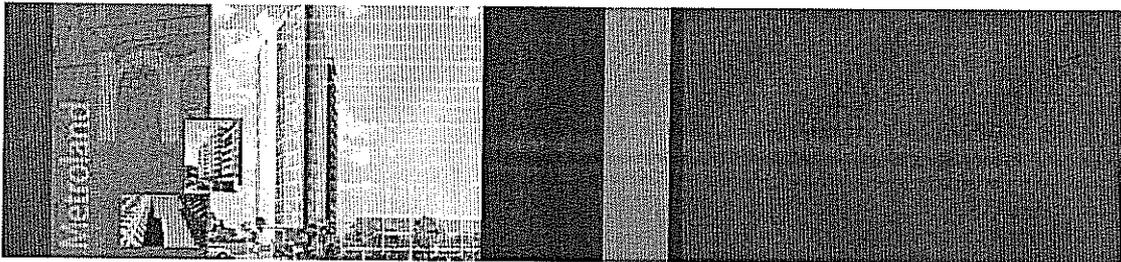


**METROLAND AUSTRALIA LIMITED**

ABN 81 009 138 149



## **Annual Financial Report**

**for the year ended 30 June 2009**

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**  
ACN 009 138 149

**CONTENTS**

---

	Page
Directors Report	3
Auditors Independence Declaration	12
Income Statements	13
Balance Sheet	14
Statement of Changes in Equity	15
Cash Flow Statement	16
Notes to the Financial Statements	17
Directors' Declaration	48
Independent Audit Report	49
Additional ASX Information	51
Corporate Governance Statement	53

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

---

The directors present their report together with the financial report of Metroland Australia Limited ("the company") and of the consolidated entity, being the company and its controlled entities, for the year ended 30 June 2009 and the auditor's report thereon.

### DIRECTORS

The directors of the company at any time during or since the financial year are:

**Eddie Lee (Chairman and Independent Non-Executive Director) Aged 62**  
B.E.Civil B.Sc.Dip.Bldg.Sc. (Sydney)

Mr Lee is a graduate of Sydney University majoring in Civil Engineering and has extensive experience in corporate management. He is the Australian representative of several substantial Asian investment groups and maintains a wide network in the Asian business area. Mr Lee is also a director of Gullewa Limited, a company listed on the ASX. He has wide experience in the fields of civil engineering, project management, construction, finance and equity markets.

Member of Audit Committee. Director since 1994.

**Frank Shien (Deputy Chairman and Chief Executive Officer) Aged 57**  
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 thirteen years has been successfully developing commercial and residential property in Sydney.

Director since 1997.

**John Wardman (Independent Non-Executive Director) Aged 49**  
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 50**  
LREA

Mr Leung has 20 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.

Director since 1997.

**Da Cheng Zhang (Independent Non-Executive Director) Aged 55**

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.

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

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

---

### COMPANY SECRETARY

Ms Helen Lay was appointed to the position of company secretary in January 2005. Ms Lay is also employed in the administrative and accounting functions of the company.

### PRINCIPAL ACTIVITIES

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

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

### OPERATING RESULTS

The consolidated profit of the group after providing for income tax and eliminating minority interest amounted to \$538,734 (2008: \$1,612,507).

### REVIEW OF OPERATIONS

#### Review of Financial Results

The consolidated entity is continuing its strategic direction in property development, management and related services. The loss before tax for the 2009 financial year is \$111,599 compared to the previous year's profit of \$2.74 million. Profit after tax and minority interest is \$538,734.

The main activities of the Group for the financial year have been the improvement in the management of the shopping centers and the completion of the building of Greenway SupaCenta development. The revenue from the Company's core activities, i.e. property rental and management, has increased by 21.4% from \$4.7 million to \$5.8 million.

Utilising its various affiliations with, and knowledge of, business in China, the Company has sought joint venture investment opportunities with major enterprises in China. This has resulted in a joint venture with a major Chinese state-owned enterprise to acquire and develop land in Haymarket, Sydney.

DK Engineering Pty Limited, a wholly-owned subsidiary was incorporated during the year to provide steel engineering related services and products to industries.

Due to various negative economic factors, in particular the global credit tightening and the resulting downturn of the property and financial market, the Company has carried out a cost reduction program. The restructuring of the Group's facilities management and import sales operations have resulted in significant reductions in employee expenses for the year of \$876,000.

The restructuring of the Group's operations, the optimal utilisation of its human resources, together with the major investment and development operations entered into, the Company is confident of an improvement in the Group's results in the next financial year.

#### *Property Investment and Rental*

##### *The Greenway Supacenta*

The construction of the Greenway SupaCenta was completed during the year. The Certificate of Occupation for the whole Centre was obtained in July 2009. A major tenant, Officeworks commenced trading in March 2009 following the obtaining of the Certificate of Occupation for the stage one completion of the Centre. Leased premises were also handed over to Fernwood Gym, with trading expected to commence in November 2009. A conditional lease agreement has been executed for the lease of 15,000 sq.m in the SupaCenta to a international company involved in the sale of building materials. The Company is confident that the Centre will be substantially leased by the end of 2009.

##### *Wentworthville Mall, Wentworthville*

Refurbishment work commenced shortly after the fire in July 2008. The refurbishment work and the rebuilding of the food court were completed in August 2009. The tenants that were affected by the fire and incoming tenants are in the process of fitting out the shops. The anchor tenant Franklins has also taken this opportunity to re-fit the supermarket with their new concept's store. The Mall is having a re-launch campaign on the 17th of October 2009 with part of the street closed for re-launch activities. The refurbishment to the Mall and the consequential loss of rent was covered by the Group's insurance policies.

Following the refurbishments, The Mall will now present to the market as a new Mall and the Company is confident that this will greatly enhance its trading environment.

## **METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

### **DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2009

---

#### *Campbelltown Square Shopping Centre*

The Campbelltown Square Shopping Centre has been affected by the economic downturn resulting in some tenant vacancies. The Company is working with both local and nation wide agents with the view to have those vacancies tenanted. The Company is also looking into the re-development potential of the property.

#### *Property Development*

Metroland through its investment in a partially owned subsidiary Trust has entered into a joint venture with a Chinese state-owned enterprise – The Beijing Capital Development Holding (Group) Co. Ltd to acquire a property in Haymarket, Sydney for a retail and residential development. The joint venture also provides for Metroland to jointly act as Development Manager. The date of completion for the acquisition of the property is in November 2009 and the DA for a complex that comprises 3 levels of retail and approximately 220 units of residential apartment has been submitted to Sydney City Council.

#### *Property Management*

##### *Stratawide Management Pty Limited*

Stratawide, in which Metroland has a 55% interest, has entered into its seventh year of operations. It has now secured services as a strata manager for over 50 blocks of residential/commercial buildings, and has produced a healthy profit for the 2009 financial year which has contributed to the performance of the Group.

#### *Property Related Services*

Metroland Constructions Pty Limited has successfully completed the building of the Greenway SupaCenta at budget. It has for the last one and half years built up a creditable team of people.

DK Metro Engineering Pty Ltd which specializes in steel supply and steel construction has had a successful start securing 4 contracts for the supply and construction of steel throughout Sydney.

Metroland Funds Management Pty Ltd was incorporated as a wholly owned subsidiary and has been granted an Australian Financial Services Licence for dealing with wholesale clients. It is the manager for Metroland Development Fund Trust which invest in the Haymarket development project.

#### *Future Opportunities*

Metroland is continuing to seek opportunities to further strengthen its revenue base and to achieve further growth.

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

**DIRECTORS' REPORT**  
 FOR THE YEAR ENDED 30 JUNE 2009

**Review of Financial Condition**

**FINANCIAL HIGHLIGHTS**

RESULTS	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from sale of property & construction services	7,546	17,111	24,053	5,009	1,203
Rental and management revenue	5,785	4,766	3,344	3,654	3,092
Other revenue	134	217	87	35	169
<b>Group Turnover</b>	<b>13,465</b>	<b>22,094</b>	<b>27,484</b>	<b>8,698</b>	<b>4,464</b>
<b>Net profit after tax and minority interests</b>	<b>539</b>	<b>1,612</b>	<b>3,006</b>	<b>734</b>	<b>493</b>
Total assets	85,843	65,672	56,563	54,397	55,981
Total liabilities	64,159	46,040	38,416	40,761	42,760
Contributed equity	14,966	13,379	13,197	11,692	11,532
Retained profit	6,475	6,029	4,950	1,944	1,689
Minority interests	243	224	-	-	-
<b>Total equity</b>	<b>21,684</b>	<b>19,632</b>	<b>18,147</b>	<b>13,636</b>	<b>13,221</b>
Dividend paid	-	533	-	479	473
Income tax expense/(benefit)	(745)	903	1,553	282	(177)
<b>PER SHARE</b>					
Earning (cents)	0.47	1.50	3.08	0.77	0.54
Dividend (cents) -fully franked	-	-	0.5	0.5	0.5
Net tangible assets per share (cents)	19.0	18.2	17.00	14.2	13.9
<b>STATISTICS</b>					
Return on equity	2.5%	8.21%	16.56%	5.38%	3.73%
Net tangible assets per share (cents)	19.0	18.2	17.00	14.2	13.9
Number of shareholders	677	688	725	785	841
Employees	16	20	18	6	5
Group turnover per employee	841,563	1,104,700	1,526,888	1,449,667	892,800
<b>SHARE PRICE (cents)</b>					
Last sale	7	7	14.5	15	15.5
High for year	16.5	16.5	18.5	15.5	23.0
Low for year	7	7	12.0	10.0	14.0

**DIVIDENDS**

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

**DIRECTORS' REPORT**  
FOR THE YEAR ENDED 30 JUNE 2009

---

**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 increased by \$20.17 million to \$85.84 million (2008: \$65.67 million) over the year. The increase in total assets principally comprised:-

- Increase in investment property by \$22.88 million (including redevelopment of the Greenway Supacentra)
- Decrease in cash at bank by \$1.04 million
- Increase in trade and other receivables
- Decrease in investments accounted for under the equity method (now accounted for as a Joint Venture or 100% subsidiary)

Total liabilities of the consolidated entity have increased by \$18.12 million during the year to \$64.16 million (2008: \$46.04 million). This increase is principally due to:-

- Increase in borrowings by \$18.73 million to finance the redevelopment of properties held for investment.

