sale of an office building in 2006. The decision was made as the land cost for residential development had reached a stage where it became unsustainable. The Company had then bought The Wentworthville Mall and subsequently Campbelltown Square and at the same time expanded the Greenway Plaza from 7,000sqm to include the Greenway SupaCenta which is now a 30,000sqm centre. Through the years until the onset of the GFC, rental income from the shopping centres, together with the value of the properties had increased each year.

The global financial crisis has put a stop to the rental growth and at the same time brought down values of the assets. This has resulted in loans being in breach of their loan covenants by failing to comply with their loan to valuation ratio (LVR) terms. Consequently, higher default interest has been enforced by the financiers, putting the Group's cash flow under pressure.

### **PROPERTY INVESTMENT AND RENTAL**

Of the Group's three major property assets:-

#### ***The Greenway SupaCenta***

The Company was able to repay the \$52 million loan for the Greenway Bulky Goods Centre, following a partial forgiveness of the loan by SunCorp-Metway, the financier. This repayment was financed by a short-term loan of \$29 million and an injection of further funds into the Centre by an investor. The repayment of this short-term loan is now in the process of being re-financed through a bank loan facility of \$30 million. Although the joint venture interest of the Company has now been reduced from 50% to 25%, the net worth of the assets to the Company has increased. Greenway SupaCenta has over the last year secured some national-known tenants such as Spotlight, BCF, The Good Guys, PetBarn and Anytime Fitness in addition to Road & Traffic Authority, OfficeWorks and Fernwood Gym. The occupancy rate of the entire SupaCenta is now at around 70%.

#### ***Campbelltown Square Shopping Centre***

The Campbelltown Shopping Square has managed to obtain an additional lease to the Department of Corrective Services over the vacant space above its existing offices in the Centre. The Department now leases 1,032sqm of this vacant space for an annual rent of \$263,000 per annum. This has managed to help in recovering some of the loss in value of the asset.

#### ***Wentworthville Mall, Wentworthville***

The shopping centre has been sold at a loss of \$2.93 million. The sale was completed and settlement was effected on 2 September 2011.

The Company has so far consolidated its position and reduced its borrowings through the realisation and re-distribution of assets and the support of high net worth private investors. It is difficult at this point in time for property companies to raise capital. In the first year following the financial crisis, property companies and REIT had gone into the market and raised \$18 billion, resulting in lower borrowings but a substantial dilution in their shareholdings, with consequently reduced dividends resulting in lower share prices.

### **PROPERTY DEVELOPMENT**

Metroland's investment in a property development trust, MetroPlaza Central Unit Trust was realized in August 2011, following the decision by all unit-holders to sell the underlying property of the Trust at 61-79 Quay Street, Haymarket. The net realization of the Company's 2.95% interest in the Trust, and associated joint venture resulted in a net book loss of \$298k to the Group. There were no major property development operations during the 2011 year.

### **PROPERTY RELATED SERVICES**

Stratawide Management Pty Ltd continues to expand, and now manages over 60 blocks of strata schemes.

### **FINANCIAL SERVICES**

During the year, the Company completed and satisfied all regulatory requirements to obtain from ASIC a funds management licence. The entity which holds the licence, Metroland Funds Management Limited (MFM), has now in place the necessary authorizations to enable it to seek wholesale and retail investment with all frameworks put into place, such as the establishment of a compliance committee, audit committee, having responsible managers and specialist expertise and a well-known and reputable custodian. It is intended that MFM will expand its business of raising funds for the purpose of property development projects.

### **FUTURE OPPORTUNITIES**

Metroland will continue to look for opportunities for re-capitalisation and sustainable growth.

## Review of Financial Condition

### FINANCIAL HIGHLIGHTS

RESULTS	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Revenue from sale of property & construction services	144	1,683	7,546	17,111	24,053
Rental and management revenue	5,583	6,495	5,785	4,766	3,344
Other revenue	365	50	134	217	87
<b>Group Turnover</b>	<b>6,092</b>	<b>8,228</b>	<b>13,465</b>	<b>22,094</b>	<b>27,484</b>
<b>Net profit /(loss) after tax and minority interests</b>	<b>(1,087)</b>	<b>(11,956)</b>	<b>539</b>	<b>1,612</b>	<b>3,006</b>
Total assets	56,962	76,923	85,843	65,672	56,563
Total liabilities	48,417	67,291	64,159	46,040	38,416
Contributed equity	15,113	15,113	14,966	13,379	13,197
Retained profit/(losses)	(6,568)	(5,481)	6,475	6,029	4,950
Minority interests	-	-	243	224	-
<b>Total equity</b>	<b>8,545</b>	<b>9,632</b>	<b>21,684</b>	<b>19,632</b>	<b>18,147</b>
Dividend paid	-	-	-	553	-
Income tax expense/(benefit)	(313)	(1,182)	(745)	903	1,553
<b>PER SHARE</b>					
Earning (cents)	(0.86)	(9.5)	0.47	1.50	3.08
Dividend (cents) - fully franked	-	-	-	-	0.5
Net tangible assets per share (cents)	6.0	7.6	19.0	18.2	17.00
<b>STATISTICS</b>					
Return on equity	(12.7%)	(123%)	2.5%	8.21%	16.56%
Net tangible assets per share (cents)	6.0	7.6	19.0	18.2	17.00
Number of shareholders	644	666	677	688	725
Employees	16	16	16	20	18
Group turnover per employee	380,750	514,285	841,563	1,104,700	1,526,888
<b>SHARE PRICE (cents)</b>					
Last sale	2.0	3.5	7	14.5	15
High for year	5.0	5.5	16.5	18.5	15.5
Low for year	1.8	3.5	7	12.0	10.0

## DIVIDENDS

There were no dividends paid or declared by the company to members since the end of the previous financial year.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:-

The consolidated entity's total assets decreased by \$19.9 million to \$56.9 million (2010: \$76.9 million) over the year. The decrease in total assets principally comprised:-

- Decrease in total assets of \$14 million resulting from the dilution of the Group's joint venture interest in the Greenway SupaCenta and Greenway Plaza related joint venture entities from 50% to 25.05%.
- A write-down in investment property to independent valuations of \$1.59 million.
- Decrease in financial assets of \$3.9 million following the disposal of 8% of its 11% interest in the MetroPlaza Central Unit Trust during the year in satisfaction of the repayment of loans owing to other entities.

Total liabilities of the consolidated entity decreased by \$18.9 million during the year to \$48.4 million (2010: \$67.29 million). This decrease is principally due to:-

- Decrease in total liabilities of \$15.8 million resulting from the dilution of the Group's joint venture interest in the Greenway SupaCenta and Greenway Plaza related joint venture entities from 50% to 25.05%.
- Decrease in loans from other entities of \$3.9 million following their repayment during the year through the transfer by the Group of 8% of its 11% investment interest in the MetroPlaza Central Unit Trust to these entities.
- Increase in provisions of \$1.19 million reflecting the potential liability of the Group of the rental income guarantee provided over a 4 year period, as part of the sale agreement of the Wentworthville Mall property during the year.

The consolidated entity's equity decreased by \$1.09 million over the year as a result of the net loss sustained during the year of \$1.09 million.

## EVENTS SUBSEQUENT TO REPORTING DATE

- (a) The letter of offer on an institutional refinance facility for \$30 million for the short-term loan from GVL Investment HK Limited was accepted by the controlled entity's 25% owned joint venture on 15 July 2011. The facility includes \$28 million available for draw-down for the repayment of the joint venture loan and \$2 million available for progressive draw-down for capital expenditure purposes by the joint venture entities. The facility is to be for a term of 3 years and is to be secured by a first registered property mortgage over the commercial properties Greenway SupaCenta and Greenway Plaza located at 1183-1187 The Horsley Drive & Elizabeth Street, Wetherill Park.
- (b) On 8 August 2011, the investment in MetroPlaza Central Unit Trust was realised following the decision by all unit-holders to sell the underlying property of the Trust at 61-79 Quay Street, Haymarket. The net realisation of the Company's 2.95% interest in the Trust and associated joint venture resulted in a net book loss of \$298k to the Group.
- (c) The sale of the Group's Wentworthville property was completed and settled on 2 September 2011. The proceeds from the settlement was used to repay the Group's borrowings of \$13.125 million secured over the property, together with a \$3.49 million partial repayment of the borrowing over the Campbelltown Square investment property, which was cross-collateralised over the Wentworthville Mall property.

Apart from the issues discussed above, no matters or circumstances have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

## LIKELY DEVELOPMENTS

The consolidated entity will continue to pursue opportunities in the rental and commercial property investment and development sectors, and its financial services operations through the raising of funds for property development projects during the next financial year.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the company.

## MEETINGS OF DIRECTORS

The number of directors' meetings, including meetings of committees of directors and number of meetings attended by each of the directors of the company during the financial year were:

Director	Board Meetings		Audit Committee	
	Held	Attended	Held	Attended
Mr F Shien	6	6	-	-
Mr S Leung	6	6	2	2
Mr J Wardman	6	6	2	2
Mr D C Zhang	6	6	-	-
Mr S Wang	6	-	-	-
Mr H Tsang	6	6	2	2
Ms W Li (appointed 28/3/2011)	3	1	-	-

## AUDIT COMMITTEE

The members of the audit committee during the year comprised three independent non-executive directors, Mr Steam Leung, Mr John Wardman, and Mr Henry Tsang.

## ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation in relation to its property development activities. The directors are not aware of any significant breaches during the period covered by this report.

## REMUNERATION REPORT (AUDITED)

As provided by the Constitution of the company, the remuneration of directors is determined by shareholders. The broad remuneration policy is to ensure the remuneration package properly reflects the directors and senior executives' duties and responsibilities and level of performance.

There are currently no performance-based or equity-based remuneration to directors and senior executives based on the performance of the consolidated entity.

Details of the nature and amount of each major element of the emoluments of each director of the company and each of the key management personnel of the consolidated entity are as follows:-

	Base Remuneration (salary & fees) \$		Superannuation Contributions \$		Total Remuneration \$	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
<i>Executive</i>						
Frank Shien	113,794	119,409	-	-	113,794	119,409
<i>Non-executive</i>						
Eddie Lee – resigned 22 February 2010	-	12,000	-	-	-	12,000
John Wardman	10,920	10,920	1,080	1,080	12,000	12,000
Steam Leung	24,000	24,000	-	-	24,000	24,000
Da Cheng Zhang	-	-	-	-	-	-
Shuqing Wang	-	-	-	-	-	-
Henry Tsang – appointed 22 February 2010	20,000	7,051	-	-	20,000	7,051
Wei Li – appointed 28 March 2011	-	-	-	-	-	-
<b>Executive Officers (excluding directors)</b>						
Tjin Hong Ong	120,000	130,000	10,800	11,700	130,800	141,700
Anthony Maroon	165,000	140,000	14,850	12,600	179,850	152,600
Xavier Chen	66,667	53,333	6,000	4,800	72,667	58,133
	520,381	496,713	32,730	30,180	553,111	526,893

## SHARE OPTIONS

### *Unissued shares under Option*

At the date of this report, there are no unissued ordinary shares of the company under option.

