METROLAND AUSTRALIA LIMITED
ANNUAL REPORT
2001

Chairman & Ceo's Address

Dear Shareholders,

The last financial year has been a difficult one. The Company took a measured risk in allocating small portion of its resources to invest in an information technology venture and the eventual result has not been one of expectation. As a result of it, the Company has decided to write off its involvement.

Your Board had carefully considered the risk before taking the move and as such the losses was one within control, albeit a loss. It was only after a substantial period of due diligence that the non commerciality of the project became clear; whereupon, the Company resolved to disengage from the venture.

Your Board, after reviewing the whole matter, has now refocused its attention on property management and development. It is anticipated that the full potential of development opportunities which your company have secured when the company was re-structured, when realised, will bring good return to the Company with a hope of paying dividends.

The Company expects substantial revenues to flow through from its Sydney Park development. The project comprises 210 units with sales of $52,000,000 of which $40,000,000 have had exchange of contracts. The development, when completed, will produce substantial profits for the Company.

The Five Dock property has been given the green light for residential re-zoning. Development Application for a mix of approximately 56 units is now under consideration. The Company expects to have this development commenced in year 2002.

In the last financial year, 35,000,000 options expired. Your board, in order to tighten up the capital of the Company, has decided not to renew/re-charge the options as the substantial number of options were issued throughout the past years by way of raising working capital.

Given the present economic climate, your Board is confident that the company has now placed itself in a more focused direction and hence will achieve the required result in the year to come.

Eddie Lee
Chairman

Frank Shien
Director

Director's Report

The directors present their report together with the financial report of Metroland Australia Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2001 together with the auditors' report thereon.

Directors

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

Eddie Lee (Chairman)

B.E.Civil B.Sc.Dip.Bldg.Sc. (Sydney)
Director since 1994

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

Frank Shien (Chief Executive Officer)

BA (Lon)
Director since 1997

Mr Shien is Deputy Chairman and the Chief Executive Office of the Company. 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 ten years has been successfully developing commercial and residential property in Sydney. He is also a director of Xenolith Gold Limited, a company involved in mining and oil exploration listed on the ASX.

John Wardman (Non-Executive Director)

B.Econ, FAICD, SIA(Aff.)
Director since 1996

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

Steam Leung (Non-Executive Director)

LREA, Director since 1997

Mr Leung has 13 years experience in real estate in Australia, is a Licensed Real Estate Agent and Auctioneer, and is a Director of Colliers Jardine 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 Colliers Jardine's International team.

Shieh Chien Yein (Non-Executive Director)

Director since 1998
Resigned as a director on 24 September 2001.

Mr Shieh has extensive business and trading interests in Taiwan, Asia and the Middle East and brings to the Company, his knowledge and extensive networking in those markets.

W H Zhou (Non-Executive Director)

Director since 1998

Mr Zhou is the principal and Chief Executive Officer of a property construction and development group, based in Shenzhen, PRC. In the past seven years his Group has completed residential and commercial projects with a value in excess of $80 million. He is now based in Sydney, and provides expertise to enhance the operations of the Company in Australia. He is also reviewing potential opportunities for the Company in Southern China, and peripheral territories.

Da Cheng Zhang (Non-Executive Director)

Director since February 2000

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. The market capitalisation of the two companies is approximately $600m. Mr Zhang is also the vice-principle of the Harbin Institute of Technology in Harbin.

Principle Activities

The principal activities of the consolidated entity during the financial year continued to be in property development and investment.

During the year, the consolidated entity was involved in the proposed acquisition of an interest in a company involved in computer technology and in which the consolidated entity had loaned funds. The investment by the consolidated entity was abandoned prior to year end as the investee company was put into liquidation. The loan to the investee company has been fully provided against in the financial statements.

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

Operating Results

The consolidated loss from ordinary activities before tax was $2,460,281.

Review of Operations

The consolidated entity is continuing its direction in property management and development. Substantial work and time has been spent in bringing the various projects to the present stage where development potential can be realised.