The consolidated entity's equity increased by \$2.05 million over the year which is primarily as a result of the net profit derived during the year of \$539k plus an increase in contributed equity of \$1.587m from capital raising.

**EVENTS SUBSEQUENT TO REPORTING DATE**

On 8 September 2009 Metroland Funds Management Pty Limited (wholly owned subsidiary) was granted an Australian Financial Services Licence.

On 16 September 2009 the Group announced that Metroland Funds Management Pty Limited had entered into Heads of Agreement with Ausbao (NSW) Pty Ltd and Heng Ji Australia Pty Limited to acquire 61-79 Quay Street, Haymarket for a consideration of \$38.38m for development. A unit trust called Metro Plaza Central Unit Trust will be established with Ausbao having 51% interest, Metroland Funds Management Pty Limited 25% and Heng Ji Australia Pty Limited 24%. Ausbao (NSW) Pty Limited is a wholly owned subsidiary of Beijing Capital Developments Holdings Group co. Ltd which is the largest developer in Beijing and the fourth largest in China.

No other matters or circumstances have arisen since 30 June 2009 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 to continue to pursue the company's policy of increasing revenue and profitability 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.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

---

### 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 are:

Director	Board Meetings		Audit Committee	
	Held	Attended	Held	Attended
Mr E Lee	4	4	2	2
Mr S Leung	4	4	2	2
Mr F Shien	4	4	-	-
Mr J Wardman	4	4	2	2
Mr D C Zhang	4	1	-	-
Mr R Kellerman	-	-	-	-
Mr A Tocch	-	-	-	-

### 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 Eddie Lee

### 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 five executive officers of the consolidated entity receiving the highest emoluments are as follows:-

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

	Base Remuneration (salary & fees)		Termination benefits		Superannuation Contributions		Total Remuneration	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
<b>Directors</b>								
<i>Executive</i>								
Frank Shien	119,409	123,147	-	-	-	-	119,409	123,147
Andrew Tooch (resigned 16/5/08)	-	124,807	-	110,000	-	9,703	-	244,510
<i>Non-executive</i>								
Eddie Lee	12,000	12,000	-	-	-	-	12,000	12,000
John Wardman	12,000	10,920	-	-	-	1,080	12,000	12,000
Steam Leung	24,000	24,000	-	-	-	-	24,000	24,000
Ray Kellerman -- resigned 23/4/08	-	51,667	-	-	-	-	-	51,667
<b>Executive Officers (excluding directors)</b>								
Tjing Hong Ong	130,000	130,000	-	-	11,700	10,050	141,700	140,050
Anthony Maroon	154,567	140,000	-	-	12,600	12,600	167,167	152,600
George Daoud	-	129,136	-	-	-	2,250	-	186,352
Paul Wong	-	113,333	-	-	-	11,264	-	140,400
Lincoln Wong -- resigned 30/4/08	-	178,333	-	5,769	-	9,961	-	123,294
David Feldman -- resigned May 08	-	80,769	-	90,000	-	5,829	-	176,598
	451,976	1,118,112	-	205,769	24,300	62,737	476,276	1,386,618

## SHARE OPTIONS

### Unissued shares under Option

At the date of this report, there are no unissued ordinary shares of the company under option. During the year 15,744,774 share options expired. The options expired on 28 May 2009 and had an exercise price of \$.26

## DIRECTORS' INTERESTS

The relevant interest of each director in the shares of the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock 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	-

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

---

### INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, Metroland Australia Limited paid a premium of \$12,540 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 Professional Statement F1:- Professional Independence, 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 10.

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

	Consolidated	
	2009	2008
	\$	\$
<i>Statutory audit:</i>		
- Audit and review of financial reports	93,678	79,380
<i>Services other than statutory audit</i>		
Other services:		
- Taxation compliance services	5,138	6,152
- Share registry	13,643	13,724
	18,781	19,876

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

**DIRECTORS' REPORT**  
FOR THE YEAR ENDED 30 JUNE 2009

---

**ROUNDING OFF**

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

Dated at Sydney this 30<sup>th</sup> day of September 2009.

Signed in accordance with a resolution of the directors.



---

Frank Shien  
Director

**Chartered Accountants**  
ABN 74 632 161 298  
Level 42, Suncorp Place  
259 George Street  
Sydney NSW 2000  
Australia  
**T: +61 2 9032 3000**  
F: +61 2 9032 3088  
E: mail@gouldralph.com.au  
W: www.gouldralph.com.au

30 September 2009

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

Dear Members of the Board

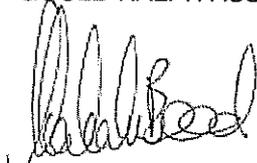
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the audit of Metroland Australia Limited for the year ended 30 June 2009, 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 any applicable 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.

Yours faithfully  
GOULD RALPH ASSURANCE



MALCOLM BEARD M.Com., F.C.A.  
Partner

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**INCOME STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		The Company	
		<u>2009</u> \$'000	<u>2008</u> \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>Continuing operations:</b>					
Revenue from sales	2	7,546	17,111	1,500	1,500
Rental and management revenue	2	5,785	4,766	487	136
Other revenues	2	134	217	4,498	4,334
<b>Total Revenue</b>	2	<b>13,465</b>	<b>22,094</b>	<b>6,485</b>	<b>5,970</b>
Cost of sales		(7,610)	(14,556)	-	-
Borrowing costs	3(b)	(2,435)	(2,321)	(202)	(212)
Property expenses		(832)	(1,533)	-	-
Directors fees		(119)	(202)	(119)	(202)
Employee benefits expenses		(1,095)	(1,971)	(443)	(797)
Professional and consultancy fees		(340)	(565)	(258)	(168)
Impairment of receivables	3(b)	(164)	(157)	(955)	(1,362)
Depreciation		(71)	(55)	(54)	(26)
Other expenses from ordinary activities		(665)	(553)	(162)	(272)
Net gain/(loss) from changes in the fair value of investment properties		(360)	(422)	-	-
Share of net profit of joint venture entities accounted for using the equity method	25	114	2,980	-	-
<b>Profit before income tax</b>		<b>(112)</b>	<b>2,739</b>	<b>4,292</b>	<b>2,931</b>
Income tax (expense)/benefit	4(a)	745	(903)	699	(861)
<b>Profit for the year</b>		<b>633</b>	<b>1,836</b>	<b>4,991</b>	<b>2,070</b>
Profit attributable to minority interests		(94)	(224)	-	-
<b>Net profit attributable to equity holders of Metroland Australia Limited</b>		<b>539</b>	<b>1,612</b>	<b>4,991</b>	<b>2,070</b>
<i>Overall and Continuing Operations:</i>					
Ordinary Shares:					
Basic earnings per share	5	\$0.005	\$0.01		
Diluted earnings per share	5	\$0.005	\$0.01		

The income statements are to be read in conjunction with the accompanying notes.

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**BALANCE SHEET**

AS AT 30 JUNE 2009

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	1,912	2,955	1,389	2,466
Trade and other receivables	9	3,809	3,680	6,449	1,629
Inventories	10	177	68	-	-
Current tax assets	4(b)	144	-	-	-
Other current assets	12	302	86	13	23
<b>Total Current Assets</b>		<b>6,347</b>	<b>6,789</b>	<b>7,851</b>	<b>4,118</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	9	3,605	401	17,939	15,076
Investment property under development	13	756	12,938	-	-
Investment property	14	73,000	37,935	-	-
Investments accounted for using the equity method	11	1,627	6,780	-	-
Financial assets	15	36	36	1,777	50
Property, plant & equipment	16	307	355	235	285
Deferred tax assets	4(d)	165	438	699	754
<b>Total Non-Current Assets</b>		<b>79,496</b>	<b>58,883</b>	<b>20,650</b>	<b>16,165</b>
<b>TOTAL ASSETS</b>		<b>85,843</b>	<b>65,672</b>	<b>28,501</b>	<b>20,283</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	4,821	3,586	274	423
Financial liabilities	18	26,255	1,408	3,740	1,325
Current tax liabilities	4(b)	-	227	-	-
Short-term provisions	20	141	124	37	15
<b>Total Current Liabilities</b>		<b>31,217</b>	<b>5,345</b>	<b>4,051</b>	<b>1,763</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	17	-	705	-	-
Financial liabilities	18	31,596	37,712	700	400
Deferred tax liabilities	4(c)	1,296	2,234	-	950
Long-term provisions	20	50	44	12	10
<b>Total Non-Current Liabilities</b>		<b>32,942</b>	<b>40,695</b>	<b>712</b>	<b>1,360</b>
<b>TOTAL LIABILITIES</b>		<b>64,159</b>	<b>46,040</b>	<b>4,763</b>	<b>3,123</b>
<b>NET ASSETS</b>		<b>21,684</b>	<b>19,632</b>	<b>23,738</b>	<b>17,160</b>
<b>EQUITY</b>					
Contributed equity	21	14,966	13,379	14,966	13,379
Retained earnings		6,475	6,029	8,772	3,781
Minority equity interests		243	224	-	-
<b>TOTAL EQUITY</b>		<b>21,684</b>	<b>19,632</b>	<b>23,738</b>	<b>17,160</b>

The balance sheets are to be read in conjunction with the accompanying notes

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**STATEMENT OF CHANGES IN EQUITY**