## DIRECTORS' INTERESTS

The relevant interest of each director in the shares of the company, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:-

	METROLAND AUSTRALIA LIMITED	
	Ordinary Shares	Options over Ordinary Shares
Mr E Lee	527,500	-
Mr S Leung	1,960,547	-
Mr F Shien	12,619,610	-
Mr J Wardman	1,436,033	-
Mr D C Zhang	9,600,000	-
Mr S Wang	1,500,000	-
Ms W Li	15,000,000	-

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Since the end of the previous financial year, Metroland Australia Limited paid insurance premiums of \$7,322 to insure the directors and officers of the company and its controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance for legal costs and those relating to other liabilities.

No indemnities have been given for the auditor of the company during or since the end of the financial year.

## PROCEEDINGS ON BEHALF OF COMPANY

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

The Company was not a party to any such proceedings.

## NON-AUDIT SERVICES

During the year an associate of Gould Ralph Assurance, the company's auditor, performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services by the auditor is compatible with, and did not compromise the auditor independence requirements of the Corporations Act 2001 for the reason that the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included in the Directors' Report, at page 12.

Details of the amounts paid to the auditor of the company, Gould Ralph Assurance and associated entities for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2011	2010
	\$	\$
<b>Statutory audit:</b>		
- Audit and review of financial statements	<b>81,002</b>	<b>82,980</b>
<b>Services other than statutory audit</b>		
Other services:		
- Taxation compliance services	691	4,207
- Share registry	8,587	10,486
- Due diligence	8,000	-
	<b>17,278</b>	<b>14,693</b>

## **ROUNDING OFF**

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.  
Dated at Sydney this 30th day of September 2011.



Frank Shien  
Director

**Chartered Accountants**

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Australia

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30 September 2011

The Board of Directors  
Metroland Australia Limited  
Level 4, 45 Murray Street  
PYRMONT NSW 2009

### AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor for the audit of Metroland Australia Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- No contraventions of the code of professional conduct in relation to the audit.

This declaration is in respect of Metroland Australia Limited and any entities it controlled during the year.

GOULD RALPH ASSURANCE  
Chartered Accountants



GREGORY RALPH M.Com., F.C.A.  
Partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 June 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
<b>Continuing operations:</b>			
Revenue from sales	2	144	1,683
Property rental and management revenue	2	5,583	6,495
Gain on loan forgiven	2	4,985	-
Consultancy revenue	2	323	-
Other revenues	2	42	50
<b>Total Revenue</b>	2	<b>11,077</b>	<b>8,228</b>
Cost of sales		(21)	(1,879)
Borrowing costs	3(b)	(5,084)	(4,359)
Property expenses		(1,537)	(1,679)
Directors fees		(126)	(126)
Employee benefits expenses		(1,220)	(1,224)
Professional and consultancy fees		(323)	(447)
Loss on sale of investment property	3(a)	(2,931)	(167)
Gain on dilution of interest in joint venture entities	3(a)	1,490	-
Impairment of investment and receivables		(452)	-
Loss on disposal of fixed assets		(1)	(80)
Other expenses from ordinary activities		(564)	(738)
Diminution in fair value of investment properties	3(a)	(1,591)	(10,800)
Share of net profit/(loss) of joint venture entities accounted for using the equity method	25	(18)	222
<b>(Loss) before income tax</b>		<b>(1,301)</b>	<b>(13,049)</b>
Income tax benefit	4(a)	313	1,182
<b>Profit/(loss) for the year</b>		<b>(988)</b>	<b>(11,867)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(988)</b>	<b>(11,867)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the company		(1,087)	(11,956)
Non-controlling interest		99	89
<b>Total comprehensive income/(loss) for the year</b>		<b>(988)</b>	<b>(11,867)</b>
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share	5	(0.86) cents	(9.5)cents
Diluted earnings/(loss) per share	5	(0.86) cents	(9.5)cents

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 June 2011

METROLAND AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES  
ABN 81 009 138 149

	Note	Consolidated	
		2011 \$'000	2010 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	202	607
Trade and other receivables	9	17,754	1,509
Inventories	10	-	21
Financial assets	14	1,626	-
Other current assets	12	266	197
Asset classified as held for sale	15	-	18,750
<b>Total Current Assets</b>		<b>19,848</b>	<b>21,084</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	8,475	6,101
Investment property	13	27,291	43,450
Investments accounted for using the equity method	11	34	359
Financial assets	14	36	5,599
Property, plant & equipment	16	204	189
Deferred tax assets	4(d)	1,074	141
<b>Total Non-Current Assets</b>		<b>37,114</b>	<b>55,839</b>
<b>TOTAL ASSETS</b>		<b>56,962</b>	<b>76,923</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	3,131	2,314
Financial liabilities	18	36,545	20,039
Current tax liabilities	4(b)	35	45
Short-term provisions	20	465	108
<b>Total Current Liabilities</b>		<b>40,176</b>	<b>22,506</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	17	1,007	4,750
Financial liabilities	18	6,262	39,975
Long-term provisions	20	900	60
Deferred tax liabilities	4(c)	72	-
<b>Total Non-Current Liabilities</b>		<b>8,241</b>	<b>44,785</b>
<b>TOTAL LIABILITIES</b>		<b>48,417</b>	<b>67,291</b>
<b>NET ASSETS</b>		<b>8,545</b>	<b>9,632</b>
<b>EQUITY</b>			
Contributed equity	21	15,113	15,113
Retained earnings		(6,568)	(5,481)
Minority equity interests		-	-
<b>TOTAL EQUITY</b>		<b>8,545</b>	<b>9,632</b>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 June 2011

	Contributed equity \$'000	Retained earnings \$'000	Minority equity interests \$'000	Total equity \$'000
<b>Balance at 1 July 2009</b>	<b>14,966</b>	<b>6,475</b>	<b>243</b>	<b>21,684</b>
<b>Comprehensive income for the year</b>				
Profit/(loss) for the year	-	(11,956)	89	(11,867)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(11,956)</b>	<b>89</b>	<b>(11,867)</b>
<b>Transactions with owners in their capacity as owners:-</b>				
Issue of shares	150	-	-	150
Share issue costs	(3)	-	-	(3)
Dividends paid to equity-holders	-	-	(332)	(332)
<b>Balance at 30 June 2010</b>	<b>15,113</b>	<b>(5,481)</b>	<b>-</b>	<b>9,632</b>
<b>Balance at 1 July 2010</b>	<b>15,113</b>	<b>(5,481)</b>	<b>-</b>	<b>9,632</b>
<b>Comprehensive income for the year</b>				
Profit/(loss) for the year	-	(1,087)	99	(988)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,087)</b>	<b>99</b>	<b>(988)</b>
<b>Transactions with owners in their capacity as owners:-</b>				
Dividends paid to equity-holders	-	-	(99)	(99)
<b>Balance at 30 June 2011</b>	<b>15,113</b>	<b>(6,568)</b>	<b>-</b>	<b>8,545</b>

The consolidated statements of changes in equity are to be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2011

METROLAND AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES  
ABN 81 009 138 149

	Note	Consolidated	
		2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		6,034	9,557
Cash payments in the course of operations		(3,942)	(5,748)
Interest received		42	29
Borrowing costs paid		(3,355)	(4,427)
Income taxes (paid)/refunded		(109)	125
Net cash (used in) operating activities	7(a)	(1,330)	(464)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment properties		1,515	-
Purchase of property, plant and equipment		(57)	(20)
Acquisition of investment		-	(3,762)
Payments for additions to property investments		(891)	(397)
Loans (to)/repayments from other entities		(25)	(52)
Net cash provided by/(used in) investing activities		542	(4,231)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans (to)/from related entities		(68)	(1,916)
Proceeds from borrowings		1,071	6,373
Repayment of borrowings		(525)	(868)
Dividends paid		(107)	(194)
Proceeds from issue of shares		-	147
Net cash provided by financing activities		371	3,542
<b>Net (decrease) in cash held</b>		<b>(417)</b>	<b>(1,153)</b>
Cash at beginning of the financial year		603	1,756
<b>Cash at the end of the financial year</b>	7(b)	<b>186</b>	<b>603</b>

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

### (a) Going Concern

The consolidated entity incurred a loss before tax for the year ended 30 June 2011 of \$988,000 (including investment property write downs of \$1.59 million) and at that date its current liabilities exceeded its current assets by \$20.3 million.

Included in current liabilities at 30 June 2011 are the following bank and other entity loans totalling \$36.5 million:-

- a bank loan facility of \$13.125 million secured over the Company's Wentworthville Mall property, which was sold in October 2010. The completion and settlement of the sale was effected on 2 September 2011, and the loan was repaid from the proceeds of settlement.
- a bank loan facility of \$14.14 million principally secured over the Campbelltown Square property, which is also cross-collateralised over the Group's Wentworthville Mall property. The balance of the loan was reduced to \$9.6million following the application of the excess of the proceeds on settlement from the sale of the Wentworthville Mall property, together with a further \$1 million repayment. The loan is due for repayment by May 2012. The directors are looking into refinance options available with various financial institutions for the balance of the loan. Currently, the loan does not comply with the financiers LVR conditions of 70%.
- short-term investor loans amounting to \$7.26 million for the refinance and repayment of the bank loan on the joint venture investment properties Greenway SupaCenta and Greenway Plaza. The loan is for a term of 7 months and repayment is due by 28 November 2011. On 15 July 2011, the joint venture entities accepted a conditional 3 year term refinance bank facility for the repayment of the loan by the due date.
- other loans amounting to \$1.94 million. On 8 August 2011, \$1.32 million has been repaid from the proceeds of the redemption of the Company's unit investment in the MetroPlaza Central Trust.

The ongoing operation of the consolidated entity is dependent upon the continued support by the financiers, and the Joint Venture partners and investors and the ability of the consolidated entity to generate positive cash flow from its operations.

Should the consolidated entity not achieve the matters set out above, these conditions give rise to a significant uncertainty which may cast doubt upon the consolidated entity's ability to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities, which might be necessary should the consolidated entity not be able to continue as a going concern.

### (b) Basis of Preparation

#### *Reporting Basis and Conventions*

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements.

The consolidated financial statements of the company comprise of the parent entity, Metroland Australia Limited and its controlled entities, and interests in associates and joint ventures. Metroland Australia Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of Metroland Australia Limited comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### (c) Principles of Consolidation

#### *Controlled Entities*

The consolidated financial statements are those of the consolidated entity, comprising Metroland Australia Limited (the parent entity) and the entities which Metroland Australia Limited controlled from time to time during the year. A list of controlled entities is contained in Note 24 to the financial statements.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

### *Joint Venture Operations*

The consolidated entity has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The consolidated entity recognises its interest in jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The consolidated entity also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

### *Interests in Joint Ventures*

The consolidated group's share of the assets, liabilities, revenue and expenses of jointly controlled entities has been included in the appropriate line items of the consolidated financial statements. The consolidated group's interest in joint venture entities are brought to account using the proportionate consolidation method of accounting in the consolidated financial statements. Where the group contributes assets to the joint venture or if the group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the group's share of the joint venture is recognised. The group however will recognise the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

Details of the consolidated entity's interests are shown at Note 23.