Sydney Park Joint Venture

As stated in the last annual report, negotiations with South Sydney Council were finalised in the last financial year with amended plans submitted. A new DA was granted in September 2001. It allows for the development of 210 units comprising one, two and three bedrooms spanning over a six storey western block, an 18 storey tower block sitting at the end of the western block, a five storey southern block facing Sydney Park and a four storey eastern block. The Joint Venture has negotiated a $39m construction loan from Credit Agricole Indosuez Australia Limited. Multiplex Constructions (NSW) Pty Limited was awarded the building contract for a guaranteed maximum price of $38.5 million. The Joint Venture has achieved $40m pre-sales out of a total gross realisation value of $71.5m. Construction is expected to commence in November 2001 and finish in the middle of 2003. Your directors are looking forward to bringing this project to its fruition. An Explanatory Statement has been published to provide the shareholders with enough information to vote on the resolution for your Company to stand as guarantor in guaranteeing the funding from Credit Agricole Indosuez Australia Limited.

Five Dock Property

We advised in the last Annual Report that the Drummoyne Council had rejected an application to re-zone the land for residential use. Subsequent to the merger of the Drummoyne and Concord Councils into the Council of Canada Bay, your directors have been successful in having the Council agree to have the land re-zoned for residential use. A new DA plan has been submitted and the Council is in the process of considering the application. The proposed development comprises 11 three-bedroom townhouses on the eastern side of the site. A five storey building facing the leisure centre and Kings Bay along William Street will consist of 42 one and two bedroom apartments. There are also terraces consisting of four ground-floor premises for commercial use.

Bay Plaza at Neutral Bay

Bay Plaza has now been acquired for 18 months. A number of rent reviews and new tenants have seen an increase in rental income. Better management of the Plaza has also allowed for the reduction of outgoings. It is anticipated that the Plaza will provide a good investment return in terms of both income and increase of capital value. Your directors are reviewing the potential of further developing the site in the future.

State of Affairs

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

- On 13 September 2000, convertible note holders converted $750,000 to ordinary shares in the company on the basis of 21 cents per share. Total shares issued on the conversion was 3,571,428.

On 30 March 2001, a further $50,000 convertible notes were converted to ordinary shares in the company on the basis of 8.4 cents per share, resulting in the issue of 597,015 shares in the company.

- On 9 October 2000, the company made a cash issue of 250,000 ordinary shares to provide additional working capital. These shares were issued at 21 cents per share raising $52,000.
- On 20 October 2000, the company issued 4,761,904 redeemable convertible notes at a value of 21 cents each. Interest is payable every three months at 8% per annum. The notes must be redeemed for cash or converted at the option of the holder, at any time prior to 20 April 2002. If converted, the note holder receives ordinary shares of the company on the basis of 1 share for each note of 21 cents principal value.
- The consolidated entity extended its borrowings by a net amount of $1,336,235. These funds were used for the proposed investment into Kgrind Pty Limited and for the Sydney Park property development.

Events Subsequent to Balance Date

- The Sydney Park Joint Venture has, subject to shareholder approval, obtained construction funding of $39m to fund the development for 210 residential units. Metroland Australia Limited and Mr Frank Shien stand as guarantor to jointly and severally guarantee the loan and cost overrun, if any.
- In September 2001, Multiplex Constructions (NSW) Pty Limited was appointed as the builder to undertake the construction for a guaranteed maximum price of $38.5 million. It is expected that it will take 83 weeks to finish the construction from commencement. Construction is expected to start in November 2001.
- The Joint Venture has pre-sold $40m worth of units as of September 2001 through its network of contacts. Official launching of the project is estimated to commence in December2001/January 2002.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely Developments

The consolidated entity will continue to pursue opportunities in the property investment and development sectors, including the commencement of development of the Sydney Park property.

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

Meetings of Directors

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial year are:

	Meetings Attended	*Meetings Held*
Mr E Lee	9	9
Mr J Wardman	9	9
Mr F Shien	9	9
Mr S Leung	9	9
Mr C Y Shieh	3	9
Mr W H Zhou	3	9
Mr D C Zhang	3	9

Audit Committee

Due to the limitations imposed by size, the company does not have a formally constituted audit committee.

Environmental Regulations

The consolidated entity's operations are subject to significant environmental regulation both under Commonwealth and 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.

Directors' and Senior Executives' Emoluments

As provided by the Constitution of the Company, the remuneration of Directors is determined by share-holders. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance.

There are currently no performance based incentives to directors 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 are as follows:-

Director	*Base Emoluments ($)*
Executive	
Frank Shien	76,700
Non-executive	
John Wardman	32,370
Eddie Lee	31,460
Steam Leung	24,000
Da Cheng Zhang	44,000

Options

During or since the end of the financial year the Company did not grant any options over unissued ordinary shares.

The name of the persons who hold options are entered in a register kept by the company pursuant to section 216C of the Corporations Act 2001 and the register may be inspected free of charge.