AS AT 30 JUNE 2009

	Contributed equity \$'000	Retained earnings \$'000	Minority equity interests \$'000	Total equity \$'000
<b>CONSOLIDATED</b>				
Balance at 1 July 2007	13,197	4,950	-	18,147
Shares issued pursuant to dividend reinvestment plan	182	-	-	182
Profit attributable to members of the parent entity	-	1,612	-	1,612
Profit attributable to minority shareholders	-	-	224	224
Dividends paid or provided for	-	(533)	-	(533)
<b>Balance at 30 June 2008</b>	<b>13,379</b>	<b>6,029</b>	<b>224</b>	<b>19,632</b>
Adjustment to reserves	-	(93)	-	(93)
Profit attributable to members of parent entity	-	539	-	539
Profit attributable to minority shareholders	-	-	94	94
Shares issued	1,587	-	-	1,587
Dividends paid or provided for	-	-	(75)	(75)
<b>Balance at 30 June 2009</b>	<b>14,966</b>	<b>6,475</b>	<b>243</b>	<b>21,684</b>

	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
<b>THE COMPANY</b>			
Balance at 1 July 2007	13,197	2,244	15,441
Shares issued pursuant to dividend reinvestment plan	182	-	182
Profit for the year	-	2,070	2,070
Dividends paid or provided for	-	(533)	(533)
<b>Balance at 30 June 2008</b>	<b>13,379</b>	<b>3,781</b>	<b>17,160</b>
Shares issued	1,587	-	1,587
Profit for the year	-	4,991	4,991
Dividends paid or provided for	-	-	-
<b>Balance at 30 June 2009</b>	<b>14,966</b>	<b>8,772</b>	<b>23,738</b>

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

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts in the course of operations		18,516	18,556	520	227
Cash payments in the course of operations		(15,983)	(16,122)	(985)	(1,318)
Interest received		134	184	101	170
Borrowing costs paid		(3,497)	(2,985)	(202)	(221)
Dividends and distributions received		-	33	32	66
Income taxes (paid)/refunded		(293)	(269)	(41)	(212)
Net cash (used in) operating activities	7(a)	(1,123)	(603)	(575)	(1,288)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(26)	(315)	(2)	(294)
Proceeds from sale of plant and equipment		-	61	-	-
Proceeds from investment redemptions and loan repayments		-	377	-	378
Purchase of investment		(1,766)	-	(1,718)	-
Acquisition of investment property		-	(542)	-	-
Payments for investment property under development		-	(3,059)	-	-
Proceeds from/(payments to) joint ventures		-	1,689	-	1,964
Loans (to)/repayments from other entities		-	1	-	-
Net cash (used in)/provided by investing activities		(1,792)	(1,788)	(1,720)	2,048
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Loans (to)/from related entities		(874)	489	(1,765)	2,078
Proceeds from borrowings		1,401	9,579	1,396	-
Repayment of borrowings		(364)	(6,151)	-	(1,414)
Dividends paid		(26)	(354)	-	(354)
Proceeds from issue of shares		1,587	-	1,587	-
Net cash provided by financing activities		1,724	3,563	1,218	310
Net (decrease)/increase in cash held		(1,191)	1,172	(1,077)	1,070
Cash at beginning of the financial year		2,947	1,175	2,466	1,396
Cash at the end of the financial year	7(b)	1,756	2,947	1,389	2,466

The statements of cash flows are to be read in conjunction with the accompanying notes.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

### NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

#### **Going Concern**

At 30 June 2009 the group's current liabilities exceeded its current assets by \$25m, due to the inclusion in current financial liabilities of the groups' share of the development loan facility of \$24m to finance the development and construction of the Greenway Supacenta at Wetherill Park. This facility expires on 30 November 2009 and the financier has provided a Term Note facility of \$32.5m to refinance the development at its expiry. The refinance Term Note is for a period of 5 years.

The refinance facility is subject to the maintaining of various conditions of the facility, including minimum interest cover and loan to valuation (LVR) ratio. The directors are confident that there have been no adverse events or facts that would prevent the refinancing of the facility.

The ability of the group to continue, significantly unimpaired, its operations and to pay its debts as and when they fall due is dependent on the continued support by the financier and the refinancing of the development facility and the ability of the group to generate positive cash flow from its operations.

Should the directors not achieve the matters set out above, there is inherent uncertainty whether the consolidated entity will be able to continue as a going concern.

If part or the whole of the consolidated entity is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial report.

The financial report does 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.

#### **(a) Basis of Preparation**

##### *Reporting Basis and Conventions*

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

The financial report covers the economic entity of Metroland Australia Limited and controlled entities, and Metroland Australia Limited as an individual parent entity. Metroland Australia Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Metroland Australia Limited and controlled entities, and Metroland Australia Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated

#### **(b) Principles of Consolidation**

##### *Controlled Entities*

A controlled entity is any entity Metroland Australia Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

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.

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.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

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

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interest held by persons outside the group, are shown separately within the equity section of the consolidated balance sheet and the consolidated income statement.

#### *Joint Ventures*

A joint venture is either an operation or entity that is jointly controlled by the consolidated entity.

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated entity's interests are shown at Note 23.

The economic entity's interests in joint ventures entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method. Details of the consolidated entity's interests are shown at Note 25.

#### *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.

#### (c) 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 income statement 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.

#### *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.

#### (d) 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 income in the period in which they are incurred.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

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

#### (e) Investment in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

#### (f) Investment Property

Investment property, comprising freehold shopping complexes, is 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 income statement.

#### (g) Inventories

Inventories, and properties under development are carried 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. Profits are only brought to account upon the completion of the development project, when the unconditional contracts of sale is settled, with the substantial risk and rewards being passed to the purchaser.

#### (h) Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

#### (i) Plant and Equipment

Plant and equipment are measured on the cost basis.

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:

	2009	2008
Leasehold Improvements	20%	-
Plant and Equipment	17 – 40%	17 – 40%

The asset's residual values and useful lives are reviewed and adjusted if applicable, at each balance sheet 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.

#### (j) Impairment of Assets

At each reporting date, the Group reviews 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 indicate 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 income statement.

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.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

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

(k) **Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 90 days.

(l) **Interest Bearing Liabilities**

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and is included in "Other creditors and accruals".

(m) **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 balance sheet.

(n) **Loans and Receivables**

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

(o) **Financial Liabilities**

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

(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.

*Sale of Property*

Revenue from the sale of property is only recognised upon the completion of the project, when the unconditional contracts of sale is settled, and the substantial risks and rewards is passed to the purchaser of the property.

*Rendering of Services*

Revenue from the rendering of property management and facilitation 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*

Revenue recognition in relation to construction activities is detailed in Note 1(h).

*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 balance sheet are shown inclusive of GST.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

---

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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 by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, 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) 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 year 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.

**(t) 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.

*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.

**(u) Receivables**

The collectibility 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.

**(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) Use and Revision of Accounting Estimates**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key Estimates**

**(i) Fair valuation of investment properties**

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.

**(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 report and directors' report have been rounded off to the nearest \$'000.

The financial report was authorised for issue on 30 September 2009 by the board of directors.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>NOTE 2 REVENUE</b>				
Revenue from sale of:				
- Construction services	7,446	16,785	1,500	1,500
- Other	100	326	-	-
	<u>7,546</u>	<u>17,111</u>	<u>1,500</u>	<u>1,500</u>
Rental revenue from investment properties	3,971	3,601	-	-
Property management and facilitation revenue	1,814	1,165	487	136
	<u>5,785</u>	<u>4,766</u>	<u>487</u>	<u>136</u>
Other revenues:-				
<i>From operating activities</i>				
Interest – other parties	134	184	101	162
– related parties	-	-	1,083	1,082
Dividends – other parties	-	33	-	33
– partly owned subsidiary	-	-	3,272	77
Profit on disposal of investment	-	-	42	-
Trust distribution – joint venture entities	-	-	-	2,980
<b>Total Other Revenues</b>	<u>134</u>	<u>217</u>	<u>4,498</u>	<u>4,334</u>
<b>Total Revenue</b>	<u>13,465</u>	<u>22,094</u>	<u>6,485</u>	<u>5,970</u>

### NOTE 3 PROFIT BEFORE INCOME TAX

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

Impairment of loans to controlled entities	-	-	955	1,243
Trust distribution from joint venture entities	(114)	(2,980)	(114)	(2,980)
Net (gain)/loss from changes in the fair value of investment properties	(360)	422	-	-
Interest income on loans to wholly-owned subsidiaries	-	-	(1,083)	(1,083)

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

Borrowing Costs:				
-Other parties	3,517	2,985	202	212
Less: Capitalised borrowing costs	(1,082)	(664)	-	-
	<u>2,435</u>	<u>2,321</u>	<u>202</u>	<u>212</u>

Borrowing costs were capitalised to property inventories and qualifying assets at a weighted average annual rate of 5.97% (2008:9.09%).