### *Changes in Ownership Interest*

#### *Loss of control, joint control or significant influence retained*

When control ceases but significant influence or joint control is retained, the carrying amount at the date of change in status of the investment is determined as if it had been an associate/joint venture entity since the acquisition date, opening equity amounts are restated and any remaining effect of the change in status is recognised as a revenue or expense.

## (d) Taxation

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### **Tax Consolidation**

Metroland Australia Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

### (e) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (f) **Investment in Associates**

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. An associate is an entity in which the consolidated entity has significant influence and which is neither a subsidiary nor a joint venture operation.

The financial statements of each associate, which are adjusted to re-align the results to coincide with the consolidated entity reporting date, are used by the consolidated entity to apply the equity method.

The investment in associates are carried in the financial statements at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate, less any impairment in value. The statement of comprehensive income reflects the consolidated entity's share of the results of operations of the associates.

### (g) **Investment Property**

Investment properties, comprising freehold shopping complexes, are held to generate long-term rental yields and for capital appreciation. All tenant leases are on an arms length basis. Investment properties are carried at fair value determined annually using both independent and directors valuations. Changes to fair value are recorded in the statement of comprehensive income.

### (h) **Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amounts and fair value less costs to sell. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

### (i) **Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition and for property under development also includes development and holding costs such as borrowing costs, rates and taxes until the point of time that the property is ready for sale or use. Borrowing costs and other holding costs incurred after completion of development are expensed. Net realisable value is the estimated selling price in the course of business, less the estimated costs of completion and settling expenses.

### (j) **Plant and Equipment**

Plant and equipment are measured on the cost basis, less accumulated depreciation. All assets have limited useful lives and are depreciated using the straight line or diminishing value method over their estimated useful lives taking into account estimated residual values. Assets are depreciated from the date of acquisition. Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

The depreciation rates used for each class of asset is as follows:

	2011	2010
Leasehold Improvements	20%	20%
Plant and Equipment	17 – 40%	17 – 40%

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The asset's residual values and useful lives are reviewed and adjusted if applicable, at each financial position date. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### (k) Impairment of Assets

At each reporting date, the Group assesses the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of those assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### (l) Trade and Other Payables

Trade and other payables are carried at amortised cost using the effective interest rate method. Payables are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 90 days.

### (m) Interest Bearing Liabilities

Interest bearing bank loans and borrowings are non-derivative financial liabilities and are initially recognised at the fair value of the consideration received. After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Interest expense is accrued at the contracted rate and is included in "Other creditors and accruals".

### (n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### (o) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

### (p) 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 taxation authority. The following specific recognition criteria must be met before revenue is recognised:-

#### **Sale of Properties and Goods**

Revenue from the sale of property inventory is only recognised upon the completion of the project, when the unconditional contracts of sale are settled, and the substantial risks and rewards are passed to the buyer. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer for property sales and at the time the purchaser has control of the asset for other specific transactions.

#### **Rendering of Services**

Revenue from the rendering of property management and project services is recognised when the service is rendered and the revenue is receivable.

#### **Investment Property Rental Revenue**

Rental revenue comprises rent received from entities outside the consolidated entity. Rental income is accounted for on a straight line basis over the term of the leases.

#### **Construction Activities**

Construction revenue is recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract. Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to actual costs. Where losses are anticipated they are provided for in full.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### **Interest Income**

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

### **Dividend**

Dividend revenue is recognised net of any franking credits. Revenue from dividends from controlled entities is recognised by the parent entity when they are declared by the controlled entities. Revenue from dividends and distributions from joint venture entities is recognised when they are declared by the joint venture entities.

### (q) **Goods & Services Tax**

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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST receivable from or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (r) **Earnings per share**

Basic earnings per share ("EPS") is calculated as net profit, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive ordinary shares adjusted for any bonus issue.

### (s) **Provisions**

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

### **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### **Income Guarantee**

Provision has been made for the consolidated entity's potential liability, under the terms of a 4 year rental income guarantee provided to the purchaser, as part of the sale of the Wentworthville Mall property. The liability is determined based on the current net property income, adjusted for related potential property costs over the term of the guarantee. The liability expected to be paid at the end of 12 months has been measured at amounts to be paid when the liability is settled. Liabilities payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those liabilities.

### **Dividends**

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless to the extent to which they will be paid in cash.

### (t) **Trade and Other Receivables**

The collectability of debts is assessed at reporting date and specific provision is made for any impairment.

### **Trade Debtors**

Trade debtors to be settled within 90 days are carried at amounts due.

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (u) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- type or class of customer for the products and services.

### (v) Comparative Figures

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

### (w) Significant Accounting Judgement, Estimates and Assumptions

The directors evaluate estimates and judgements incorporated into the financial statements 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, obtained both externally and within the Group.

#### Key Estimates

##### (i) Fair valuation of investment properties – refer Note 13

The directors assess the valuation of the investment properties based on valuations obtained annually by independent valuers. These valuations are based on expected rental yields and outgoings based on current and historical evidence as well as current market expectations.

##### (ii) Recovery of deferred tax assets

Deferred tax assets are recognised from deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

##### (iii) Income guarantee provisions

In determining the level of provision required for rental income guarantee provided to the purchaser, as part of the sale of the Wentworthville Mall property, the Group has made judgements in respect of the expected future rental income and property costs from the property over the 4 year term of the guarantee. Historical experience and current knowledge of the rental income based on existing leases, and the related property costs have been used in determining this provision. Any actual variations in these judgements may result in future actual expenditure differing from the amounts currently provided. The provisions recorded are periodically reviewed and updated based on the facts and circumstances available at the time.

##### (iv) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover polices (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

### (x) Rounding of amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statement and directors' report have been rounded off to the nearest \$'000.

The financial statements were authorised for issue on 30 September 2011 by the board of directors.

	Consolidated	
	2011 \$'000	2010 \$'000
<b>NOTE 2 – REVENUE</b>		
Revenue from sale of:		
- Construction services and goods	134	1,493
- Building accessories	10	190
	<u>144</u>	<u>1,683</u>
Rental revenue from investment properties	4,706	5,319
Property management and facilitation revenue	877	1,176
	<u>5,583</u>	<u>6,495</u>
Gain from loans forgiven	4,985	-
Consultancy revenue	323	-
Other revenues:-		
<i>From operating activities</i>		
Interest – other parties	42	29
Other	-	21
<b>Total Other Revenues</b>	<u>42</u>	<u>50</u>
<b>Total Revenue</b>	<u><u>11,077</u></u>	<u><u>8,228</u></u>

### NOTE 3 – PROFIT BEFORE INCOME TAX

(a) Individually significant (expense)/revenue included in profit before income tax:

Net proceeds from sale of investment property	17,949	-
Cost of property sold	(19,689)	-
Provision for income guarantee	(1,191)	-
	<u>(2,931)</u>	<u>-</u>
Gain on loans forgiven	4,985	-
Gain on dilution of interest in joint venture entities	1,490	-
Share of net profit/(loss) of associates	(18)	222
Diminution in fair value of investment properties	(1,591)	(10,800)

(b) Profit/(loss) before income tax has been arrived at after charging/(crediting) the following items:

Borrowing Costs:		
- Other parties	5,319	4,866
Less: Capitalised borrowing costs	(235)	(507)
	<u>5,084</u>	<u>4,359</u>

Borrowing costs were capitalised to property inventories and qualifying assets at a weighted average annual rate of 12% (2010: 10.25%).

Amortisation and depreciation of:		
Plant and equipment	<u>42</u>	<u>57</u>
Net expense from movements in provisions for:		
- Employee entitlements expense	5	(18)
- Impairment of trade receivables	114	5
- Impairment of investments	338	-
- Rental income guarantee	1,191	-
Operating lease payments	<u>204</u>	<u>191</u>

Consolidated	
2011 \$'000	2010 \$'000

## NOTE 4 – TAXATION

### (a) Income Tax Expense

Prima facie tax payable on profit/(loss) before income tax at 30% (2010– 30%)	(390)	(3,915)
Increase/(decrease) in income tax expense due to:		
- Prior year fair value adjustment to investment property, now recognised for tax	(1,040)	-
- Capital loss on sale of property	15	50
- Deferred tax assets de-recognised	1,573	-
- Utilisation of tax loss of partially owned entities not previously recognised	(213)	-
- Gain on dilution of interest in joint venture entities	(447)	-
- Adjustments to deferred tax balances on dilution of interest in joint venture entities	(793)	-
- Fair value adjustment to investment property	-	2,646
- Other	2	51
Over provision of income tax in the prior year	-	(45)
Tax losses not recognised	980	31
Income tax (benefit) reported in the Statement of Comprehensive Income	<u>(313)</u>	<u>(1,182)</u>

The major components of income tax benefit comprises:

- current tax	100	104
- deferred tax	(946)	(1,272)
- gain on dilution of interest in joint venture entities	(447)	-
- overprovision in respect of prior year	-	(45)
- tax losses not recognised	980	31
	<u>(313)</u>	<u>(1,182)</u>

### (b) Current Tax Asset/(Liabilities)

Opening balance	(45)	-
Income tax paid	109	-
Provision for Current Income Tax	(99)	(45)
	<u>(35)</u>	<u>(45)</u>

### (c) Deferred Income Tax Liabilities

Deferred income tax liabilities comprise the estimated expense at the applicable rate of 30% (2010: 30%) on the following items:

Fair value gain adjustments	331	(811)
Tax allowances relating to properties	-	601
Income not currently assessable for tax	-	983
Expenditure currently deductible for tax but deferred for accounting purposes	-	799
Losses applied	(255)	(699)
Offset against deferred tax assets	(4)	(873)
	<u>72</u>	<u>-</u>

Consolidated	
2011 \$'000	2010 \$'000

## NOTE 4 – TAXATION (Cont'd)

### (d) Deferred tax assets

Deferred tax assets have been recognised in respect of the following items:

Deductible temporary differences	503	65
Tax losses carried forward	571	949
Offset against deferred tax liabilities	-	(873)
	<b>1,074</b>	<b>141</b>

Deferred tax assets not brought to account, the benefits of which will only be realised if the relevant taxpayers continue to comply with the deductibility under the income tax law:

Temporary differences	1,574	-
Tax losses	980	31

## NOTE 5 – EARNINGS PER SHARE

### Earnings reconciliation

Net profit/(loss) for basic and diluted earnings	(1,087)	(11,956)
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Weighted average number of shares used as the denominator for the  
Calculation of basic and diluted earnings per share:

	Number	Number
Ordinary shares	126,283,244	125,909,271

## NOTE 6 – AUDITORS REMUNERATION

\$

\$

### Auditors of the Company:

#### Audit services

Audit and review of financial statements	81,002	82,980
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#### Other services