No persons entitled to exercise options has any right by virtue of the option to participate in any share issue of any other body corporate.

No shares have been issued by virtue of the exercise of an option during the year or to the date of this report and there are no unissued ordinary shares for which options are outstanding at the date of this report. All options granted by the company over its unissued ordinary shares expired on 20 May 2001.

Directors Interests

The relevant interest of each director in the shares of the companies within the consolidated entity and other related body corporate, as notified by the directors to the Australian Stock Exchange in accordance with section S205G(1) of the Corporations Act 2001, at the date of this report is as follows:-

	Metroland Australia Limited Ordinary Shares
Mr E Lee	527,500
Mr F Shien	8,353,245
Mr J Wardman	1,400,000
Mr S Leung	60,000
Mr C Y Shieh	3,000,000
Mr W H Zhou	3,000,000
Mr D C Zhang	9,600,000

Indemnification and Insurance of Officers

During the financial year, the Company paid premiums of $8,820 in respect of a contract insuring all the directors against costs incurred in defending proceedings for conduct involving:

a A wilful breach of duty, or
b A contravention of sections 233 of the Corporations Act 2001.

The policy does not include costs and loss arising from any claim brought or maintained by or on behalf of any substantial shareholder of the company, where the wrongful act was committed or was alleged to have been committed at any time after the date on which the substantial shareholder first become a substantial shareholder of the Company.

Dated at Sydney this 28th day of September 2001.
Signed in accordance with a resolution of the directors.

Eddie Lee	**Frank Shien**
Chairman	*Director*

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001	**2000**	**2001**	**2000**
Rental revenue *(note 2)*	$ 1,320,478	$ 868,991	$ 725,853	$ 740,071
Other revenues from ordinary activities *(note 2)*	71,303	285,391	71,274	271,727
Total Revenue *(note 2)*	**1,391,781**	**1,154,382**	**797,127**	**1,011,798**
Doubtful debt expense *(note 3b)*	(1,931,690)	–	(1,980,799)	–
Borrowing costs *(note 3b)*	(540,116)	(258,245)	(246,664)	(437)
Property expenses	(392,266)	(299,515)	(180,042)	(223,380)
Directors fees	(208,530)	(170,939)	(208,530)	(170,939)
Legal and professional fees	(181,781)	(54,704)	(94,108)	(34,533)
Other expenses from ordinary activities	(607,675)	(410,268)	(569,294)	(558,292)
Share of net loss of associates accounted for using the equity method	–	(21,013)	–	–
Loss from ordinary activities before related income tax benefit	(2,470,277)	(60,302)	(2,482,310)	24,217
Income tax benefit (expense) relating to ordinary activities *(note 4a)*	9,996	3,483	6,793	(23,757)
Net profit/(loss)	**(2,460,281)**	**(56,819)**	**(2,475,517)**	**460**
Net loss attributable to outside equity interest	$ 49	$ –	$ –	$ –
Net profit/(loss) attributable to members of the parent entity *(note 21)*	(2,460,232)	(56,819)	(2,475,517)	460
Total changes in equity from non-owner related transactions attributable to the members of the parent entity *(note 21)*	(2,460,232)	(56,819)	(2,475,517)	460

The Statements of Financial Performance are to be read in conjunction with the Notes to the Financial Statements set out on page 10 to 29.