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		The Company	
		<u>2009</u> \$'000	<u>2008</u> \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000
<b>NOTE 3 PROFIT BEFORE INCOME TAX (cont'd)</b>					
Amortisation and depreciation of:					
Plant and equipment		<u>71</u>	<u>55</u>	<u>54</u>	<u>26</u>
Net expense from movements in provisions for:					
- Employee entitlements expense		23	73	24	(2)
- Impairment		56	25	955	1,242
Investment loan written-off		98	132	-	120
Operating lease payments		<u>49</u>	<u>49</u>	<u>49</u>	<u>49</u>
<b>NOTE 4- TAXATION</b>					
<b>(a) Income Tax Expense</b>					
Prima facie tax payable on profit before income tax at 30% (2008- 30%)		(34)	822	1,288	880
Increase/(decrease) in income tax expense due to:					
- Division 43 capital allowance		(41)	-	-	-
- Dividends received not taxable		-	-	(982)	-
- Deferred Tax Liability transferred		-	-	(950)	-
- Capitalised interest		(440)	-	-	-
- Recovery on project completion		(201)	-	-	-
- Other		(29)	5	(55)	(19)
Over provision of income tax in the prior year		-	(82)	-	-
Recoupment of prior year tax losses of partly owned subsidiary not previously brought to account		-	(63)	-	-
Tax losses of partially owned subsidiaries not recognised in the accounts		-	221	-	-
Income tax expense attributable to operating profit		<u>(745)</u>	<u>903</u>	<u>(699)</u>	<u>861</u>
Income tax expense comprises:					
- current tax		83	111	196	336
- deferred tax		(627)	716	(950)	525
- recovery on project completion		(201)	-	-	-
- overprovision in respect of prior year		-	(82)	-	-
-recoupment of prior year tax losses not previously brought to account		-	(63)	-	-
-tax losses not recognised		-	221	-	-
		<u>(745)</u>	<u>903</u>	<u>(699)</u>	<u>861</u>
<b>(b) Current Tax (Asset)/Liabilities</b>					
Refund due on project completion		(172)	-	-	-
Provision for Current Income Tax		<u>28</u>	<u>227</u>	<u>-</u>	<u>-</u>
		<u>(144)</u>	<u>227</u>	<u>-</u>	<u>-</u>

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		The Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
<b>NOTE 4- TAXATION (Cont'd)</b>				
(c) Deferred Income Tax Liabilities				
<i>Provision for Deferred Income Tax</i>				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2008: 30%) on the following items:				
Fair value gain adjustments	(217)	465	-	-
Tax allowances relating to properties	668	325	-	-
Income not currently assessable for tax	1,067	950	-	950
Expenditure currently deductible for tax but deferred for accounting purposes	838	494	-	-
Losses applied	(316)			
	<u>1,296</u>	<u>2,234</u>	<u>-</u>	<u>950</u>
(d) Deferred tax assets	<u>165</u>	<u>438</u>	<u>699</u>	<u>754</u>
<i>Deferred tax assets</i>				
Deferred tax assets have been recognised in respect of the following items:				
Deductible temporary differences	165	79	699	395
Tax losses carried forward	-	359	-	359
	<u>165</u>	<u>438</u>	<u>699</u>	<u>754</u>
<i>Income tax losses:</i>				
The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from the deferred tax assets.				
	<u>490</u>	<u>365</u>	<u>-</u>	<u>-</u>

**NOTE 5 – EARNINGS PER SHARE**

	Consolidated	
	<u>2009</u>	<u>2008</u>
	\$'000	\$'000
<i>Earnings reconciliation</i>		
Basic earnings	<u>539</u>	<u>1,612</u>
Diluted earnings	<u>539</u>	<u>1,807</u>
<i>Weighted average number of shares used as the denominator</i>		
Number for basic earnings per share:		
Ordinary Shares	<u>114,067,475</u>	<u>107,537,820</u>
Number for diluted earnings per share:		
Ordinary shares	<u>114,067,475</u>	<u>123,282,594</u>

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		The Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$
<b>NOTE 6 – AUDITORS REMUNERATION</b>				
<i>Auditors of the Company:</i>				
Audit services				
Audit and review of financial reports	<u>93,678</u>	<u>79,380</u>	<u>93,678</u>	<u>79,380</u>
Other services				
Taxation compliance services	5,138	6,152	5,138	6,152
Share registry services	<u>13,643</u>	<u>13,724</u>	<u>13,643</u>	<u>13,724</u>
	<u>18,781</u>	<u>19,876</u>	<u>18,781</u>	<u>19,876</u>
	<u>112,459</u>	<u>99,256</u>	<u>112,459</u>	<u>99,256</u>
	\$'000	\$'000	\$'000	\$'000
<b>NOTE 7 – NOTES TO THE CASH FLOW STATEMENT</b>				
Operating profit after income tax	633	1,836	4,991	2,070
Add/(less) items classified as investing/financing activities:				
Interest paid capitalised in loans and property	(1,082)	(664)	-	-
Fair value adjustment to investment property	360	422	-	-
Non-cash items				
Interest income capitalised	-	-	(1,083)	(1,075)
Investment loan written-off	98	132	955	120
Depreciation	70	55	53	26
Loss on disposal of fixed assets	2	26	1	3
Gain on sale of investment	-	-	(42)	-
Amounts set aside to provisions	33	98	24	1,229
Equity accounted share of joint venture entities' results	(72)	(2,980)	-	-
Changes in assets and liabilities:				
(Increase)/decrease in property inventories	(109)	(66)	-	-
(Increase)/decrease in receivables	207	(2,838)	(4,733)	(4,449)
Increase/(decrease) in payables	(1,298)	2,594	(12)	163
Increase/(decrease) in tax balances	(125)	634	(739)	648
(Increase)/decrease in prepayments	<u>160</u>	<u>148</u>	<u>10</u>	<u>(23)</u>
Net cash provided by / (used in) operating activities	<u>(1,123)</u>	<u>(603)</u>	<u>(575)</u>	<u>(1,288)</u>
(b) Reconciliation of Cash				
Cash	700	192	176	20
Short term deposits	1,213	2,763	1,213	2,446
Bank overdraft	<u>(157)</u>	<u>(8)</u>	<u>-</u>	<u>-</u>
	<u>1,756</u>	<u>2,947</u>	<u>1,389</u>	<u>2,466</u>
<b>NOTE 8 – CASH AND CASH EQUIVALENT ASSETS</b>				
<i>Current</i>				
Cash at bank and in hand	700	192	176	20
Bank short term deposits	<u>1,213</u>	<u>2,763</u>	<u>1,213</u>	<u>2,446</u>
	<u>1,912</u>	<u>2,955</u>	<u>1,389</u>	<u>2,466</u>

The effective interest rate on short-term bank deposits was 3.90% (2008:7.06%).

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

**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		The Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>NOTE 9 – TRADE AND OTHER RECEIVABLES</b>					
<i>Current</i>					
Trade receivables		245	122	-	-
Less: Impairment of receivables		(85)	(40)	-	-
		<u>160</u>	<u>82</u>	<u>-</u>	<u>-</u>
Amount due from customers for construction contracts	9(a)	1,425	2,529	-	-
Dividends receivable – partly owned subsidiary		-	-	3,444	44
Rent receivable		289	41	-	-
Project management fee receivable – joint venture		1,500	750	3,000	1,500
GST receivable		77	-	3	13
Other receivables		358	266	2	60
Loan to other entity		-	12	-	12
		<u>3,809</u>	<u>3,680</u>	<u>6,449</u>	<u>1,629</u>
<i>Non-Current</i>					
Loans to controlled entities		-	-	12,979	8,801
Less: Provision for impairment		-	-	(2,198)	(1,243)
		-	-	<u>10,781</u>	<u>7,558</u>
Loans to joint venture entities		3,555	394	7,109	4,079
Distributions receivable – related joint venture entity		-	-	-	3,432
Other receivables		50	7	50	7
		<u>3,605</u>	<u>401</u>	<u>17,940</u>	<u>15,076</u>

The weighted average effective interest rate on loans to controlled entities is 9% (2008: 9%). All loans are repayable at call. The loans are not repayable within the next twelve months.

<b>(a) Construction Contracts</b>					
Contracted costs incurred		12,098	14,270		
Recognised (loss)/profit		(77)	1,765		
		<u>12,021</u>	<u>16,035</u>		
Progress billings		(12,021)	(16,035)		
		<u>-</u>	<u>-</u>		
Amounts due from customers for contract work		1,425	2,529		
Retentions on construction contracts in progress		640	771		
Progress billings received and receivable on construction contracts in progress		<u>11,381</u>	<u>15,264</u>		

**NOTE 10 – INVENTORIES**

<i>Current</i>					
Finished goods held for resale, at lower of cost and net realisable value		177	46	-	-
Development properties, at lower of cost and net realisable value		-	22	-	-
		<u>177</u>	<u>68</u>	<u>-</u>	<u>-</u>

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		The Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
<b>NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>				
<i>Non-current</i>				
Joint venture entities	25	<u>1,627</u>	<u>6,780</u>	<u>-</u>

The investment which was accounted for under equity accounting in the prior year has now been accounted for as a Joint Venture.

**NOTE 12 – OTHER CURRENT ASSETS**

	<i>Current</i>		<i>Current</i>	
Prepayments		<u>302</u>	<u>86</u>	<u>13</u>
				<u>23</u>

**NOTE 13 – INVESTMENT PROPERTY UNDER DEVELOPMENT**

	<i>Non-Current</i>		<i>Non-Current</i>	
Cost of acquisition	746	7,749	-	-
Development costs capitalised	5	3,470	-	-
Interest capitalised	<u>5</u>	<u>1,719</u>	<u>-</u>	<u>-</u>
	<u>756</u>	<u>12,938</u>	<u>-</u>	<u>-</u>

Borrowing costs were capitalised at a weighted average rate of 5.97% (2008: 9.09%)

Properties held for development at 30 June 2008 comprised the consolidated entity's share of the property at 11-15 Elizabeth Street, Wetherill Park and adjoining land at 1187 The Horsely Drive, Wetherill Park forming the Greenway Supacenta Development, undertaken in joint-venture with Gaintak Investments Pty Limited. The development has been completed and the asset has been transferred to investment property.

**NOTE 14 – INVESTMENT PROPERTY**

	<i>Non-Current</i>		<i>Non-Current</i>	
Balance at beginning of the year	37,935	37,763	-	-
Transfer from equity accounted investment (i)	12,200	-	-	-
Transfer from Properties Held for Development	23,020	-	-	-
Expenditures capitalised	205	594	-	-
Fair value adjustment	<u>360</u>	<u>(422)</u>	<u>-</u>	<u>-</u>
	<u>73,000</u>	<u>37,935</u>	<u>-</u>	<u>-</u>

Investment properties comprise:

- The Campbelltown Square shopping complex at 218-240 Queens Street, Campbelltown which was acquired in May 2007.
- The Wentworthville Mall, a shopping complex at 42-44 Dunmore Street, Wentworthville, purchased in September 2004.
- Greenway Supacenta, a shopping complex at Wetherill Park. Development work on the complex was completed in March 2009.
- Greenway Plaza shopping complex at Wetherill Park.