Taxation compliance services	691	4,207
Share registry services	8,587	10,486
Due diligence	8,000	-
	17,278	14,693
	<b>98,280</b>	<b>97,673</b>

	Consolidated	
	2011 \$	2010 \$
<b>NOTE 7 – NOTES TO THE CASH FLOW STATEMENT</b>		
Operating profit/(loss) after income tax	(988)	(11,867)
Add/(less) items classified as investing/financing activities:		
Interest paid capitalised in property and investments	29	(68)
Fair value adjustment to investment property	1,591	10,800
Non-cash items		
Impairment of investment	338	-
Gain on equity investment dissolution	-	(41)
Gain on loan forgiven	(3,485)	-
Gain on dilution of joint venture interests	(1,490)	-
Depreciation	42	57
Loss on disposal of fixed assets	-	80
Loss on sale of investment property	1,740	167
Amounts set aside to provisions	1,310	(34)
Equity accounted share of joint venture entities' results	72	(73)
Changes in assets and liabilities:		
(Increase)/decrease in property inventories	17	156
(Increase)/decrease in receivables	133	1,302
Increase/(decrease) in payables	(163)	121
Increase/(decrease) in tax balances	(407)	(1,169)
(Increase)/decrease in prepayments	(69)	105
Net cash provided by / (used in) operating activities	<u>(1,330)</u>	<u>(464)</u>
 (b) Reconciliation of Cash		
Cash	175	213
Short term deposits	27	394
Bank overdraft	(16)	(4)
	<u>186</u>	<u>603</u>

**NOTE 8 – CASH AND CASH EQUIVALENT ASSETS**

<i>Current</i>		
Cash at bank and in hand	175	213
Bank short term deposits	27	394
	<u>202</u>	<u>607</u>

The effective interest rate on short-term bank deposits was 1.6% (2010: 2.69%)

	Consolidated	
	2011 \$'000	2010 \$'000
<b>NOTE 9 – TRADE AND OTHER RECEIVABLES</b>		
<i>Current</i>		
Trade receivables	261	491
Less: Impairment of receivables	(120)	(74)
	<u>141</u>	<u>417</u>
Amount due from customers for construction contracts	9(a) 138	395
Receivable from sale of investment property	17,385	600
Other receivables	12	14
Loans to other entities	78	83
	<u>17,754</u>	<u>1,509</u>
<i>Non-Current</i>		
Loans to joint venture entities	8,386	5,973
Other receivables	89	128
	<u>8,475</u>	<u>6,101</u>

At 30 June, the aging analysis of trade receivables is as follows:

	0 – 30 days \$'000	31 – 60 days \$'000	61 – 90 days \$'000	90+ days \$'000	Total \$'000
2011	92	31	17	1	141
2010	187	35	23	172	417

Trade receivables past due date but not considered impaired are \$18,000 (2010: \$204,000). Current trade receivables are non-interest bearing and are generally on 60 day terms. An allowance for doubtful debts is made where there is evidence that a trade receivable is impaired.

The receivable from the sale of investment property was received on 2 September 2011, the date of settlement.

All non-current loans are interest free. The loans are not repayable within the next 12 months.

(a) **Construction Contracts**

Amounts due for construction contracts are receivable from joint venture partners of a joint venture operation in which the Group is a 25.05% (2010: 50%) joint venture partner.

Amounts due from customers for contract work	138	395
Retentions on construction contracts in progress	-	-
Progress billings received and receivable on completed construction contracts	<u>12,021</u>	<u>12,021</u>

Consolidated	
2011 \$'000	2010 \$'000

## NOTE 10 – INVENTORIES

### Current

Finished goods held for resale, at lower of cost and net realisable value	-	21
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## NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Non-current

Associated entities	25	34	359
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## NOTE 12 – OTHER CURRENT ASSETS

### Current

Prepayments		266	197
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## NOTE 13 – INVESTMENT PROPERTY

### Non-Current

Balance at beginning of the year	43,450	73,000
Transfer to assets currently held for sale	-	(20,350)
Decrease due to the dilution of interest in joint venture entities (i)	(15,459)	-
Expenditures capitalised	891	-
Fair value adjustment	(1,591)	(9,200)
	<u>27,291</u>	<u>43,450</u>

Investment properties comprise:

- The Campbelltown Square shopping complex at 218-240 Queens Street, Campbelltown which was acquired in May 2007.
- Greenway SupaCenta, a shopping complex at Wetherill Park, which was completed in June 2009.
- Greenway Plaza shopping complex at Wetherill Park, which was acquired in December 2003.

The fair value model is applied to all investment properties. Investment properties are valued at least annually. The investment properties listed above have all been valued by the directors, based on the independent valuations undertaken at 30 June 2011. The independent valuations at 30 June 2011 were assessed using the capitalisation of potential rental method using capitalisation rates between 8.5% and 9.5%, based on an active liquid market and were performed by a registered independent valuer.

- (i) The asset decrease relates to the Group's share of the Greenway Plaza and Greenway SupaCenta investment properties. The assets are held by Gaintak Investments Pty Ltd and Greenway Australia Properties Pty Ltd, joint venture entities in which the Group's interest was diluted during the year from 50% to 25.05%. The entities are accounted for under the proportionate consolidation method.

## NOTE 14 – FINANCIAL ASSETS

	Consolidated	
	2011 \$'000	2010 \$'000
<i>Current</i>		
<i>Unlisted Investments in other entities</i>		
Property trust	1,626	-
<i>Non-current</i>		
<i>Unlisted Investments in other entities</i>		
Joint venture entity	36	36
Property trust	-	5,563
	36	5,599
<i>Investments in Associates</i>		
Unlisted shares at cost	101	101
Provision for diminution	(101)	(101)
	-	-
	36	5,599

## NOTE 15 – ASSETS CURRENTLY HELD FOR SALE

<i>Current</i>		
Investment property	-	18,750

The Wentworthville Mall, a shopping complex at 42-44 Dunmore Street, Wentworthville was sold in October 2010. Settlement was effected on 2 September 2011 and the bank loan secured over the property was repaid.

## NOTE 16 – PROPERTY, PLANT & EQUIPMENT

Plant and equipment – at cost	378	334
Accumulated depreciation	(174)	(145)
	204	189
<i>Movements in Carrying Amounts</i>		
<i>Plant and equipment</i>		
Carrying amount at beginning of year	189	307
Additions	57	19
Disposals	-	(80)
Depreciation	(42)	(57)
Carrying amount at end of year	204	189

## NOTE 17 – TRADE AND OTHER PAYABLES

<i>Current</i>		
Trade creditors	642	790
Other creditors and accruals	2,343	1,466
GST payable	51	58
Deferred income	95	-
	3,131	2,314
<i>Non-current</i>		
Owing to joint venture participants	751	4,365
Interest and commissions payable	-	385
Deferred income	256	-
	1,007	4,750

Amounts owing to joint venture participants are non-interest bearing and not due for repayment in the next 12 months. These payables may be offset against amounts owing by joint venture participants disclosed in Note 9. Deferred income arising from the terms of the sale of the Wentworthville Mall property to provide property management services for the property will be recognised over the next 4 years.

**NOTE 18 – FINANCIAL LIABILITIES**

		Consolidated	
		2011 \$'000	2010 \$'000
<i>Current</i>			
Bank overdraft		16	4
Bank loans –secured	18(a)	27,310	19,911
Loans from other entities-unsecured	18(b)	9,214	113
Hire purchase liabilities - secured	18(c)	5	11
		<u>36,545</u>	<u>20,039</u>
<i>Non-current</i>			
Bank loans –secured		-	32,254
Loans from other entities-unsecured	18(b)	6,262	7,716
Hire purchase liabilities - secured		-	5
		<u>6,262</u>	<u>39,975</u>

(a) The bank loans are secured by registered first mortgages over properties of the controlled entities. The covenants for the bank loans require minimum interest cover ratios of between 1 to 1.25 times on the net passing rental of the mortgaged property and loan to valuation ratios (LVR) of between 70% to 75% of the fair valuation of the mortgaged investment property. Included in current bank loans are:-

- the loan facility of \$13,125,000 secured over the Group's Wentworthville Mall investment property which was repaid on 2 September 2011 from the proceeds of the sale of the property;
- the loan facility of \$14,140,000 principally secured over the Campbelltown Square property is also cross-collateralised over the Wentworthville Mall property. The loan is due for repayment by May 2012. On 2 September 2011, following the settlement on the sale of the Wentworthville Mall property, \$3,490,000 was applied towards a partial repayment of the loan, together with a further \$1,000,000 repayment. The directors are looking into refinance options available with various financial institutions for the balance of the loan of \$9.65 million. Currently, the loan does not comply with the financier's 70% LVR condition.

The weighted average interest rate on these loans at 30 June 2011 is 7.8 % (2010: 9.19%), and is paid monthly.

(b) Loans from other entities are unsecured. The current portion of \$7,264,500 for the refinance and repayment of the bank loan on the joint venture investment properties Greenway SupaCenta and Greenway Plaza is repayable by November 2011. Subsequent to balance date, the joint venture entities have accepted a refinance bank facility for the repayment of the loan. The balance of \$1,949,000 is repayable within the next 12 months. On 8 August 2011, \$1.32 million was repaid from the proceeds of the redemption of the Company's unit investments in the MetroPlaza Central Unit Trust.

The non-current portion of \$3,256,500 is interest-free and repayable by April 2021. The balance of \$3,005,800 is not due within the next 12 months. The weighted average interest rate on these loans at 30 June 2011 is 6.79% (2010: 9.77%).

(c) Hire purchase liabilities are secured over the assets being financed. The weighted average interest rate of hire purchase liabilities at 30 June 2011 was 8.36% (2010:8.36%).

The carrying amount of the pledged properties at the reporting date are as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
Investment properties	12,000	43,450
Investment property held for sale	-	18,750
Property settlement receivables	17,385	600
Fixed assets	5	18
	<u>29,390</u>	<u>62,818</u>

Consolidated	
2011	2010
\$'000	\$'000

## NOTE 19 - FINANCING ARRANGEMENTS

The consolidated entity has access to the following lines of credit:

### Total facilities available:

Bank loans	27,310	52,165
Other entity loans	15,476	7,845
	<b>42,786</b>	<b>60,010</b>

### Facilities utilised at balance date:

Bank loans	27,310	52,165
Other entity loans	15,476	7,845
	<b>42,786</b>	<b>60,010</b>

### Facilities not utilised at balance date:

Bank loans	-	-
Other entity loans	-	-
	<b>-</b>	<b>-</b>

## NOTE 20 - SHORT-TERM AND LONG-TERM PROVISIONS

### Current

Employee benefits	147	108
Rental income guarantee	318	-
	<b>465</b>	<b>108</b>

### Non-current

Employee benefits	26	60
Rental income guarantee	874	-
	<b>900</b>	<b>60</b>

Number of employees at year end	<b>16</b>	<b>18</b>
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### Movements in provisions

Movements in each class of provision during the current financial year are set out below:

	Employee benefits	Rental Income Guarantee
<i>Current</i>		
Carrying amount at the start of the year	108	-
Amounts transferred from non-current	40	-
Unused amounts reversed	(3)	-
Additional provisions recognised	18	318
Amounts paid during the year	(16)	-
Carrying amount at the end of the year	<b>147</b>	<b>318</b>
<i>Non-current</i>		
Carrying amount at the start of the year	60	-
Amounts transferred to current	(40)	-
Additional provisions recognised	6	874
Carrying amount at the end of the year	<b>26</b>	<b>874</b>

Consolidated	
2011	2010
\$'000	\$'000

## NOTE 21 – CONTRIBUTED EQUITY

### (a) Share capital

126,283,244 (2010: 126,283,244) ordinary shares fully paid	15,113	15,113
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### Movements during the year:

Balance at beginning of year: 124,783,244 shares (2010: 124,783,244 shares)	15,113	14,966
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### Shares issued:

- Nil (2010: 1,500,000) for cash pursuant to a share placement	-	150
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Less: Transaction costs of issue	-	(3)
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Balance at end of the year: 126,283,244 shares (2010: 126,283,244 shares)	15,113	15,113
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The Company does not have authorised capital nor par value in respect of its issued shares.

### Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the company, rank after creditors and are fully entitled to any proceeds of liquidation.

### (b) Options

All options expired in the previous financial year. The company has no options over unissued shares at year end.

### (c) Capital Management

Management's control over the capital of the group is to procure a level of capital in order to maintain a good debt to equity ratio; provide the shareholders with adequate returns and to ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

In managing the group's capital, management assess the group's financial risks to determine the requirement of adjusting its capital structure in response to changes in these risks and in the market. The group's attempts to raise additional capital in the current market is not readily available, and management is conscious of the need to closely monitor and manage the group's debt levels, and distributions to shareholders.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. The strategy is to continue reducing the group's gearing ratio to a level below the minimum loan covenanted Loan to Valuation Ratio of 70%. The gearing ratio for the year ended 30 June 2011 and 30 June 2010 are as follows:-

Note	Consolidated	
	2011	2010
	\$'000	\$'000

Total borrowings	17,18	46,945	67,078
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Less: cash and cash equivalents	8	(202)	(607)
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Net Debt		46,743	66,471
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Total Equity		8,545	9,632
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Total Capital		55,288	76,103
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Gearing Ratio		84%	87%
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Note	Consolidated	
	2011 \$'000	2010 \$'000

## NOTE 22 – DIVIDENDS

No dividends were declared by the company in the current year.

### *Dividend Franking Account*

30% franking credits available to shareholders of Metroland Australia Limited for subsequent financial years

1,485

1,433

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

- franking credits that will arise from the payment of the current tax liability;
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax-consolidated entity at year-end;
- 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 profits to declare dividends.

## NOTE 23 – INTEREST IN JOINT VENTURES

The consolidated entity holds a 25.05% (2010: 50%) interest in the Greenway Supacenta Joint Venture whose principal activity is the rental of the Supacenta investment property at Elizabeth Street, Wetherill Park, and a 25.05% (2010: 50%) interest in both Gaintak Investment Unit Trust and Greenway Australia Properties Pty Limited. For the year ended 30 June 2011, the contribution of the joint ventures before tax to the consolidated entity was a profit of \$2,790,119, which includes \$4,985,039 gain on loan forgiven and \$258,513 fair value write down to investment properties (2010: a loss of \$10,702,235 which includes \$9,499,865 fair value write down to investment properties).

Included in the assets and liabilities of the consolidated entity are the following items which represent the consolidated entity's interest in the assets and liabilities employed in the joint ventures, recorded in accordance with the accounting policies described in Note 1(c).

Current Assets		
Cash	39	55
Receivables	165	334
<b>Total Current Assets</b>	<b>204</b>	<b>389</b>
Non Current Assets		
Investment Property	15,343	30,078
Deferred Tax	122	-
<b>Total Non –Current Assets</b>	<b>15,465</b>	<b>30,078</b>
<b>Total Assets</b>	<b>15,669</b>	<b>30,467</b>
Current Liabilities		
Trade and other creditors	356	501
<b>Total Current Liabilities</b>	<b>356</b>	<b>501</b>
Non-Current Liabilities		
Interest bearing liabilities	12,803	24,485
Other creditors	751	4,379
<b>Total Non-Current Liabilities</b>	<b>13,554</b>	<b>28,864</b>
<b>Total Liabilities</b>	<b>13,910</b>	<b>29,365</b>
<b>Net Assets</b>	<b>1,759</b>	<b>1,102</b>

Refer Note 27 for details of contingent liabilities.

## NOTE 24 – CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

NAME	EQUITY INTEREST	
	2011	2010
<i>Parent entity</i>	%	%
Metroland Australia Limited		
<b>Controlled entities</b>		
Metroland Properties Pty Limited	100	100
Kings Properties (Australia) Pty Limited	100	100
Greenway Australia Properties Pty Limited *	25.05	50
Metroland Homes Pty Limited	100	100
Stratawide Management Pty Limited	55	55
Goldwest Metro Pty Limited	100	100
MetroBuild Associates Pty Limited	100	100
Metro Facilities Management Pty Limited	100	100
Home at Metro Pty Limited	100	100
Gaintak Note Company Pty Limited	100	100
Campbelltown Metro Pty Limited	100	100
Metroland Constructions Pty Limited	100	100
Global Real Estate Assets Corporation Pty Limited	100	100
DK Metro Engineering Pty Limited	100	100
Gaintak Investment Pty Ltd *	25.05	50
Metroland Management Services Pty Limited	100	100
Metroland Funds Management Limited	100	100
Metroland Investments Limited	100	100

All controlled entities are incorporated and carry on business in Australia.

\* Jointly controlled entity accounted for on a proportionate consolidation method.

(b) *Acquisition and Disposal of controlled entities*

No controlled entities were acquired or disposed of in the current or previous financial year.

## NOTE 25- INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Consolidated	
2011	2010
\$'000	\$'000

Share of net profit accounted for using the equity method included in the income statement:

- Associates	34	222
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*Interest in Associates*

Details of interests in associates are as follows:

Name	Principal Activities	Associate Reporting Date	Ownership Interest Held		Carrying Amount of Investment	
			2011	2010	2011	2010
			%	%	\$'000	\$'000
Ausbao (NSW) Management Pty Ltd	Construction project management	31-Dec	49	49	21	65
Metro Plaza Chinatown JV	Investment in property development entity	30-Jun	20	20	13	293
MTC Engineering Pty Limited	Construction engineering services	30-Jun	-	40	-	1
					34	359

**NOTE 25-INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)**

	Consolidated	
	2011 \$'000	2010 \$'000
<i>Results of Associates</i>		
Revenue from ordinary activities	137	421
Expenses from ordinary activities	(155)	(199)
Profit/(loss) from ordinary activities before income tax	(18)	222
Income tax (expense)/benefit relating to ordinary activities	19	(37)
	<u>1</u>	<u>185</u>

*Statement of Financial Position*

The consolidated entity's share of the joint venture entities assets and liabilities consists of:-

Current assets	25	92
Non-current assets	399	276
Total assets	<u>424</u>	<u>368</u>
Current liabilities	33	9
Total liabilities	<u>33</u>	<u>9</u>
Net assets – accounted for using the equity method	391	359
Less: Provision for impairment	(357)	-
Net assets	<u>34</u>	<u>359</u>

Refer to notes 26 and 27 for details of commitments and contingencies.

*Share of post-acquisition profit attributable to associates equity accounted*

Share of associates' retained profit at beginning of year	46	-
Share of associates' net profit after tax	1	185
Elimination of unrealised profits on services provided to associates	(54)	(139)
Share of associates' retained profit at end of year	<u>(7)</u>	<u>46</u>

*Movements in carrying amount of associates and joint venture entities*

Carrying amount at beginning of the year	359	1,627
Transfer to investments in other entities	(5)	(1,351)
Cash contributions to associates during the year	91	-
Share of associates' net profit, after tax	1	222
Realisation of investment	(1)	-
Elimination of unrealised profits on services provided to associates	(54)	(139)
Provision for impairment	(357)	-
Carrying amount at beginning of year	<u>34</u>	<u>359</u>

Consolidated	
2011	2010
\$'000	\$'000

## NOTE 26 CAPITAL AND LEASING COMMITMENTS

### Capital Expenditure Commitments

Capital expenditure commitments for tenancy lease agreement fit-outs at Greenway SupaCenta, payable not later than 12 months

1,150	-
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### Operating Lease Commitments

Non-cancellable operating lease contracted for but not capitalised in the financial statements:-

Payable – minimum lease payments

- not later than 12 months

158	158
-----	-----

- between 12 months and 5 years

79	236
----	-----

237	394
-----	-----

The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the 5 year term for an additional 3 years. The lease is subject to a CPI rental review at the end of the initial 5 year term.

### Finance Lease Commitments

Payable – minimum lease payments

- not later than 12 months

6	13
---	----

- between 12 months and 5 years

-	6
---	---

6	19
---	----

Less: future finance charges

(1)	(3)
-----	-----

Present value of minimum lease payments

5	16
---	----

Total Commitments

1,392	410
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## NOTE 27 CONTINGENT LIABILITIES

Estimates of the potential financial effects of contingent liabilities that may become payable:-

### Share of Joint Venture Contingent Liabilities

- Guarantee of joint venture loan facilities

-	24,485
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- A controlled entity as a venturer in the Greenway SupaCenta Joint Venture operation, is jointly and severally liable for 100% of all liabilities incurred by the joint venture. The assets of the joint venture are sufficient to meet such liabilities. The joint venture liabilities not already reflected in the statement of financial position are:

2,824	1,865
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2,824	26,350
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## NOTE 28 SEGMENT REPORTING

The Group has identified operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided and the origin and manner in which products sold are used. Financial information about each of these operating business segments is reported to the executive management team on at least a quarterly basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

### **Business Segments**

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:-

Property construction, development and management:	For property under construction and constructions under management for external and other related entities.
Property rental and management:	Investment properties held for the generation of rental income and capital appreciation; and residential property management and facilitation management services.
Investment and financial services:	Investments in associate entities; funds management; cash investments and general loan borrowings.
Import and wholesaling:	Wholesale and sourcing of imported products.