Statement of Financial Position

AS AT 30 JUNE 2001

	Consolidated		The Company	
	2001	**2000**	**2001**	**2000**
Current Assets				
Cash *(note 8b)*	$ 477,806	$ 1,624,360	$ 450,962	$ 1,622,345
Receivables *(note 9)*	160,520	155,082	254,736	154,137
Other financial assets *(note 12)*	63,825	–	63,825	–
Other *(note 10)*	91,132	134,750	35,727	55,410
Total Current Assets	**793,283**	**1,914,192**	**805,250**	**1,831,892**
Non-current Assets				
Receivables *(note 9)*	$ 67,723	$ –	$ 3,922,989	$ 3,522,413
Properties Held for Development *(note 11)*	9,135,493	8,267,946	5,508,498	4,864,979
Investments accounted for using the equity method *(note 13)*	–	80,093	–	–
Other financial assets *(note 12)*	5,090,589	5,147,125	101	221,386
Property Plant & Equipment *(note 14)*	40,588	20,195	40,587	20,195
Total Non-Current Assets	**14,334,393**	**13,515,359**	**9,472,175**	**8,628,973**
Total Assets	**15,127,676**	**15,429,551**	**10,277,425**	**10,460,865**
Current Liabilities				
Payables *(note 16)*	$ 240,988	$ 263,884	$ 295,480	$ 186,478
Interest bearing liabilities *(note 17)*	1,445,550	2,742,484	1,445,550	2,742,484
Current tax liabilities *(note 4b)*	–	30,450	–	31,833
Provisions *(note 18)*	9,072	–	9,072	–
Total Current Liabilities	**1,695,610**	**3,036,818**	**1,750,102**	**2,960,795**
Non-current Liabilities				
Interest bearing liabilities *(note 17)*	$ 7,577,060	$ 4,920,000	$ 2,657,060	$ –
Deferred tax liabilities *(note 4c)*	35,857	45,852	9,916	16,706
Total Non-Current Liabilities	**7,612,917**	**4,965,852**	**2,666,976**	**16,706**
Total Liabilities	**9,308,527**	**8,002,670**	**4,417,078**	**2,977,501**
NET ASSETS	**5,819,419**	**7,426,881**	**5,860,347**	**7,483,364**
Equity				
Contributed equity *(note 19)*	$ 8,361,962	$ 6,864,002	$ 8,361,962	$ 6,864,002
Reserves *(note 20)*	–	645,460	–	645,460
Accumulated Losses *(note 21)*	(2,542,813)	(82,581)	(2,501,615)	(26,098)
Total Equity *(note 22)*	**5,819,149**	**7,426,881**	**5,860,347**	**7,483,364**

The Statements of Financial Performance are to be read in conjunction with the Notes to the Financial Statements set out on page 10 to 29.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001	**2000**	**2001**	**2000**
Cash Flows from Operating Activities				
Cash receipts in the course of operations	$ 1,396,376	$ 1,497,366	$ 1,061,570	$ 1,339,330
Cash payments in the course of operations	(1,226,441)	(932,504)	(1,141,343)	(772,445)
Interest received	56,600	173,315	56,573	166,783
Borrowing costs paid	(632,197)	(309,251)	(236,098)	(194,860)
Income taxes paid	(68,159)	(53,417)	(54,101)	(53,581)
Net cash provided by/(used in) operating activities *(note 8a)*	**(473,821)**	**375,509**	**(313,399)**	**485,227**
Cash Flows from Investing Activities				
Proceeds from sale of non-current assets	$ 8,000	$ 48,284	$ 8,000	$ 48,284
Purchase of property, plant and equipment	(4,072)	(19,880)	(4,072)	(19,880)
Acquisition of investments	(67,284)	(4,751,528)	(71)	(70,000)
Repayment of loans	–	2,040,606	–	2,040,606
Acquisition of property held for development	(719,023)	(3,245,606)	(598,205)	(68,017)
Loan to other entities	(1,931,690)	–	–	
Net cash provided by/(used in) investing activities	**(2,714,069)**	**(5,928,124)**	**(594,348)**	**1,930,993**
Cash Flows from Financing Activities				
Proceeds from issue of shares	$ 852,550	$ 1,920,000	$ 852,500	$ 1,920,000
Loans to related entities	(96,456)	–	(2,401,378)	(3,050,220)
Proceeds from borrowings	2,161,937	4,920,000	2,161,937	–
Repayment of borrowings	(866,040)	(543,375)	(866,040)	(43,375)
Hire purchase repayments	(10,655)	–	(10,655)	–
Net cash provided by/(used in) financing activities	**2,041,336**	**6,296,625**	**(263,636)**	**(1,173,595)**
Net increase/(decrease) in cash held	**(1,146,554)**	**744,010**	**(1,171,383)**	**1,242,625**
Cash at beginning of the financial year	1,624,360	880,350	1,622,345	379,720
Cash at the end of the financial year *(note 8b)*	**477,806**	**1,624,360**	**450,962**	**1,622,345**

The Statements of Financial Performance are to be read in conjunction with the Notes to the Financial Statements set out on page 10 to 29.

NOTE 1 Statement of Significant Accounting Policies

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

a Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, fair values of non-current assets. These accounting policies have been consistently applied, except where there is a change in accounting policy.

b Reclassification of Financial Information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018: Statement of Financial Performance, AASB 1034: Financial Report Presentation and Disclosures and the new AASB 1040: Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing accumulated losses from the face of the statement of financial performance to Note 21.

Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items in Note 3a. These items are no longer identified separately on the face of the statement of financial performance.