The fair value model is applied to all investment properties. Investment properties are independently valued at least annually. The investment properties listed above have all been valued based on independent valuations except for the Greenway Supacenta property which has been valued by the directors based on a discounted independent valuation. The independent valuations at 30 June 2009 were assessed using the capitalisation of potential rental method, based on an active liquid market and were performed by a registered independent valuer.

(i) The asset transferred above relates to the groups' share of the Greenway Plaza investment property. This asset is held by Gaintak Investments Pty Ltd which was accounted for under equity accounting in the prior year but is now being treated as a joint venture and therefore the asset is shown within the groups' investment properties.

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2009

**NOTE 15 – FINANCIAL ASSETS**

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Non-Current</i>				
<i>Investments in controlled entities</i>				
Unlisted shares at cost	-	-	1,740	3
<i>Investments in other entities</i>				
Joint venture entity	36	36	36	36
<i>Investments in Associates</i>				
Unlisted shares at cost	101	101	101	111
Unlisted units at cost	-	-	1	1
Provision for diminution	(101)	(101)	(101)	(101)
	-	-	1	11
	36	36	1,777	50

**NOTE 16 – PROPERTY, PLANT & EQUIPMENT**

Plant and equipment – at cost	446	423	321	317
Accumulated depreciation	(139)	(68)	(86)	(32)
	307	355	235	285

*Movements in Carrying Amounts*

Movements in the carrying amount for each class of property, plant and equipment are set out below:-

*Plant and equipment*

Carrying amount at beginning of year	355	181	285	20
Additions	23	324	4	294
Disposals	-	(95)	-	(3)
Depreciation	(71)	(55)	(54)	(26)
Carrying amount at end of year	307	355	235	285

**NOTE 17 – TRADE AND OTHER PAYABLES**

*Current*

Trade creditors	913	2,352	-	-
Other creditors and accruals	3,908	1,211	274	423
GST payable	-	23	-	-
	4,821	3,586	274	423

*Non-current*

Owing to related entities	-	705	-	-
---------------------------	---	-----	---	---

**NOTE 18 – FINANCIAL LIABILITIES**

*Current*

Bank overdraft	157	8	-	-
Bank loans –secured	18(a) 23,966	64	-	-
Loans from other entities-unsecured	18(b) 2,121	1,325	3,740	1,325
Hire purchase liabilities - secured	18(c) 11	11	-	-
	26,255	1,408	3,740	1,325

*Non-current*

Bank loans-secured	18(a) 27,692	37,285	-	-
Loan from other entities-unsecured	18(b) 3,888	400	700	400
Hire purchase liabilities - secured	18(c) 16	27	-	-
	31,596	37,712	700	400

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 18 – FINANCIAL LIABILITIES (Cont'd)

(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 (LVRs) of between 70% to 85% of the fair valuation of mortgaged investment property. The non-current portion of the bank loans of \$427,000 is due for repayment by November 2015; \$14,140,000 is repayable by May 2012; \$13,125,000 is repayable by 1 November 2010.

Included in current financial liabilities is the group's share of the development facility of \$23,928,000 which was provided as finance for the Greenway Supacenta development. This facility expires in November 2009 and the financier has provided a Term Note facility to refinance the development facility at its expiry. The refinance facility Term Note is for a period of 5 years. The refinance facility is subject to the parties acceptance of various conditions of the facility, including minimum interest cover and LVR ratio. The original facility is currently under an annual review however the bank has not called for a valuation of the secured property.

The weighted average interest rate on these loans at 30 June 2009 is 6.28% (2008: 7.98%).

(b) Loans from other entities are unsecured. The current portion is repayable at call, and the non-current portion is not due within the next 12 months. The weighted average interest rate on these loans at 30 June 2009 is 3.98% (2008: 9.77%).

(c) Hire purchase liabilities are secured over the assets being financed. The non-current portion of \$16,000 is due for repayment progressively until 2011. The weighted average interest rate of hire purchase liabilities at 30 June 2009 was 8.36% (2008:8.36%).

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

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Properties held for development	756	12,939	-	-
Investment properties	73,000	37,935	-	-
Fixed assets	26	43	-	-
	<u>69,217</u>	<u>50,917</u>	<u>-</u>	<u>-</u>

### NOTE 19 - FINANCING ARRANGEMENTS

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

<i>Total facilities available:</i>				
Bank loans	51,658	44,171	-	-
Other entity loans	6,035	1,763	2,821	1,725
	<u>57,693</u>	<u>45,934</u>	<u>-</u>	<u>1,725</u>
<i>Facilities utilised at balance date:</i>				
Bank loans	51,658	37,349	-	-
Other entity loans	6,035	1,763	2,821	1,725
	<u>57,693</u>	<u>39,112</u>	<u>-</u>	<u>1,725</u>
<i>Facilities not utilised at balance date:</i>				
Bank loans	-	6,822	-	-
Other entity loans	-	-	-	-
	<u>-</u>	<u>6,822</u>	<u>-</u>	<u>-</u>

The major finance facilities are for the acquisition of the Group's investment properties and for the construction of the Group's joint venture Greenway Supacenta development. The facility available at year end represents the balance remaining of the Group's share of the construction loan facility. Finance is expected to continue to be available provided the Company and the Group have not breached any borrowing requirements and the required financial ratios are met.

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

<i>Current</i>				
Employee benefits	141	124	37	15
<i>Non-current</i>				
Employee benefits	50	44	12	10
Number of employees at year end	18	16	6	5

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, is set out below:

Dividends				
Carrying amount at beginning of year	-	-	-	-
Provisions made during the year:				
- Final dividend 2008	-	532	-	532
Payments made during the year	-	(532)	-	(532)
Carrying amount at year end	-	-	-	-

Note	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

### NOTE 21 – CONTRIBUTED EQUITY

#### (a) Share capital

124,783,244 (2008: 108,031,973) ordinary shares fully paid

	<u>14,966</u>	<u>13,379</u>	<u>14,966</u>	<u>13,379</u>
--	---------------	---------------	---------------	---------------

#### Movements during the year:

Balance at beginning of year: 108,031,973 shares (2008: 106,779,433 shares)

	<u>13,379</u>	<u>13,197</u>	<u>13,379</u>	<u>13,197</u>
--	---------------	---------------	---------------	---------------

#### Shares issued:

- 1,751,271 (2008: 1,252,540) Pursuant to the company dividend reinvestment plan

	<u>87</u>	<u>182</u>	<u>87</u>	<u>182</u>
--	-----------	------------	-----------	------------

- 15,000,000 (2008: Nil) for cash pursuant to a share placement

	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
--	--------------	----------	--------------	----------

Balance at end of the year: 124,783,244 shares (2008: 108,031,973 shares)

	<u>14,966</u>	<u>13,379</u>	<u>14,966</u>	<u>13,379</u>
--	---------------	---------------	---------------	---------------

On 23 December 2008 1,751,271 shares were issued at \$0.05 per share

On 18 February 2009 15,000,000 shares were issued at \$0.10 per share

#### 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, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

#### (b) Options

During the year 17,744,774 share options expired. These options were exercisable by option holders at any time prior to the expiry date of 29 May 2009, at an exercise price of \$0.26. During or since the end of the financial year, the company did not issue any ordinary shares by virtue of the exercise of any option.

For information relating to share options issued to and held by directors and by key management personnel during and at the end of the financial year, refer to Note 29.

#### (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. This strategy is to ensure that the group's gearing ratio remains below the minimum loan covenanted Loan to Valuation ratio of 70%. The gearing ratio for the year ended 30 June 2009 and 30 June 2008 are as follows:-

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

Total borrowings	17,18	62,672	43,411	4,714	2,148
Less: cash and cash equivalents	8	(1,912)	(2,955)	(1,389)	(2,466)
Net Debt		60,760	40,456	3,325	(318)
Total Equity		21,684	19,632	23,581	17,160
Total Capital		82,444	60,088	26,901	16,842
Gearing Ratio		72%	67%	12%	-

Note	Consolidated		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000

### NOTE 22 – DIVIDENDS

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

#### Dividend Franking Account

30% franking credits available to shareholders of Metroland Australia

Limited for subsequent financial years

1,373      1,332

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 debits that will arise from the payment of dividends recognised as a liability at year-end;
- 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 by 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 VENTURE OPERATION

The consolidated entity holds a 50% interest in the Greenway Supacenta Joint Venture whose principle activity is the development of the bulky goods supacenta at Elizabeth Street, Wetherill Park and also holds a 50% interest in Gaintak Investments Pty Limited. For the year ended 30 June 2009 the contribution of the joint ventures to the operating result before tax of the company and consolidated entity was a profit of \$2,223,000 (2008: a loss of \$6,982,000).