**NOTE 28 SEGMENT REPORTING (cont)**

	Property Construction, Development & Management		Property rental & management		Investment & Financial Services		Import Sales		Consolidation	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
External segment revenue	227	1,821	5,825	6,174	30	43	10	190	6,092	8,228
Segment result before finance costs and impairment	(95)	(596)	3,272	3,978	(127)	9	(22)	(26)	3,028	3,365
Finance costs after capitalised interest	(3)	(3)	(4,776)	(4,117)	(305)	(239)	-	-	(5,084)	(4,359)
Impairment of receivables & investments	-	-	(96)	(7)	(356)	-	-	2	(452)	(5)
Segment result after finance costs and impairment	(98)	(599)	(1,600)	(146)	(788)	(230)	(22)	(24)	(2,508)	(999)
(Loss) from diminution in value of investment properties	-	-	(1,591)	(10,800)	-	-	-	-	(1,591)	(10,800)
Gain from dilution of interest in joint venture entities and loans forgiven	-	-	4,985	-	1,490	-	-	-	6,475	-
Loss on disposal of plant and equipment	-	-	-	-	-	-	-	-	-	(80)
Loss on sale of investment property	-	-	(2,931)	-	-	-	-	-	(2,931)	(167)
Interest revenue	-	3	12	4	30	22	-	-	42	29
Unallocated corporate expenses	-	-	-	-	-	-	-	-	(788)	(1,032)
(Loss) from ordinary activities before tax									(1,301)	(13,049)
Income tax (expense)/benefit									313	1,182
Minority interest									(99)	(89)
<b>Net profit/(loss) for the year</b>									<b>(1,087)</b>	<b>(11,956)</b>
Depreciation	11	12	2	-	28	45	1	-	42	57
<b>Assets</b>										
Segment assets	3,059	2,488	44,295	63,258	9,145	10,578	20	31	56,519	76,353
Unallocated corporate assets									443	570
<b>Consolidated total assets</b>									<b>56,962</b>	<b>76,923</b>
<b>Liabilities</b>										
Segment liabilities	473	1,145	42,075	58,288	2,312	5,129	-	3	44,860	64,585
Unallocated corporate liabilities									3,557	2,726
<b>Consolidated total liabilities</b>									<b>48,417</b>	<b>67,291</b>
Acquisition of non-current assets	-	-	-	-	-	4,207	-	-	-	4,207

**Secondary Reporting  
Geographical Segments**

The company operates in the Sydney Region of New South Wales, Australia.

## NOTE 29 KEY MANAGEMENT PERSONNEL DISCLOSURES

### Remuneration of specified directors and specified executives by the consolidated entity

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages only include fixed remuneration. There are currently no performance-based or equity-based remuneration for directors and executives.

The remuneration structures are designed to attract suitably qualified candidates, and to achieve the broader outcome of increasing the consolidated entity's net profit attributable to members of the parent entity. The remuneration structures took into account:-

- the overall level of remuneration for each director and executive; and
- the executives' ability to control performance.

Fees for non-executive directors during the year were between \$12,000 and \$24,000 per annum. Director's fees cover all main board activities and the membership of other committees, where applicable. The company does not have any Retirement or Redundancy Schemes in operation for directors and senior executives.

The following table provides the details of all directors of the company and key management personnel of the consolidated entity in office at any time during the financial year with the greatest authority, and the nature and amount of the elements of their remuneration for the year ended 30 June 2011:-

	Primary salary & fees		Post-employment superannuation & benefits	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>Specified directors</b>				
<i>Non-executive</i>				
Steam Leung	24,000	24,000	-	-
Eddie Lee	-	12,000	-	-
John Wardman	10,920	10,920	1,080	1,080
Da Cheng Zhang	-	-	-	-
Henry Tsang – appointed 22 February 2010	20,000	7,051	-	-
Shuqiang Wang	-	-	-	-
Wei Li – appointed 28 March 2011	-	-	-	-
<i>Executive</i>				
Frank Shien	113,794	119,409	-	-
<b>Total, all specified directors</b>	<b>168,714</b>	<b>173,380</b>	<b>1,080</b>	<b>1,080</b>
<b>Specified executives</b>				
Anthony Maroon, CEO, Stratawide Management Pty Ltd	165,000	140,000	14,850	12,600
Tjin Hong Ong, CEO, Metroland Constructions Pty Ltd	120,000	130,000	10,800	11,700
Xavier Chen, General Counsel	66,667	53,333	6,000	4,800
	<b>351,667</b>	<b>323,333</b>	<b>31,650</b>	<b>29,100</b>

**NOTE 29-KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)**

**Equity Instruments**

**Equity holdings and transactions**

The movement during the reporting period in the number of ordinary shares of Metroland Australia Limited held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally related entities is as follows:-

	Held at 1 July 2010	Purchases	Sales	Held at 30 June 2011
<i>Specified directors</i>				
Frank Shien	13,110,697	-	-	13,110,697
Steam Leung	1,960,547	-	-	1,960,547
John Wardman	1,436,033	-	-	1,436,033
Da Cheng Zhang	9,600,000	-	-	9,600,000
Shuqiang Wang	1,500,000	-	-	1,500,000
Wei Li *	15,000,000	-	-	15,000,000
<i>Specified executives</i>				
Tjin Hong Ong	783,417	-	-	783,417
Xavier Chen	983,114	-	-	983,114
	<u>44,373,808</u>	<u>-</u>	<u>-</u>	<u>44,373,808</u>

\*: Ms Li was appointed director in March 2011. Shares were acquired in 2009.

**Options and Rights Over Equity Instruments**

The company did not have any options over unissued shares at reporting date.

**Loans and other Transactions with Specified Directors and Specified Executives**

**Other transactions with the company or its controlled entities**

A number of specified directors and executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or reporting policies of those entities.

A number of these entities transacted with the consolidated entity in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available in similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to specified directors, specified executives and their personally-related entities, were total expenses of \$282,648 (2010: \$291,952). Details of the transactions are as follows:

	Transaction	Note	2011 \$	2010 \$
<i>Specified directors</i>				
Frank Shien	Office rental	(i)	204,082	190,596
	Property management	(ii)	16,512	14,740
	Loan interest expense	(iii)	19,554	57,873
			<u>240,148</u>	<u>263,209</u>
Steam Leung	Loan interest expense	(iv)	<u>42,500</u>	<u>28,743</u>

- (i) The consolidated entity paid office rental to Tanesia Holdings Pty Ltd and NX Holdings Pty Limited. Frank Shien is a director of Tanesia Holdings Pty Limited and NX Holdings Pty Limited.
- (ii) During the year, Premier Realty Pty Ltd provided property management services, at normal market rates, for certain properties owned by the consolidated entity.
- (iii) During the year, unsecured loans totalling \$395,800 (2010: \$1,394,077) were made to the consolidated entity by entities related to Frank Shien. The weighted average interest rate on these loans was 8.5% (2010: 8.5%).
- (iv) Steam Leung advanced unsecured loans totalling \$500,000 (2010: \$500,000) to the consolidated entity in the prior financial year. The weighted average interest rate on these loans was 8.5% (2010: 8.5%).

## NOTE 29-KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

Assets and liabilities ensuing from the above transactions:

	Consolidated	
	30-Jun-11	30-Jun-10
	\$	\$
Assets/(Liabilities):		
Loans from other entities	(830,800)	(1,894,077)
Interest payable	(19,554)	-
Trade debtors	28,342	28,342
Retentions receivable	57,344	57,344

## NOTE 30-NON-DIRECTOR RELATED PARTIES

### (a) Wholly-owned, partly-owned and joint venture entities

Details of dealings with these non-director related parties are set out below:

Balances with non-director related entities

The aggregate amount receivable from and payable to non-director related entities at reporting date:

Receivables		
Associates	-	43
Joint venture parties	2,249	1,500
	<u>2,249</u>	<u>1,543</u>
Payables		
Associates	(90)	(148)
Joint venture parties	(9,414)	(4,365)
	<u>(9,504)</u>	<u>(4,513)</u>

Balances outstanding at year end are unsecured and interest free.

The total amount of transactions that were entered into with related parties for the relevant financial year:-

Associates		
Management fees revenue	56	365

Project management services are provided at arms length on normal commercial terms.

## NOTE 31-PARENT ENTITY INFORMATION

Information relating to Metroland Australia Limited:

### Financial Position

Current assets	1,802	414
Non-current assets	26,869	32,075
Total assets	<u>28,671</u>	<u>32,489</u>
Current liabilities	2,868	439
Non-current liabilities	3,006	8,904
Total liabilities	<u>5,874</u>	<u>9,343</u>
Issued capital	15,113	15,113
Retained earnings	7,684	8,033
Total shareholders' equity	<u>22,797</u>	<u>23,146</u>
Financial Performance		
(Loss) of the parent entity	(348)	(104)
Total comprehensive income/(loss) of the parent entity	<u>(348)</u>	<u>(104)</u>

Details of contingent liabilities of the parent entity:

The Company has guaranteed the finance facilities of associates and all other wholly-owned subsidiaries.	27,265	76,601
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## NOTE 32 – FINANCIAL RISK MANAGEMENT

### (a) *Financial Risk Management*

The Group's financial instruments consists mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, mortgage loans, other loans and leases.

The main purpose of non-derivative financial instruments is to fund the Group's acquisition of and investment in investment property and property related investments.

The Group does not utilise derivatives for any hedging purposes.

### (ii) *Treasury Risk Management*

The Board of Directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts and operational results; and the impact these may have on the Group's operations in the light of the debt levels within the Group. The overall risk management strategy seeks to assist the consolidated group in meeting its financial target, whilst minimising potential adverse effect on financial performance. The risk management policies include credit risk policies and future cash flow requirements.

### (iii) *Financial Risk Exposures and Management*

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

#### *Interest Rate Risk*

Interest rate exposure is monitored, and the corresponding interest rate risk is managed with a mixture of fixed and variable rate debt. At 30 June 2011, 100% of group debt is fixed. It is the policy of the group to keep between 50% and 100% of debt on fixed interest rates. For further details on interest rate risk, refer Note 32(b)(i) and (iii).

#### *Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that, where possible, adequate unutilised borrowing facilities are maintained, and refinance options are negotiated, and other detailed plans are in place, at least 3 months prior to the maturity of any borrowings.

#### *Credit Risk*

The Group's credit rate risk arises from the potential defaulting of the counter-party with the maximum exposure equal to the carrying amount of those assets, as disclosed in the Statement of financial position and notes to the financial statements.

Credit risk is managed on a group basis and is reviewed regularly by the Board. It arises from exposures to customers, both external and related and deposits with financial institutions.

The Board monitors credit risk by assessing the rating quality and liquidity of counterparties, where only banks with an 'A' rating are utilised; and all potential external customers are rated for credit worthiness taking into account their size, market position and financial standing. The Group's investments in other entities are not rated by external credit agencies. The amount of investments in these entities is limited by the Board to an acceptable amount based on the Board's assessment of the projected return of the investment and the size and financial standing of the investee.

The credit risk for counterparties included in trade and other receivables at 30 June 2011 is detailed below:-

	Consolidated	
	2011 \$'000	2010 \$'000
Trade and other receivables		
Counterparties not rated	26,229	7,610
AA rated counterparties	-	-
	<u>26,229</u>	<u>7,610</u>

**NOTE 32 – FINANCIAL RISK MANAGEMENT (Cont'd)**

(b) **Financial Instruments**

(i) **Financial Instrument Composition and Maturity Analysis**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of financial position.