The following assets and liabilities have been removed from previous classification and are now disclosed as separate line items on the face of the statement of financial position:

- investments accounted using the equity method, previously presented within other financial assets
- deferred tax liabilities previously presented within non-current provisions
- current tax liabilities, previously presented within current provisions

c Principles of Consolidation

Controlled Entities

The financial statements of controlled entities are included from the date control commences until the date control ceases. Outside interests in the equity and results of entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Joint Venture Operation

The consolidated entity's interest in an unincorporated joint venture is brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and the consolidated entity's revenue from the sale of its output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions Eliminated on Consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

d Income Tax

The company adopts the income statement liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit before income tax adjusted for any permanent differences.

The effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried in the statement of financial position as either a provision for deferred income tax or an asset described as future income tax benefit. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

e Recoverable Amount of Non-Current Assets Valued on Cost Basis

The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

f Borrowing Costs

Borrowing costs include interest relating to borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed specifically for the acquisition or construction of the qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing.

g Acquisition of Assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

h Investments

Controlled Entities
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Associates
In the Company's financial statements, investments in unlisted shares of associates are carried at the lower of costs and recoverable amount.

Other Entities
Investments in other listed entities are carried at the lower of cost, and recoverable amount, being current quoted market prices.

i Land held for resale

Development properties are carried at the lower of cost and net realisable value. Cost currently includes the cost of acquisition, and will also include development and holding costs when development of the site commences until completion of development. Borrowing costs and holding charges incurred after completion of development are expensed.

j Depreciation and Amortisation

Useful Lives
All assets have limited useful lives and are depreciated using the straight line or diminishing value method over their estimated useful lives. Assets are depreciated from the date of acquisition. Depreciation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

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

	2001	2000
Plant and Equipment	17 – 40%	17 – 20%

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 60 days.

l Loans

Loans to the consolidated entity are carried on the statement of financial position at their principal amount. Interest expense is accrued and is included in "Other Creditors and Accruals".

m Cash

For the purpose of the statement of cash flows, cash includes:

i cash on hand, and at call deposits with banks or financial institutions, net of bank overdrafts; and,
ii investments in money market instruments with less than thirty days to maturity.

n Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Rental Revenue
Rental revenue comprises rent received from entities outside the consolidated entity and is recognised when the rental is receivable.

Interest Income
Interest income is recognised as it accrues.

o Goods & Services Tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

NOTE 2 Revenue from Ordinary Activities

	Consolidated		The Company	
	2001	2000	2001	2000
Rental revenue from operating activities	$ 1,320,478	$ 868,991	$ 725,853	$ 740,071
Project management fee revenue	–	40,000	–	40,000
	1,320,478	**908,991**	**725,853**	**780,071**
Other revenues:-				
From operating activities				
Dividends – other parties	$ 10	$ 10	$ 10	$ 10
Interest – other parties	60,320	71,957	60,291	60,043
– related parties	–	102,740	–	102,740
Distributions – other parties	3,700	16,650	3,700	16,650
From outside operating activities				
Gross proceeds from sale of non-current assets	7,273	48,284	7,273	48,284
Other	–	5,750	–	–
Total Other Revenues	**71,303**	**245,391**	**71,274**	**231,727**
Total Revenue from Ordinary Activities	**1,391,781**	**1,154,382**	**797,127**	**1,011,798**

NOTE 3 Profit from Ordinary Activities before Income Tax

	Consolidated 2001	Consolidated 2000	The Company 2001	The Company 2000
a Individually significant items included in profit from ordinary activities before income tax				
Doubtful term debt provision on loan to prospective investee company	$ 1,931,690	$ –	$ –	$ –
Doubtful debt provision on loan to controlled entity	–	–	1,980,799	–
Write down in value of investment accounted for using the equity method	**80,093**	**–**	**101,106**	**–**
b Loss from ordinary activities before income tax has been arrived at after changing/ (crediting) the following items:				
Share of associates' net loss	$ –	$ 21,013	$ –	$ –
Borrowing Costs:				
Other parties				
– Borrowings	692,082	332,758	287,000	206,287
Less: Capitalised borrowing costs				
Other parties				
– Borrowings	(151,966)	(74,513)	(40,336)	–
	540,116	258,245	246,664	206,287
Amortisation and depreciation of:				
Plant and equipment	20,443	19,792	6,541	1,755
Deferred expenditure	6,185	9,907	–	6,585
Net bad and doubtful debts expense including movements in provision for doubtful debts	1,931,690	5,000	1,980,799	5,000
Net expense from movements in provisions for:				
– Employee entitlement	9,073	–	9,073	–
Minimum operating lease payments	18,000	23,000	18,000	23,000
Net loss on disposal of:				
– property, plant and equipment	4,413	–	4,413	–
– investments	–	316	–	316
Write down in value of investments	**136,509**	**–**	**157,520**	**–**