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

<b>Current Assets</b>					
Cash	90	-	-	-	-
Property held for development	-	12,402	-	-	-
Receivables	365	262	-	-	-
Total Current Assets	455	12,664	-	-	-
<b>Non Current Assets</b>					
Investment Property	39,674	-	-	-	-
Total Assets	40,129	12,664	-	-	-
<b>Current Liabilities</b>					
Bank overdraft	-	8	-	-	-
Trade and other creditors	5,753	2,033	-	-	-
Total Current Liabilities	5,753	2,041	-	-	-
<b>Non-Current Liabilities</b>					
Interest bearing liabilities	28,674	5,085	-	-	-
Other creditors	-	678	-	-	-
Total Non-Current Liabilities	28,674	5,763	-	-	-
Total Liabilities	34,427	7,804	-	-	-
Net Assets	5,702	4,860	-	-	-

Refer Note 27 for details of contingent liabilities.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

### NOTE 24 – CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

NAME	ORDINARY SHARE PERCENTAGE OWNED	
	2009 %	2008 %
<i>Parent entity</i>		
Metroland Australia Limited		
<i>Controlled entities</i>		
Metroland Properties Pty Limited	100	100
Kings Properties (Australia) Pty Limited	100	100
Greenway Australia Properties Pty Limited	50	100
Metroland Homes Pty Limited	100	100
Stratawide Management Pty Limited	55	55
Goldwest Metro Pty Limited	100	100
MetroBuild Associates Pty Limited (formerly Metro Associates Pty Ltd)	100	95
Metro Facilities Management Pty Limited	100	100
MetroC Pty Limited (formerly Home at Metro Pty Ltd)	100	100
Altitude Design & Construction Pty Limited	100	100
Campbelltown Metro Pty Limited	100	100
Metroland Constructions Pty Limited	60	60
Global Real Estate Assets Corporation Pty Limited	100	100
DK Engineering Pty Limited	100	100
Gaintak Investments Pty Limited (previously held as an equity investment)	50	50
Metro Developments Fund Pty Limited	100	-
Metroland Management Services Limited	100	-
Metroland Funds Management	100	-
Metroland Investments Limited (previously held as an equity investment)	100	50

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

(b) *Acquisition of controlled entities*

New wholly owned subsidiaries, Metro Developments Fund Pty Limited, Metroland Management Services Limited and Metroland Funds Management were set up to further provide property and building related services and products to the industries.

(c) *Disposal of controlled entities*

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

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2009

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

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Share of net profit accounted for using the equity method included in the income statement:				
- Joint venture entities	114	2,980	-	-

**Interest in Associates and Joint Venture Entities**

Details of interests in joint venture entities are as follows:

Name	Principal Activities	Joint Venture Reporting Date	Ordinary Ownership		Investment Amount			
			Consolidated 2009 %	2008 %	Consolidated 2009 \$'000	2008 \$'000	Company 2009 \$'000	2008 \$'000
Metroland Investments Pty Limited	Investment in property development entity	30 June	-	50	-	-	-	10
Metro Plaza Chinatown JV	Investment in property development entity	30 June	25	-	1,668	-	-	-
Gaintak Investments Pty Limited ATF Gaintak Investment Unit Trust	Property investment and development	30 June	50	50	-	6,780	1	1
					1,668	6,780	1	11

Gaintak Investments Pty Limited has been accounted for as a joint venture entity commencing 1 January 2009 and Metroland Investments Limited became a wholly owned subsidiary on 26 May 2009.

	Consolidated	
	2009 \$'000	2008 \$'000
<b>Results of joint venture (to 31 December 2008)</b>		
Revenue from ordinary activities	114	1,100
Expenses from ordinary activities	-	(786)
Profit from ordinary activities before income tax	114	314
Net gain from changes in fair value of investment property	-	2,666
Income tax expenses relating to ordinary activities	-	-
	114	2,980

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2009

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

	Consolidated	
	2009 \$'000	2008 \$'000
<i>Balance Sheet</i>		
The consolidated entity's share of the joint venture entities assets and liabilities consists of:-		
Current assets	-	521
Non-current assets	<u>1,668</u>	<u>24,211</u>
Total assets	<u>-</u>	<u>24,732</u>
Current liabilities	-	(232)
Non-current liabilities	<u>-</u>	<u>(17,720)</u>
Total liabilities	<u>-</u>	<u>(17,952)</u>
Net assets – accounted for using the equity method	<u>1,668</u>	<u>6,780</u>

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

*Share of post-acquisition profit attributable to joint venture entities equity accounted*

Share of joint venture entities' retained profit at beginning of year	3,696	716
Share of joint venture entities' net profit	114	2,980
Adjustment due to change in accounting treatment to that of a Joint Venture entity	<u>(3,810)</u>	<u>-</u>
Share of joint venture entities' retained profit at end of year	<u>-</u>	<u>3,696</u>

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

Carrying amount at beginning of year	6,780	5,489
Cash contributions to associate during the year	1,668	-
Share of joint venture entities' net profit	114	2,980
Transfer of assets & liabilities to those of consolidated entity	<u>(6,894)</u>	<u>-</u>
Repayment of contributions by the joint venture entity	<u>-</u>	<u>(1,689)</u>
Carrying amount at end of year	<u>1,668</u>	<u>6,780</u>

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		The Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
<b>NOTE 26-CAPITAL AND LEASING COMMITMENTS</b>				
<i>Capital Expenditure Commitments</i>				
Controlled entities have entered into capital expenditure contracts for the purchase of property. The balance of the capital expenditure commitments, which is under a put and call option, outstanding at 30 June 2009, payable not later than 12 months:				
	<u>2,000</u>	<u>6,906</u>	<u>-</u>	<u>-</u>
<i>Operating Lease Commitments</i>				
Non-cancellable operating lease contracted for but not capitalised in the financial statements:-				
Payable – minimum lease payments				
- not later than 12 months	146	146	146	146
- between 12 months and 5 years	<u>365</u>	<u>219</u>	<u>73</u>	<u>219</u>
	<u>511</u>	<u>365</u>	<u>219</u>	<u>365</u>
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.				
<i>Finance Lease Commitments</i>				
Payable – minimum lease payments				
- not later than 12 months	13	13	-	-
- between 12 months and 5 years	<u>20</u>	<u>34</u>	<u>-</u>	<u>-</u>
	33	47	-	-
Less: future finance charges	<u>(6)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments	<u>27</u>	<u>38</u>	<u>-</u>	<u>-</u>
Total Commitments	<u>2,538</u>	<u>7,309</u>	<u>219</u>	<u>365</u>

	Consolidated		The Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$'000	\$'000	\$'000	\$'000
<b>NOTE 27-CONTINGENT LIABILITIES</b>				
Estimates of the potential financial effects of contingent liabilities that may become payable:-				
<i>Share of Associates' Contingent Liabilities</i>				
- Guarantee of associates loan facilities	47,857	33,401	47,857	33,401
<i>Share of Joint Venture Contingent Liabilities</i>				
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:				
	<u>18,259</u>	<u>7,804</u>	<u>-</u>	<u>-</u>
	<u>66,386</u>	<u>41,205</u>	<u>47,857</u>	<u>33,401</u>

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

### NOTE 28- SEGMENT REPORTING

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 sale: For property construction and refurbishment contracts for external and other related entities, and investment property under development.

Property rentals and management: Investment properties held for the generation of rental income and capital appreciation; and residential property management and facilities management services.

Investment and financial services: Investments in joint venture entities; cash investments and general loan borrowings.

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

**NOTES TO THE FINANCIAL STATEMENT**  
 FOR THE YEAR ENDED 30 JUNE 2009

**NOTE 28- SEGMENT REPORTING (cont)**

	Property Construction, Development & Sales		Property rental & management		Investment & Financial Services		Import Sales		Consolidation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
External segment revenue	7,255	16,785	5,785	4,766	134	217	291	326	13,465	22,094
Segment result	(164)	1,257	2,477	893	16	3,174	(199)	(367)	2,130	4,957
Gain from change in the fair value of investment properties									(360)	(422)
Unallocated corporate expenses									(1,882)	(1,796)
Profit from ordinary activities before tax									(112)	2,739
Income tax expense									745	(903)
Minority interest									(94)	(224)
<b>Net profit</b>	<b>15</b>	<b>14</b>	<b>2</b>	<b>4</b>	<b>54</b>	<b>26</b>	<b>-</b>	<b>11</b>	<b>71</b>	<b>55</b>
<b>Assets</b>										
Segment assets	1,906	15,836	76,632	38,891	6,860	9,261	6	179	85,404	64,077
Unallocated corporate assets									437	1,595
<b>Consolidated total assets</b>									<b>85,843</b>	<b>65,672</b>
<b>Liabilities</b>										
Segment liabilities	1,586	12,577	56,421	29,971	4,321	1,767	-	65	62,328	43,400
Unallocated corporate liabilities									1,831	2,640
<b>Consolidated total liabilities</b>									<b>64,159</b>	<b>46,040</b>
Acquisition of non-current assets	-	2,732	1,668	627	-	-	-	-	1,668	3,359

**Secondary Reporting Geographical Segments**

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

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 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 \$50,000 per annum. Directors 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 2009:-

	Primary salary & fees		Termination benefits		Post-employment superannuation & benefits	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
<i>Specified directors</i>						
<i>Non-executive</i>						
Steam Leung	24,000	24,000	-	-	-	-
Eddie Lee	12,000	12,000	-	-	-	-
John Wardman	12,000	10,920	-	-	-	1,080
Da Cheng Zhang	-	-	-	-	-	-
Ray Kellerman – resigned 23 April 2008	-	51,667	-	-	-	-
<i>Executive</i>						
Frank Shien	119,409	123,147	-	-	-	-
Andrew Toooh – resigned 16 May 2008	-	124,807	-	110,000	-	9,703
<b>Total, all specified directors</b>	<b>167,409</b>	<b>346,541</b>	<b>-</b>	<b>110,000</b>	<b>-</b>	<b>10,783</b>
<i>Specified executives</i>						
Anthony Maroon, CEO, Stratawide Management Pty Ltd	154,567	140,000	-	-	12,600	12,600
Tjing Hong Ong, CEO, Metroland Constructions Pty Ltd	130,000	130,000	-	-	11,700	10,050
Lincoln Wong, CEO, Home at Metro Pty Ltd (resigned 30 April 2008)	-	178,333	-	-	-	8,019
George Daoud, Construction Manager, Metroland Constructions Pty Ltd	-	129,136	-	-	-	11,264
Paul Wong, Investment Manager, Metroland Australia Ltd	-	113,333	-	-	-	9,961
David Feldman, CFO, Metroland Australia Ltd (resigned May 2008)	-	80,769	-	90,000	-	5,829
	<b>284,567</b>	<b>771,571</b>	<b>-</b>	<b>90,000</b>	<b>24,300</b>	<b>57,723</b>

