

METROLAND AUSTRALIA LIMITED

ACN 009 138 149

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3 September 2009

Mr Patrick O'Connor
Senior Adviser, Issuers (Brisbane)
ASX Markets Supervision Pty Ltd
Level 5
Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

Dear Mr O'Connor,

Metroland Limited (the "Company")

We refer to your letter of 1 September 2009.

In respect of the questions you have raised, commencing on page 2 of your correspondence, we wish to advise as follows:

1. In accordance with the Australian Account Standards AASB140 "Investment Property" the Company uses the Fair Value model of accounting for its investment properties. In accordance with the standard, gains or losses arising from a change in the Fair Value in the investment properties must be recognised in the profit or loss for the period in which those gains or losses arise.

For the purposes of compliance with its accounting and disclosure obligations the Company commissioned valuations of four separate properties namely the Greenway "Supacenta" Wetherill Park, Campbelltown Square, Greenway Plaza and The Mall Wentworthville.

Instructions were issued to valuers to conduct valuations on 2 June 2009 (in respect of the Campbelltown Square, Greenway Plaza and Wentworthville Properties) and 25 July 2009 (in respect of the Supacenta property).

The valuations in all cases were not received until Friday, 28 August 2009. Until the valuations were received it was impossible for the Company to complete its financial reporting and it was equally impossible for the Directors of the Company to, in any meaningful way, forecast the likely profit for the Company.

Of the four properties that were revalued, three of the properties decreased in value. However the Directors were anticipating a significant uplift in the valuation of the Supacenta as this property had been substantially redeveloped with

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increased leasing capacity and the issuing of Certificates of Occupation. This was in fact the first valuation of the Supacenta as a complete project.

The increase of the value of the Company's 50% share of the Supacenta was \$4,879,711.00. We note that this is not separately identified in the Appendix 4E released to the market.

However this increase in the Supacenta valuation was offset by the combined decrease in the values of the Campbelltown, Greenway Plaza and Wentworthville properties of \$5,140,487.00, giving a net loss of \$260,776.00.

The Company appreciates that the effect of the valuations on the profit and loss does not account for the total of the increased loss. However until such time as the Company Directors were in receipt of the valuations which, because of the issues outlined above, they knew were likely to effect the profit and loss, any advice to the market as to a possible decrease or indeed an increase in the profit of the Company would have been pure speculation on the part of the Directors.

In the circumstances, given that the valuations were received on 28 August 2009 and the fact that the implications of the valuations on the Company's profit and loss could not be fully appreciated until 31 August 2009, the Company considers that the Information was released to the market at the earliest possible opportunity.

2. No earlier announcement was made by the Company due to the facts outlined in the response to question 1 above.
3. The Company considers that the information was material.
4. Not applicable.
5. Please refer to items 1 and 2 above.
6. The Company considers that it is in compliance with the listing rules and in particular rule 3.1.

If you require any further information please do not hesitate to contact the writer.

Yours faithfully



Frank Shien
Chairman
Metroland Australia Limited



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1 September 2009

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Dear Mr. Shien

Metroland Limited (the "Company")

We refer the Company to the following.

1. The Appendix 4E Preliminary Final Report for the period ended 30 June 2009 (the "Appendix 4E") which was lodged by the Company with ASX Limited ("ASX"), at 6.04 pm EST on Monday, 31 August 2009 ("Preliminary Final Report"), and which reported a net profit after tax of \$539,000, an decrease of 66% on the previous corresponding period ("Preliminary Full Year Result").
2. Paragraphs 93-95 of ASX Guidance Note 8, "*Continuous Disclosure: Listing Rule 3.1*".
3. ASX Companies Update 01/09 dated 22 January 2009 entitled, "*Profit warnings and other announcements of expected material differences in financial results*" ("January Update").
4. ASX Companies Update 03/09 dated 1 July 2009 entitled, "*Profit warnings and other announcements of expected material differences in financial results*" ("July Update").

As you are aware, listing rule 3.1 requires an entity, once it becomes *aware* of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules, which states as follows.

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Paragraph 17 of Guidance Note 8 states:

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

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"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- 3.1A.1 A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 One or more of the following applies.*
- It would be a breach of a law to disclose the information.*
 - The information concerns an incomplete proposal or negotiation.*
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - The information is generated for the internal management purposes of the entity.*
 - The information is a trade secret."*

Furthermore, paragraph 93 of ASX Guidance Note 8 – Continuous Disclosure, states the following in relation to the provision of guidance regarding an entity's results.

"As a general policy, a variation in excess of 10% to 15% may be considered material, and should be announced by the entity as soon as the entity becomes aware of the variation. If the entity has not made a forecast, a similar variation from the previous corresponding period will need to be disclosed."

Example B in Guidance Note 8 also notes that if, on reviewing management accounts, an entity becomes aware that the actual revenues and profits for a period will vary to a material extent from the financial results for the previous corresponding period, disclosure would be required. In making this disclosure, the entity must provide some details, however qualified, of the extent of the variation.

Having regard to this definition, listing rule 3.1, Guidance Note 8, the January Update and the July Update, we ask that you answer the following questions.

1. Given the Preliminary Final Report notes a net profit after tax of \$539,000 for the full year ended 30 June 2009, resulting in a decrease of 66% on the previous corresponding period, please advise when the Company first become aware that the Preliminary Full Year Result would be likely to vary by 15% or more from the profit of \$1,612,000 recorded in the previous corresponding period (the "Information")?

Please note that ASX is of the opinion that when a company becomes aware that their profits or losses may be materially different from the previous corresponding period, the company should make an announcement to the market immediately indicating the scale and direction of any change. An entity in this situation should not wait until their Appendix 4E is due to inform the market of the results.

2. If the Company became aware of the Information prior to the release of the Preliminary Final Report, please identify any earlier announcement from the Company which disclosed that the Preliminary Full Year Result for the full year ended 30 June 2009 would be significantly different from the previous corresponding period.
3. Does the Company consider that the Information concerning the Preliminary Full Year Result for the full year ended 30 June 2009 was material to the Company?

4. If the answer to question 3 is "no", please advise in detail, the basis on which the Company does not consider the Information concerning the Preliminary Full Year Result for the full year ended 30 June 2009 to be material.
5. If there was no earlier announcement, and the Company became aware of the Preliminary Full Year Result for the year ended 30 June 2009 prior to 31 August 2009, please advise why the Information was not released to the market at an earlier time. Please comment specifically with respect to listing rule 3.1.
6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter. If the information requested by this letter is information required to be given to ASX under listing rule 3.1, your obligation is to disclose the information immediately.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell ASX each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the expiry of the trading halt, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

Please send your response to me on **facsimile number (07) 3832 4114** or by **email** to Patrick O'Connor at the following email address: patrick.oconnor@asx.com.au. Your response should not be sent to the Company Announcements Office. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible, and in any event, not later than **9.30am EST on Friday, 4 September 2009**.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market if it considers it necessary for an informed market. Accordingly, it would be appreciated if you would prepare your response in a format suitable for release to the market and **separately address each of the questions asked**.

If you have any concerns about release of your response, or any queries in relation to this matter, please contact me immediately.

Yours sincerely



Patrick O'Connor

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