NOTE 4 Taxation

	Consolidated		The Company	
	2001	2000	2001	2000
a Income Tax Expense/(Benefit)				
Prima facie income tax expense (benefit) calculated at 34% (2000 – 36%) on the profit/(loss) from ordinary activities	$ (839,894)	$ (21,709)	$ (841,676)	$ 8,718
Increase in income tax expense due to:				
– Provision for doubtful term debt	656,775	–	673,472	–
– Diminution in value of investments	46,413	15,984	53,557	15,984
– Legal expenses of capital nature	22,767		22,767	–
– Restatement of deferred tax balances due to change in company tax rate	(4,781)	–	(1,322)	–
– Share of associate's net loss	–	7,564	–	–
– Other	(4,100)	(5,322)	–	(945)
Tax losses not recognised as future income tax benefit	112,824	–	86,409	–
Income tax (benefit)/expense attributable to operating profit/(loss)	**(9,996)**	**(3,483)**	**(6,793)**	**23,757**
b Provision for Current Income Tax				
Movements during the year:				
Balance at beginning of the year	$ 30,450	$ 40,733	$ 31,833	$ 40,898
Current year's income tax expense on operating profit	–	43,134	–	44,516
Income tax paid – operating activities	(68,159)	(53,417)	(54,100)	(53,581)
	(37,709)	**30,450**	**(22,267)**	**31,833**
c Provision for Deferred Income Tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2000:34%) on the following items:				
Expenditure currently deductible for tax but deferred for accounting purposes	39,079	45,072	13,136	15,926
Income currently not assessable for tax but recognised for accounting purposes.	1,000	780	1,000	780
Future income tax benefit on provisions and accrued employee entitlements not currently deductible offset against deferred income tax	(4,222)	–	(4,222)	–
	35,857	**45,852**	**9,914**	**16,706**
d Future income tax benefit not taken to account				
The potential future income tax benefit of the consolidated entity, arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:				
Tax losses carried forward	**97,301**	**–**	**77,956**	**–**

→

NOTE 4 Taxation *(cont.)*

The potential future income tax benefit will only be obtained if:

i the relevant entities derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997:

ii the relevant entities and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

iii no changes in the tax legislation adversely affect the relevant company and/or the consolidated entity realising the benefit

NOTE 5 Dividend Franking Account

	Consolidated		The Company	
	2001	2000	2001	2000
Franking credits available to shareholders of Metroland Australia Limited for subsequent financial years				
Class C-30% (2000:34%) franking credits	**$ 288,957**	**$ 182,790**	**$ 252,929**	**$ 182,790**
The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.				

NOTE 6 Earnings per Share

	2001	2000	2001	2000
Basic earnings (loss) per share (cents)	(3.2)	(0.08)		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**77,487,250**	**68,507,407**		
Diluted earnings per share has not been disclosed as it does not show an inferior view of the earnings performance of the Company than is shown by basic earnings per share.				

NOTE 7 Auditors Remuneration

	2001	2000	2001	2000
Auditors of the company:				
Audit services	$ 25,422	$ 22,000	$ 25,422	$ 22,000
Other services (including share registry)	23,255	34,720	23,255	34,720
	48,677	**56,720**	**48,677**	**56,720**