Consolidated Group	Fixed Interest Rate Maturing					Total	Weighted Average Interest Rate
	Floating Interest Rate	1 Year or Less	1 to 5 years	Non-Interest Bearing			
<b>2011</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>(i) Financial Assets</b>							
Cash assets	202	-	-	-	202		1.6
Receivables	-	-	-	26,229	26,229		-
Financial assets	-	-	-	1,662	1,662		-
<b>Total Financial Assets</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>27,891</b>	<b>28,093</b>		
<b>(ii) Financial Liabilities</b>							
Trade and other payables	-	95	256	3,036	3,387		5.5
Amounts payable – related Parties	-	-	-	751	751		-
Bank loans and overdraft	16	27,310	-	-	27,326		7.8
Loans from other entities	-	9,214	3,011	3,256	15,481		6.8
<b>Total Financial Liabilities</b>	<b>16</b>	<b>36,619</b>	<b>3,267</b>	<b>7,043</b>	<b>46,945</b>		
<b>Net exposure</b>	<b>186</b>	<b>(36,619)</b>	<b>(3,267)</b>	<b>20,848</b>	<b>(18,852)</b>		
<b>2010</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>(i) Financial Assets</b>							
Cash assets	607	-	-	-	607		2.69
Receivables	-	-	-	7,610	7,610		-
Financial assets	-	-	-	36	36		-
<b>Total Financial Assets</b>	<b>607</b>	<b>-</b>	<b>-</b>	<b>7,646</b>	<b>8,253</b>		
<b>(ii) Financial Liabilities</b>							
Trade and other payables	-	-	-	2,699	2,699		-
Amounts payable – related parties	-	-	-	4,365	4,365		-
Bank loans and overdraft	24,855	19,545	7,769	-	52,169		9.19
Loans from other entities	-	113	7,716	-	7,829		9.77
<b>Total Financial Liabilities</b>	<b>24,855</b>	<b>19,658</b>	<b>15,485</b>	<b>7,064</b>	<b>67,062</b>		
<b>Net exposure</b>	<b>(24,248)</b>	<b>(19,658)</b>	<b>(15,485)</b>	<b>582</b>	<b>(58,809)</b>		

**NOTE 32 – FINANCIAL RISK MANAGEMENT (Cont'd)**

Trade and other payables are expected to be paid as follows:-

	Consolidated	
	2011 \$'000	2010 \$'000
Less than 6 months	2,025	2,078
6 to 12 months	1,106	236
1 to 5 years	256	385
	<b>3,387</b>	<b>2,699</b>

(ii) *Net Fair Values of Financial Assets and Liabilities*

*Valuation approach*

The group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

	2011		2010		
	Valuation technique – market observable other than quoted (Level 2) \$'000	Valuation technique – non market observable inputs (Level 3) \$'000	Total \$'000	Valuation technique – non market observable inputs (Level 3) \$'000	Total \$'000
<i>Financial Assets</i>					
Available-for-sale investments					
- Unlisted investments	<b>1,626</b>	<b>36</b>	<b>1,662</b>	<b>5,599</b>	<b>5,599</b>

For financial instruments not quoted in active markets, the group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable.

*Reconciliation of Level 3 fair value movements*

	Consolidated		
	Level 2 2011 \$'000	Level 3 2011 \$'000	2010 \$'000
<b>Opening balance</b>	-	-	36
Purchases	-	5,599	4,212
Transfer to (Level 2)/from Level 3	5,563	(5,563)	-
Transfer of units for repayment of loans from other entities	(3,943)	-	-
Transfers from investment accounted for using the equity method	5	-	1,351
Reverse prior years capitalised costs and impairment	(234)	-	-
Interest capitalised	235	-	-
<b>Closing balance</b>	<b>1,626</b>	<b>36</b>	<b>5,599</b>
Total gain or loss stated in the table above for assets held at the end of the period	-	-	-

The group uses the discounted cash flow method in determining the fair value of unlisted investments. The potential effect of using reasonable possible alternative assumptions based on a change in the relevant input by 5% would not have a significant effect on the fair value of the investment.

## NOTE 32 – FINANCIAL RISK MANAGEMENT (Cont'd)

### (iii) Sensitivity Analysis

#### Interest Rate Risk

At balance date, 100% of the Group's debts are on fixed interest rates. The Group performed sensitivity analysis relating to its exposure to interest rate risks at balance date. The sensitivity analysis demonstrates the effect on the current years results and equity which could result from a change in this risk.

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variable remaining constant is nil, as the Group's debts are all on fixed interest rates.

	Consolidated	
	2011 \$'000	2010 \$'000
Change in Profit		
- Increase in interest rate by 1%	-	(245)
- Decrease in interest rate by 1%	-	245
Change in Equity		
- Increase in interest rate by 1%	-	(245)
- Decrease in interest rate by 1%	-	245

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

## NOTE 33 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

### New Accounting Standards for application in future periods

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2011:

#### (i) AASB 9 "Financial Instruments" – applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.

- Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.
- AASB 9 allows 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.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on difference basis.

#### (ii) AASB 124 "Related Party Disclosures" – applicable for annual reporting periods commencing on or after 1 January 2011, with application date for the Group of 1 July 2011.

The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:

- The definition now identifies a subsidiary and an associate entity with the same investor as related parties of each other;
- Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
- The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third parties are related to each other.

A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

### NOTE 33 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (Cont'd)

(iii) **AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13 – applicable for annual reporting periods commencing on or after 1 January 2011, with application date for the Group of 1 July 2011.**

- Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.
- Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.
- Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account.

(iv) **AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112) – applicable for annual reporting periods commencing on or after 1 January 2012, with application date for the Group of 1 July 2012.**

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

(v) **Consolidated Financial Statements – applicable for annual reporting periods commencing on or after 1 January 2013, with application date for the Group of 1 July 2013.**

IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.

(vi) **Joint Arrangements – applicable for annual reporting periods commencing on or after 1 January 2013, with application date for the Group of 1 July 2013.**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-Controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for joint arrangements held by the group.

(vii) **Disclosure of Interests in Other Entities – applicable for annual reporting periods commencing on or after 1 January 2013, with application date for the Group of 1 July 2013.**

IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

#### NOTE 34 – EVENTS SUBSEQUENT TO BALANCE DATE

- (a) The letter of offer on an institutional refinance facility for \$30 million for the short-term loan from GVL Investment HK Limited was accepted by the controlled entity's 25% owned joint venture on 15 July 2011. The facility includes \$28 million available for draw-down for the repayment of the joint venture loan and \$2 million available for progressive draw-down for capital expenditure purposes by the joint venture entities. The facility is to be for a term of 3 years and is to be secured by a first registered property mortgage over the commercial properties Greenway SupaCenta and Greenway Plaza located at 1183-1187 The Horsley Drive & Elizabeth Street, Wetherill Park.
- (b) On 8 August 2011, the investment in MetroPlaza Central Unit Trust was realised following the decision by all unit-holders to sell the underlying property of the Trust at 61-79 Quay Street, Haymarket. The net realisation of the Company's 2.95% interest in the Trust, and associated joint venture resulted in a net book loss of \$298k to the Group.
- (c) The sale of the Group's Wentworthville property was completed and settled on 2 September 2011. The proceeds from the settlement was used to repay the Group's borrowings of \$13.125 million secured over the property, together with a \$3.49million partial repayment of the borrowing over the Campbelltown Square investment property, which was cross-collateralised over the Wentworthville Mall property.

Apart from the issue discussed above, no matters or circumstances have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

#### NOTE 35 – VARIATION TO APPENDIX 4E DISCLOSURE

The loss attributable to the owners of the Company of \$1,087,000 for the year ended 30 June 2011 disclosed in the financial statements varies from the loss of \$276,000 that was disclosed to the market in Appendix 4E. The difference, being a further loss of \$811,000 is due to the de-recognition of certain deferred tax assets which are considered doubtful in their realisation.

#### NOTE 36 – COMPANY DETAILS

The registered office of the company is:

Metroland Australia Limited  
Level 4, 45 Murray Street  
Pyrmont NSW 2009

The principal place of the business is:

Metroland Australia Limited  
Level 4, 45 Murray Street  
Pyrmont NSW 2009

# DIRECTORS' DECLARATION

METROLAND AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES  
ABN 81 009 138 149

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 to 47 are in accordance with the *Corporations Act 2001*, and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated entity;
  - (c) comply with International Financial Reporting Standards as disclosed in Note 1(a).
2. in the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors:



Frank Shien  
Director

Dated at Sydney this 30th day of September 2011

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF METROLAND AUSTRALIA LIMITED**

### **REPORT ON THE FINANCIAL STATEMENTS**

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We have audited the accompanying financial statements of Metroland Australia Limited entity, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### ***Directors' Responsibility for the Financial Statements***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks and material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. 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 statements. 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.

#### ***Matters Relating to Electronic Publication of the Audited Financial Report***

This audit report relates to the financial report of Metroland Australia Limited for the year ended 30 June 2011 included on the website of Metroland Australia Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This audit report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

## INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial statements we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## AUDITOR'S OPINION

In our opinion:

1. the financial statements of Metroland Australia Limited are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011, 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.
2. the financial statements also complies with International Financial Reporting Standards as disclosed in Note 1(b).

## EMPHASIS OF MATTER

Without qualification to the opinion expressed above, we draw attention to Note 1(a) - Going Concern in the financial statements which indicates that the consolidated entity incurred a net loss before tax of \$1,301,000 for the year ended 30 June 2011 and, as of that date, the Company's current liabilities exceed its current assets by \$20,328,000 and the consolidated entity's current liabilities exceeded its current assets by \$20,328,000. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a significant material uncertainty which may cast doubt about the Company's and consolidated entity's ability to continue as a going concern.

GOULD RALPH ASSURANCE

Chartered Accountants



GREGORY RALPH, M.Com. FCA

Partner

Dated at Sydney this 30th day of September 2011

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

## 1. Shareholding

(a) Distribution of shareholders as at 12 September 2011

CATEGORY			NUMBER OF SECURITY HOLDERS
			Shares
			Ordinary
1	-	1,000	39
1,001	-	5,000	119
5,001	-	10,000	78
10,001	-	100,000	286
100,001	-	Over	122
			644

(b) The number of shareholdings less than a marketable parcel at 12 September 2011 was 53.

(c) The number of shares held by the substantial shareholders at 12 September 2011 were:-

SHAREHOLDER	NUMBER OF ORDINARY SHARES
Xue Jun He	15,000,000
Da Cheng Zhang	9,600,000
Annie Duncan	8,220,000

(d) Voting Rights

*On a show of hands*

- every member present in person or by proxy or attorney or being a corporation by its authorised representative shall have one vote.

*On a poll*

- every member who is present in person or by proxy or attorney or being a corporation by its authorised representative shall have one vote for every share held.

(e) Twenty largest shareholders as at 12 September 2011.