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 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 2008	Purchases	Sales	Held at 30 June 2009
<i>Specified directors</i>				
Frank Shien	12,619,610	491,087	-	13,110,697
Steam Leung	1,960,547	-	-	1,960,547
Eddie Lee	527,500	-	-	527,500
John Wardman	1,436,033	-	-	1,436,033
Da Cheng Zhang	9,600,000	-	-	9,600,000
<i>Specified executives</i>				
Tjing Hong Ong	1,303,417	-	-	1,303,417
David Feldman – resigned May 2008	192,903	-	-	192,903
	<u>27,640,010</u>	<u>491,087</u>	<u>-</u>	<u>28,131,097</u>

#### Options and Rights Over Equity Instruments

The movements during the reporting period in the number of options over ordinary shares of Metroland Australia Limited, held directly, indirectly, or beneficially, by each director and specified executive, including their personally-related entities, granted on the same terms to all existing shareholders of Metroland Australia Limited, is as follows:-

	Held at 1 July 2008	Granted	Expired	Held at 30 June 2009
<i>Directors</i>				
Frank Shien	1,665,912	-	(1,665,912)	-
Steam Leung	150,831	-	(150,831)	-
Eddie Lee	87,916	-	(87,917)	-
John Wardman	218,388	-	(218,388)	-
Da Cheng Zhang	1,600,000	-	(1,600,000)	-
<i>Specified Executives</i>				
Tjing Hong Ong	189,998	-	(189,998)	-
	<u>3,913,045</u>	<u>-</u>	<u>(3,913,045)</u>	<u>-</u>

All options were allotted on 22 October 2004 and expired on 28 May 2009. The options were granted for no consideration.

#### 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 company or its subsidiaries 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 revenue of \$Nil (2008: \$2,172,560) and total expenses of \$148,716 (2008: \$113,029). Details of the transactions are as follows:

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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

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

	Transaction	Note	2009 \$	2008 \$
<i>Specified directors</i>				
Frank Shien	Office rental and administration	(i)	148,716	100,509
	Property management	(ii)	-	12,520
	Sales revenue	(iii)	-	(2,172,560)
			<u>148,716</u>	<u>(2,059,531)</u>

(i) The consolidated entity paid office rental to Tanesia Holdings Pty Ltd and NX Holdings Pty Limited, and administration service fees to Premier Realty Pty Ltd for office support services provided. Frank Shien is a director of Tanesia Holdings Pty Limited and NX Holdings Pty Limited; and Premier Realty Pty Ltd is controlled by a personally-related entity of Frank Shien.

(ii) During the 2008 year, Premier Realty Pty Ltd provided property management services, at normal market rates, for certain properties owned by the consolidated entity.

(iii) A controlled entity was contracted to construct property owned by NX Holdings Pty Ltd in the 2008 year. Frank Shien is a director of NX Holdings Pty Ltd. The construction contract is on a cost plus 10% margin basis. The constructions was completed in January 2008.

#### Assets and liabilities ensuing from the above transactions:

	30 June 2009 \$	30 June 2008 \$
<i>Current Assets:</i>		
Trade debtors	-	210,160
Retentions receivable	-	61,840

### 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:

##### *Loans*

Loans between wholly-owned and partly-owned entities, is charged interest at 9% on the balance outstanding, are unsecured, and are not repayable within the next twelve months.

##### *Balances with non-director related entities*

The aggregate amount receivable from non-director related entities by the company at reporting date:

	The Company	
	2009 \$'000	2008 \$'000
<i>Receivables</i>		
<i>Current</i>		
Partly owned controlled entities	3,444	44
Joint venture entities	<u>3,000</u>	<u>1,500</u>
	<u>6,444</u>	<u>1,544</u>
<i>Non-current</i>		
Wholly- owned controlled entities	11,426	7,743
Joint venture entities	<u>7,109</u>	<u>7,511</u>
	<u>18,535</u>	<u>15,254</u>

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

### NOTE 30-NON-DIRECTOR RELATED PARTIES (Cont'd)

*The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with non-director related parties are:*

Interest revenue		
Wholly – owned controlled entities	1,083	1,012
Partly – owned controlled entities	-	70
Dividends received/receivable	3,273	76
Trust distribution – Joint venture entity	114	2,980
Project management fee – Joint venture entity	1,600	1,500
Property management fees – Wholly owned controlled entities	300	78
Administration fees – Wholly owned controlled entities	35	16
– Partly owned controlled entities	33	35
– Joint venture entity	8	7

#### *Percentage of equity interest*

Details of equity interests held in controlled entities are set out in Note 24; and in joint venture entities are set out in Note 25.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

---

### NOTE 31 – 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 investment property and for the Group's property development operations.

The Group does not utilise derivatives for any hedging purposes.

#### (i) *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.

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

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

#### *Interest Rate Risk*

Interest rate risk is managed with a mixture of fixed and variable rate debt. At 30 June 2009, approximately 58% of group debt is fixed. It is the policy of the group to keep between 70% and 100% of debt on fixed interest rates. For further details on interest rate risk, refer Note 31(b)(i) and (iii).

#### *Liquidity Risk*

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained, and refinancing options are negotiated and available at least 3 months prior to the maturity of any borrowings.

#### *Credit Risk*

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. At balance date, \$0.00m included in receivables is due from a related joint venture for construction contract services. The construction is funded by a bank construction loan facility.

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 investment 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 2009 is detailed below:-

	Consolidated		The Company	
	<u>2009</u> \$'000	<u>2008</u> \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000
Trade and other receivables				
Counterparties not rated	7,414	4,081	25,031	16,692
AA rated counterparties	-	-	3	13
	<u>7,414</u>	<u>4,081</u>	<u>25,034</u>	<u>16,705</u>

The consolidated group has material exposure to the following group of receivables:

- Related joint venture entities and associates

86%

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 33 – 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 balance sheet.

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		
2009	\$'000	\$'000	\$'000	\$'000	\$'000	%
(i) <b>Financial Assets</b>						
Cash assets	1,912	-	-	-	1,912	3.16
Receivables	-	-	-	7,414	-	-
Financial assets	-	-	-	36	36	-
<b>Total Financial Assets</b>	<b>1,912</b>	<b>-</b>	<b>-</b>	<b>7,450</b>	<b>7,450</b>	
(ii) <b>Financial Liabilities</b>						
Trade and other payables	-	-	-	4,806	4,806	-
Amounts payable – related parties	-	-	-	-	-	-
Bank loans and overdraft	24,085	11	27,745	-	51,841	6.28
Loans from other entities	-	2,121	700	3,187	6,008	3.98
<b>Total Financial Liabilities</b>	<b>24,085</b>	<b>2,132</b>	<b>28,445</b>	<b>7,993</b>	<b>62,655</b>	
<b>Net exposure</b>	<b>(22,173)</b>	<b>(2,132)</b>	<b>(28,445)</b>	<b>(543)</b>	<b>(55,205)</b>	
2008	\$'000	\$'000	\$'000	\$'000	\$'000	%
(i) <b>Financial Assets</b>						
Cash assets	2,955	-	-	-	2,955	7.06
Receivables	-	-	-	4,081	4,081	-
Financial assets	-	-	-	36	36	-
<b>Total Financial Assets</b>	<b>2,955</b>	<b>-</b>	<b>-</b>	<b>4,117</b>	<b>7,072</b>	
(ii) <b>Financial Liabilities</b>						
Trade and other payables	-	-	-	3,586	3,586	-
Amounts payable – related parties	-	-	-	705	705	-
Bank loans and overdraft	10,023	80	27,292	-	37,395	7.98
Loans from other entities	-	1,325	400	-	1,725	9.77
<b>Total Financial Liabilities</b>	<b>10,023</b>	<b>1,405</b>	<b>27,692</b>	<b>4,291</b>	<b>43,411</b>	
<b>Net exposure</b>	<b>(7,068)</b>	<b>(1,405)</b>	<b>(27,692)</b>	<b>(4,291)</b>	<b>(36,339)</b>	

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 33 – FINANCIAL RISK MANAGEMENT (Cont'd)**

The Company	Fixed Interest Rate Maturing				Non-Interest Bearing	Total	Weighted Average Interest Rate
	Floating Interest Rate	1 Year or Less	1 to 5 years				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>2009</b>							
(i) <b>Financial Assets</b>							
Cash assets	1,389	-	-	-	-	1,389	3.9
Receivables – related entities	-	-	11,426	13,553	-	24,979	9.0
- Other entities	-	-	-	-	-	-	-
Financial assets	-	-	-	1,777	-	1,777	-
<b>Total Financial Assets</b>	<b>1,389</b>	<b>-</b>	<b>11,426</b>	<b>15,330</b>	<b>-</b>	<b>28,145</b>	
(ii) <b>Financial Liabilities</b>							
Trade and other payables	-	-	-	274	-	274	-
Loans from other entities	-	3,740	700	-	-	4,440	3.98
<b>Total Financial Liabilities</b>	<b>-</b>	<b>3,740</b>	<b>700</b>	<b>274</b>	<b>-</b>	<b>4,714</b>	
<b>Net exposure</b>	<b>1,389</b>	<b>(3,740)</b>	<b>10,726</b>	<b>15,056</b>	<b>-</b>	<b>23,431</b>	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>2008</b>							
(i) <b>Financial Assets</b>							
Cash assets	2,466	-	-	-	-	2,466	7.2
Receivables – related entities	-	-	7,558	9,062	-	16,620	9.0
- Other entities	-	-	-	85	-	85	-
Financial assets	-	-	-	50	-	50	-
<b>Total Financial Assets</b>	<b>2,466</b>	<b>-</b>	<b>7,558</b>	<b>9,197</b>	<b>-</b>	<b>19,221</b>	
(ii) <b>Financial Liabilities</b>							
Trade and other payables	-	-	-	423	-	423	-
Loans from other entities	-	1,325	400	-	-	7,725	9.77
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,325</b>	<b>400</b>	<b>423</b>	<b>-</b>	<b>2,148</b>	
<b>Net exposure</b>	<b>2,466</b>	<b>(1,325)</b>	<b>7,158</b>	<b>8,774</b>	<b>-</b>	<b>17,073</b>	