NOTE 8 Notes to the Statement of Cash Flow

	Consolidated		The Company	
	2001	**2000**	**2001**	**2000**
a Reconciliation of cash flow from operating activities with loss from ordinary activities after income tax				
Operating profit/(loss) after income tax	$ (2,460,281)	$ (56,819)	$ (2,475,517)	$ 460
Add (less) items classified as investing/financing activities:				
Interest paid capitalised	(111,631)	(62,433)	–	–
Formation costs	(1,913)	–	–	–
Non–cash items				
Share of associate entity's net loss	–	21,013	–	–
Depreciation	20,443	19,727	6,541	1,755
Diminution in value of investments	136,509	44,400	157,520	44,400
Provision for employee entitlements	9,073	–	9,073	–
Loss on sale of non–current assets	4,414	316	4,414	316
Bad debt written off	–	5,000	–	5,000
Provision for doubtful debts	1,931,690	–	1,980,799	–
Changes in assets and liabilities:				
Increase/(decrease) in receivables	21,921	544,547	40,699	546,875
Increase in payables	20,232	16,410	7,833	(33,671)
Decrease in tax balances	(78,156)	(56,899)	(60,893)	(29,824)
Increase in prepayments	33,878	(99,753)	16,132	(50,084)
Net cash provided by (used in) operating activities	**(473,821)**	**375,509**	**(313,399)**	**485,227**
b Reconciliation of Cash				
Cash	$ 477,806	$ 614,605	$ 450,962	$ 612,590
Short term deposits	–	1,009,755	–	1,009,755
	477,806	**1,624,360**	**450,962**	**1,622,345**

NOTE 9 Receivables

	Consolidated		The Company	
	2001	2000	2001	2000
Current				
Loan to related entity	$ 20,000	$ –	$ 20,000	$ –
Other receivables from related entity	–	109,216	129,381	109,216
Income tax refundable	37,709	–	22,268	–
Rent receivable	40,261	44,444	31,704	44,444
GST receivable	57,550		46,383	
Other debtors	5,000	1,422	5,000	477
	160,520	**155,082**	**254,736**	**154,137**
Non–Current				
Loans to related entities	$ 67,723	$ –	$ 76,454	$ –
Loans to controlled entities	–	–	5,827,334	3,522,413
Provision for doubtful loan	–	–	(1,980,799)	–
	67,723	**–**	**3,922,989**	**3,522,413**

Loans to controlled and related entities are interest free and repayable at call. The loans are not repayable within the next twelve months.

NOTE 10 Other Current Assets

	Consolidated 2001	Consolidated 2000	The Company 2001	The Company 2000
Prepayments	$ 67,647	$ 101,514	$ 35,727	$ 51,847
Deferred expenditure	23,485	33,236	–	3,563
	91,132	**134,750**	**35,727**	**55,410**

NOTE 11 Properties Held for Resale

	2001	2000	2001	2000
Non-Current				
Cost of acquisition	$ 7,725,510	$ 7,725,510	$ 4,503,869	$ 4,503,869
Development costs capitalised	1,183,504	467,923	964,293	361,110
Interest capitalised	226,479	74,513	40,336	–
	9,135,493	**8,267,946**	**5,508,498**	**4,864,979**

Borrowing costs were capitalised at a weighted average rate of 6.98% (2000:8.31%)

Properties held for development and resale comprise:-

- Property at 221-229 Sydney Park Road, Alexandria being the consolidated entity's 72.17% interest in the development property of an unincorporated joint venture. Appropriate development approvals have been obtained and development is to commence in November 2001, with expected completion in 2003. During the year rental income was received from the existing tenancies and accordingly, the property holding costs have been expensed as incurred. An independent valuation at 30 June 2000 was carried out by Curtis Field B. Bus (L.Ec) AAPI of Herron Todd White on the basis of the open market value of the property in its highest and best use, being the proposed residential development. The property was valued at $12,000,000 with the consolidated entity's 72.17% being $8,660,400. The carrying value of the property at balance date was $5,502,328.

- Property at 126-130 Kings Road, Five Dock purchased by a controlled entity in December 1999. A rezoning to residential development has been granted by Council and a development approval for residential townhouses has been submitted. Development is expected to commence in 2002 when the appropriate development approvals are obtained.

NOTE 12 Other Financial Assets

	Consolidated 2001	Consolidated 2000	The Company 2001	The Company 2000
Current				
Investments in other entities				
Listed units at cost	$ 209,400	$ –	$ 209,400	$ –
Provision for diminution	(145,575)	–	(145,575)	–
	63,825	**–**	**63,825**	**–**
Non–Current				
Investments in controlled entities				
Unlisted shares at cost	–	–	101	30
Investments in Associates				
Unlisted shares at cost	–	–	101,106	101,106
Provision for diminution	–	–	(101,106)	–
	–	–	–	101,106
Investments in other entities				
Listed units at cost	–	209,400	–	209,400
Provision for diminution	–	(89,150)	–	(89,150)
	–	120,250	–	120,250
Property				
Land and building at cost	4,901,818	4,824,202	–	–
Plant and equipment at cost	220,645	220,645	–	–
Less: Accumulated depreciation	(31,874)	(17,972)	–	–
	5,090,589	5,026,875	–	–
	5,090,589	**5,147,125**	**101**	**221,386**
Reconciliations				
Reconciliation of the carrying amounts for each class of non–current other financial assets are set out below:				
a Investments in controlled entities				
Balance at beginning of year	$ 30	$ 20	$ –	$ –
Controlled entities acquired upon incorporation	71	10	–	–
Balance at end of year	**101**	**30**	**–**	**–**
b Investment in associates				
Balance at beginning of year	–	–	101,106	31,106
Interest acquired	–	–	–	70,000
Provision for diminution in value	–	–	(101,106)	–
Balance at end of year	**–**	**–**	**–**	**101,106**
c Investments in other entities				
Balance at beginning of year	120,250	213,250	120,250	213,250
Investments sold	–	(53,407)	–	(53,407)
Diminution in value of investments	(56,425)	(39,593)	(56,425)	(39,593)
	(63,825)	–	(63,825)	–
Balance at end of year	**–**	**120,250**	**–**	**120,250**