Shareholders	Number of Ordinary Fully Paid Shares Held	% Held of Total Issued
1. Xue Jun He	15,000,000	11.88
2. Da Cheng Zhang	9,600,000	7.60
3. Annie Duncan	8,220,000	6.51
4. Tanesia Holdings Pty Ltd	5,041,642	3.99
5. Shirley Tan	4,300,000	3.41
6. Peter Howells	4,363,885	3.38
7. LJJ Capital Pty Limited	3,638,906	2.88
8. Formbell Pty Limited	3,256,364	2.58
9. Wincute International Development Limited	3,025,000	2.40
10. Chepstow Properties Limited	2,820,000	2.23
11. NX Holdings Pty Ltd	2,394,915	1.90
12. Comm-Asia Limited	1,975,000	1.56
13. Ms Lee Eng Qua	1,753,856	1.39
14. MLD Holdings Pty Limited	1,664,300	1.32
15. CN Investments Pty Limited	1,531,024	1.21
16. W S International Enterprises Group Pty Ltd	1,500,000	1.19
17. Frank Teck Lun Shien	1,463,961	1.16
18. John Wardman & Associates Pty Ltd	1,436,033	1.14
19. Seow Hwee Tan	1,384,000	1.10
20. G H Kluge & Sons Limited	1,375,000	1.09
	75,745,892	59.92

(f) Stock Exchange

The company is listed on the Australian Stock Exchange. The Home Exchange is Brisbane.

(g) On-market Buy-Back

There is no current on-market buy-back.

Metroland Australia Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

A description of the company's main corporate governance practices is set out below. The company has adopted the best practice recommendations of the ASX Corporate Governance Council as set out in the Revised Corporate Governance Principles and Recommendations and all these practices were in place for the entire year, unless otherwise stated.

## **Board of Directors**

### ***Role of the Board***

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic directions, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for the operation and administration of the company to the Chief Executive Officer and executive management.

### ***Board Processes***

To assist in the execution of its responsibilities, the board, in September 2004 established an Audit Committee. The board has not established any Nomination or Remuneration Committees.

An Audit Committee was constituted in September 2004. The board is of the opinion that due to the size composition of the present board, that a separately constituted Nomination and Remuneration Committee is currently not required. The company has not followed the best practice recommendations 2.4 and 8.1 of the ASX Corporate Governance Council which recommend that the board establish a Nomination and Remuneration Committee, respectively. The overseeing of the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the company's Chief Executive Officer "CEO", including the setting of remuneration levels for directors and senior executives is taken by the full board.

The Audit Committee has a written charter and mandate, which is subject to regular review. The board has also an established framework, cognisant of the staff and operational size of the consolidated entity, for the management of the consolidated entity including an appropriate system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board held six meetings during the year. The number of meetings the company's board of directors and each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director is disclosed on page 8.

### ***Independent Professional Advice and Access to Company Information***

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the director is made available to all other members of the board.

## **Composition of the Board**

The names of the directors of the company in office at the date of this report are set out in the Directors' Report on page 3.

The composition of the board is determined using the following principles:-

- a minimum of five directors, with a broad range of expertise, both nationally and internationally;
- a majority of independent non-executive directors;
- a majority of directors having extensive knowledge of the company's industries, and those which do not, have extensive experience in significant aspects of financial management, or risk management of similar sized companies;
- have a non-executive independent director as Chairperson;

An independent director is a director who is not a member of management (a non-executive director) and who:-

- holds less than five % of the voting shares of the company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder who holds more than five % of the voting shares of the company;
- has not within the last three years been an employee in an executive capacity by the company or another group member;
- within the last three years has not been a principle or employee of a material professional adviser or a material consultant to the company or another group member;
- is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the company or another group member other than as a director of the company;
- is free from any interest and any business or other relationships which could, or could reasonably be perceived to, materially interfere with the directors ability to act in the best interests of the company;

### **Chairman and Chief Executive Officer (CEO)**

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives.

The CEO is responsible for implementing Group strategies and policies.

### **Nomination Process**

The full board oversees the appointment and induction process for directors, and the selection, appointment and succession planning process of the company's CEO. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the skills deemed necessary. The board identifies potential candidates, and appoints the most suitable candidate, and if required, with advice from an external consultant. Board candidates must stand for election at the next general meeting of shareholders.

### **Performance Assessment**

The board annually reviews the effectiveness of the individual directors. The review generates recommendations on the individual directors which are voted on by the full board. Directors displaying unsatisfactory performance are required to retire.

The full board with the exception of the CEO also conducts an annual review on the performance of the CEO, and the senior executives reporting directly to the CEO and the results are discussed at a board meeting.

The performance assessments above were carried out during the year.

### **Remuneration Process**

The full board is responsible for determining and reviewing compensation arrangements for the directors themselves, and the remuneration of each director is governed by contract wherein each director provides a specific service for a fee and the reimbursement of expenses.

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and senior executives, and takes into account given trends in comparative companies locally. Remuneration packages are currently of fixed remuneration, but may also include performance-based and equity-based remuneration.

The remuneration structures are designed to attract suitably qualified candidates and to affect the broader outcome of maintaining and increasing the consolidated entity's net profit attributable to members of the parent entity. The remuneration structures take into account:-

- overall level of remuneration for each director and executive;
- the executives' ability to control the relevant segment's performance; and
- the amount of incentives within each executive's remuneration.

There are currently no remuneration based on the achievement of specific performance hurdles or targets for executive directors and senior executives. Non-executive directors also do not receive any performance related remuneration.

The board considers that the above remuneration structure is generating the desired outcome, with the strong growth in profits in recent years. The board will also consider performance-based and equity-based remuneration for executive directors and senior executives as incentives in enhancing the company's performance.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report".

The board does not have a Retirement Scheme for non-executive directors or a Redundancy Scheme for senior executives.

### **Audit Committee**

The Audit Committee has a documented charter, approved by the board. All members must be non-executive directors with a majority being independent. The committee advises on corporate risk management and compliance processes; the consolidated entity's compliance with all statutory and fiduciary requirements, and the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit Committee are:

- John Wardman, B.Ecom, FAIC – Independent Non-Executive (Chairman)
- Steam Leung, LREA - Independent Non-Executive Director
- Henry Tsang - Independent Non-Executive Director.

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 3 and 8.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The external auditors and the CEO are invited to Audit Committee meetings at the discretion of the committee.

The audit committee does not have a formal charter as suggested by recommendation 4.3.

The responsibilities of the Audit Committee include reporting to the board on:-

- reviewing the annual and half-year financial statements before submission to the board, focusing on changes in accounting policies and practices, major judgemental areas, significant adjustments and ASX and legal requirements;
- monitoring corporate risk and compliance processes, including an on-going assessment of the adequacy of internal control systems;
- reviewing the company's accounting and financial reporting practices and controls, and compliance with the Corporations Act 2001 and ASX Listing Rules and all other regulatory requirements;
- reviewing the nomination and performance of the external auditor and assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission and financial institutions.

The audit committee will review the performance of the external auditors on an annual basis and will normally meet with them during the year to:

- discuss external audit plans, identify any significant changes in structures, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- finalise half-year and annual reporting to review the results and findings of the auditors, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made; and to review the draft financial statements and recommend board approval of the financial statements;
- as required, to organise, review and report on any special reviews or investigations deemed necessary by the board.

### **External Auditors**

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 6 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### **Risk Management**

The board oversees the establishment, implementation and annual review of the company's risk management system which assesses, monitors and manages operational, financial reporting and compliance risks for the consolidated entity. The CEO has declared in writing to the board, that the financial reporting risk management and associated compliance and control have been assessed and found to be operating efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and up to the signing of the annual financial statements for all material operations in the consolidated entity, and material joint ventures.

## **Risk Management and Compliance Control**

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The board's policy on internal control comprises the company's internal compliance and control systems, including:-

- Investment Appraisal – Guidelines for capital expenditure include budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses and property investments are being acquired or divested;

Comprehensive practices, have been established to ensure:-

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled including the use of interest rate and credit risk management;
- business transactions are properly authorised and executed;
- management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- the quality and integrity of personnel;
- financial reporting, accuracy and compliance with the financial reporting regulatory framework;
- environmental regulation compliance.

## **Financial Reporting**

The CEO has made the following certifications to the board:

- that the company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

## **Environmental Regulation**

The consolidated entity's operations are not subject to any significant environmental regulations under either the Commonwealth or State legislation. However, the board believes that the consolidated entity has adequate systems in place for the management of its environment requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

## **Ethical Standards**

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

## **Conflict of Interest**

Directors must keep the Board advised, on an ongoing basis of any interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entities transactions with the company and consolidated entity are set out in Note 31.

## **Trading in General Company Securities by Directors and Employees**

The following are key elements of the company's policy in the trading in the company's securities by directors and employees:-

- identification of those restricted from trading – directors and senior executives may acquire shares in the company, but are prohibited from dealing in the company's shares or exercising options:
  - except between seven and 14 days after either the release of the company's half-year and annual results to the Australian Stock Exchange ("ASX"), the annual meeting or any major announcement;
  - whilst in possession of price sensitive information not yet released to the market.
- raising the awareness of legal prohibitions including transactions with colleges and external advisors;
- requiring details to be provided in intended trading in the company's shares;
- requiring details to be provided of the subsequent confirmation of the trade

### Continuous Disclosure and Communication with Shareholders

The board provides shareholders with information using the Continuous Disclosure Policy which includes identifying matter that may have a material effect on the price of the company's securities and notifying them to the ASX.

In summary, the Continuous Disclosure policy operates as follows:

- the CEO is responsible for all communication with the ASX. Such matters are advised to the ASX on the day they are discovered;
- the full annual report is available to all shareholders should they request it;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial statements are lodged with the ASIC and the ASX, and sent to any shareholder who requests it;
- proposed major changes in the consolidated entity which may impact on the share ownership rights are submitted to a vote of shareholders;
- the external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report;

The board encourages full participation of shareholders at the AGM, to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to shareholders as single resolutions.

The shareholders are requested to vote on the appointment and any changes to the aggregate remuneration of directors, the granting of any options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

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# corporate directory

## BOARD OF DIRECTORS

FRANK SHIEN  
*(Chairman & Chief Executive Officer)*  
*BA (Lon)*

STEAM LEUNG | LREA

JOHN HOWARD ROBERT WARDMAN  
*B.Econ, FAICD*

DA CHENG ZHANG

SHUQING WANG

HENRY TSANG  
*B.Architecture, OAM*

WEI LI  
*MBA*

## COMPANY SECRETARY

FRANK SHIEN

## REGISTERED OFFICE

Level 4  
45 Murray Street  
Pyrmont NSW 2009  
Tel: (02) 9395 8888  
Fax: (02) 9692 0084

## SOLICITORS TO THE COMPANY

HEMMING & HART LAWYERS  
Level 2, 307 Queen Street  
Brisbane QLD 4000

## SHARE REGISTRY

GOULD RALPH PTY LTD  
Level 42, Suncorp Place  
259 George Street  
Sydney NSW 2000  
Tel: (02) 9032 3000  
Fax: (02) 9032 3088

## AUDITORS

GOULD RALPH ASSURANCE  
CHARTED ACCOUNTANTS  
Level 42, Suncorp Place  
259 George Street  
Sydney NSW 2000

## HOME STOCK EXCHANGE

ASX LIMITED  
Brisbane QLD 4000  
ASX Code: MTD  
ACN 009 138 149



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