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

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Less than 6 months	4,806	3,586	274	423
1 to 5 years	-	705	-	-
	<b>4,806</b>	<b>4,291</b>	<b>274</b>	<b>423</b>

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 31 – FINANCIAL RISK MANAGEMENT (Cont'd)

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

##### *Valuation approach*

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

##### *Recognised financial instruments.*

Monetary financial assets and liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers or due to suppliers. The carrying amounts of bank term deposits, trade debtors, other debtors, bank overdrafts, accounts payable, bank loans, dividends payable and employee benefits approximate net fair value

The valuation of financial instruments reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts, or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2009		2008	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
<i>Financial Assets</i>				
Cash assets	1,912	1,912	2,955	2,955
Receivables	7,414	7,414	4,081	4,081
Investment property	73,000	73,000	37,935	37,935
Investments – other	36	36	36	36
<i>Financial liabilities</i>				
Payables	4,806	4,806	4,291	4,291
Bank loans	51,658	51,658	37,357	37,357
Loans from related and other entities	6,008	6,008	1,763	1,763

Cash assets are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

#### (iii) *Sensitivity Analysis*

##### *Interest Rate Risk*

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:-

	Consolidated		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Change in Profit				
- Increase in interest rate by 1%	(261)	(90)	(15)	7
- Decrease in interest rate by 1%	261	90	15	(7)
Change in Equity				
- Increase in interest rate by 1%	(254)	(90)	(15)	7
- Decrease in interest rate by 1%	254	90	15	(7)

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

## METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

---

#### NOTE 32 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods and have not been adopted in preparing the financial statements at reporting date. The consolidated entity's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

**(i) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101***

The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

**(ii) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8***

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

**(iii) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127***

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The consolidated entity has not applied the revised standards in the current period. The new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the consolidated entity will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

**(iv) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate***

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The new rules will apply to financial reporting periods commencing on or after 1 January 2009. The consolidated entity will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

**(v) AASB 123 *Borrowing costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123***

The revised AASB 123 has removed the option of expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

**(v) AASB Interpretation 15 *Agreements for the Construction of Real Estate***

AASB-I 15 was issued in July 2008 and applies to reporting periods commencing on or after 1 January 2009. The interpretation provides guidance on determining whether an agreement is a construction contract, an agreement for the rendering of services or for the sale of goods. The consolidated entity intends to apply the interpretation from 1 July 2009. Application of the interpretation will have no significant impact on the consolidated entity's or the parent entity's financial statements.

#### NOTE 33 – ECONOMIC DEPENDENCY

During the year, a significant portion of the Group's operations resulted from a construction contract with a related joint venture entity in relation to the entity's Greenway Supacentra development which was completed in early 2009.

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

On 8 September 2009 Metroland Funds Management Pty Limited (wholly owned subsidiary) was granted an Australian Financial Services Licence.

On 16 September 2009 the Group announced that Metroland Funds Management Pty Limited had entered into Heads of Agreement with Ausbao (NSW) Pty Ltd and Heng Ji Australia Pty Limited to acquire 61-79 Quay Street, Haymarket for a consideration of \$38.38m for development. A unit trust called Metro Plaza Central Unit Trust will be established with Ausbao having 51% interest, Metroland Funds Management Pty Limited 25% and Heng Ji Australia Pty Limited 24%. Ausbao (NSW) Pty Limited is a wholly owned subsidiary of Beijing Capital Developments Holdings Group co. Ltd which is the largest developer in Beijing and the fourth largest in China.

No other matters or circumstances have arisen since 30 June 2009 that have significantly affected, or may significantly affect:

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

---

- (d) the consolidated entity's operations in future financial years, or
- (e) the results of those operations in future financial years, or
- (f) the consolidated entity's state of affairs in future financial years.

**NOTE 35 – 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

# METROLAND AUSTRALIA LIMITED

ABN 81 009 138 149

## DIRECTORS' DECLARATION

---

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 2009 and of the performance for the year ended on that date of the Company and consolidated entity;
2. in the directors' opinion there are reasonable grounds to believe that the Company and 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 2009

**Chartered Accountants**  
ABN 74 632 161 298  
Level 42, Suncorp Place  
259 George Street  
Sydney NSW 2000  
Australia  
T: +61 2 9032 3000  
F: +61 2 9032 3088  
E: mail@gouldralph.com.au  
W: www.gouldralph.com.au

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

---

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

We have audited the accompanying financial report of Metroland Australia Limited (the Company) and the consolidated entity, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 year.

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

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state in accordance with AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalent to International Financial Reporting Standards (IFRS) ensure that the financial report, comprising the financial statements and notes, comply with IFRS.

The directors also are responsible for preparing and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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

### **INDEPENDENCE**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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 report we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## AUDIT OPINION

1. In our opinion, the financial report of Metroland Australia Limited and its Controlled Entities is in accordance with:
- (a) the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009, and of their 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.
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## EMPHASIS OF MATTER

Without qualification to the conclusion expressed above, attention is drawn to the following matter:

### MATERIAL UNCERTAINTY REGARDING CONTINUATION AS A GOING CONCERN

Without qualification to the opinion expressed above, we draw attention to Note 1 'Going Concern' in the financial report which identifies that the Group's current liabilities exceeded its current assets by \$25m as at 30 June 2009. Accordingly there is significant uncertainty as to whether the economic entity will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## REPORT ON REMUNERATION REPORT

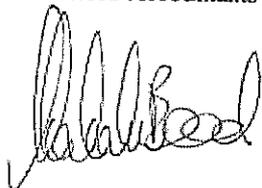
We have audited the Remuneration Report included in page 9 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## AUDITOR'S OPINION

In our opinion the Remuneration Report of Metroland Australia Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

### GOULD RALPH ASSURANCE

Chartered Accountants



MALCOLM BEARD M.Com. F.C.A.  
Partner

Dated at Sydney this 30th day of September 2009

**METROLAND AUSTRALIA LIMITED**

ABN 81 009 138 149

**ASX ADDITIONAL INFORMATION**

---

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 14 September 2009)

CATEGORY	NUMBER OF SECURITYHOLDERS	
	Shares	Options
1 - 1,000	39	186
1,001 - 5,000	122	279
5,001 - 10,000	82	118
10,001 - 100,000	313	135
100,001 - Over	121	38
	<u>677</u>	<u>756</u>

(b) The number of shareholdings less than a marketable parcel at 14 September 2009 was 208.

(c) The number of shares held by the substantial shareholders at 14 September 2009 were:-

Shareholder	Number of Ordinary Shares
Xue Jun He	15,000,000
Da Cheng Zhang	9,600,000

## (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.

**METROLAND AUSTRALIA LIMITED**

ABN 81 009 138 149

**ASX ADDITIONAL INFORMATION**

---

(e) Twenty largest shareholders as at 15 September 2009.

Shareholders	Number of Ordinary Fully Paid Shares Held	% Held of Total Issued
1. Xue Jun He	15,000,000	12.02
2. Da Cheng Zhang	9,600,000	7.69
3. Annie Duncan	8,220,000	6.59
4. Tanesia Holdings Pty Ltd	5,041,642	4.04
5. Shirley Tan	4,300,006	3.45
6. LJI Capital Pty Ltd	3,638,906	2.92
7. Formbell Pty Ltd	3,256,364	2.61
8. Wincute International Development Limited	3,025,000	2.42
9. Cheptsow Properties Limited	2,820,000	2.26
10. Mr Peter Howells	2,816,601	2.26
11. NX Holdings Pty Ltd	2,394,915	1.92
12. Comm-Asia Limited	1,975,000	1.58
13. Ms Lee Eng Qua	1,753,856	1.41
14. MLD Holdings Pty Limited	1,664,300	1.33
15. CN Investments Pty Limited	1,531,024	1.23
16. Frank Teck Lun Shien	1,463,961	1.17
17. John Wardman & Associates Pty Ltd	1,436,033	1.15
18. Seow Hwee Tan	1,384,000	1.11
19. G H Kluge & Sons Limited	1,375,000	1.10
20. Dawes Investment Group Ltd	1,300,000	1.04
	<hr/>	<hr/>
	73,996,608	59.3
	<hr/>	<hr/>

(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

ABN 81 009 138 149

## CORPORATE GOVERNANCE STATEMENT

---

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 four 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 2009, and the number of meetings attended by each director is disclosed on page 6.

#### *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 2.

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;

## METROLAND AUSTRALIA LIMITED

ABN 81 009 138 149

### CORPORATE GOVERNANCE STATEMENT

---

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 is 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 effect 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 executives 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.

## METROLAND AUSTRALIA LIMITED

ABN 81 009 138 149

### CORPORATE GOVERNANCE STATEMENT

---

#### 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)
- Eddie Lee, B.E.Civil B.Sc.Dip.Bldg.Sc – Independent Non-Executive
- Steam Leung, LREA - Independent Non-Executive Director

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on page 6.

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 reports 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 report and recommend board approval of the financial report;
- 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 report for all material operations in the consolidated entity, and material joint ventures.

## **METROLAND AUSTRALIA LIMITED**

ABN 81 009 138 149

### **CORPORATE GOVERNANCE STATEMENT**

---

#### ***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 reports 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:

## **METROLAND AUSTRALIA LIMITED**

ABN 81 009 138 149

### **CORPORATE GOVERNANCE STATEMENT**

---

- 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 report is 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.