The directors have restated the recoverable value of the interest in listed units to the consideration received from their sale subsequent to balance date.

→

NOTE 12 Other Financial Assets *(cont.)*

	Consolidated 2001	Consolidated 2000	The Company 2001	The Company 2000
d Property Investments				
Balance at beginning of year	$ 5,026,875	$ –	$ –	$ –
Acquisition of properties	–	5,044,847	–	–
Additions	77,616	–	–	–
Depreciation	(13,902)	(17,972)	–	–
	5,090,589	**5,026,875**	**–**	**–**

The investment property comprises a shopping complex known as Bay Plaza, located at 199–207 Military Road, Neutral Bay and was purchased in April 2000.

NOTE 13 Investments Accounted for Using the Equity Method

	Consolidated 2001	Consolidated 2000	The Company 2001	The Company 2000
Associates	$ –	$ 80,093	$ –	$ –

NOTE 14 Property, Plant & Equipment

	2001	2000	2001	2000
Plant and equipment – At cost	$ 47,818	$ 22,699	$ 47,818	$ 22,699
Accumulated depreciation	(7,230)	(2,504)	(7,230)	(2,504)
	40,588	**20,195**	**40,588**	**20,195**
Reconciliations				
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:-				
Plant and equipment				
Carrying amount at beginning of year	20,195	2,071	20,195	2,071
Additions	38,619	19,879	38,619	19,879
Disposals	(11,685)	–	(11,685)	–
Depreciation	(6,541)	(1,755)	(6,541)	(1,755)
Carrying amount at end of year	**40,588**	**20,195**	**40,588**	**20,195**

NOTE 15 Financing Arrangements

There were no unused lines of credit available to the consolidated entity at balance date. However, subsequent to balance date, the consolidated entity is finalising with its requirements for a major $39 million financing facility for the development of its Sydney Park Road, Alexandria property.

NOTE 16 Accounts Payable

	Consolidated		The Company	
	2001	2000	2001	2000
Current				
Trade creditors	$ 147,122	$ 68,638	$ 132,575	$ 26,678
Sundry creditors	52,866	195,246	162,905	159,800
Property creditors	41,000	–	–	–
	240,988	**263,884**	**295,480**	**186,478**

NOTE 17 Interest Bearing Liabilities

	2001	2000	2001	2000
Current				
Redeemable convertible notes	$ 1,000,000	$ –	$ 1,000,000	$ –
Loans from other entities–unsecured	440,241	–	440,241	–
Mortgage loan–secured	–	2,742,484	–	2,742,484
Hire purchase liabilities	5,309	–	5,309	–
	1,445,550	**2,742,484**	**1,445,550**	**2,742,484**
Non-current				
Bank loans–secured	$ 4,920,000	$ 4,920,000	$ –	$ –
Mortgage loan–secured	1,876,436	–	1,876,436	–
Loan from other entities–unsecured	762,042	–	762,042	–
Hire purchase liabilities	18,582	–	18,582	–
	7,577,060	**4,920,000**	**2,657,060**	**–**

Redeemable convertible notes must be redeemed for cash or converted at the option of the holder at any time prior to 20 April 2002. The convertible notes bear interest at 8% per annum and is paid quarterly in arrears.

Loans from other entities are unsecured. The current portion of the loans is due for repayment on 30 October 2001. These loans bear interest at 12% per annum, payable quarterly in arrears. The non–current balance is due for repayment in February 2003. Interest rate on the non–current balance is fixed at 15% per annum and is payable on the date of the repayment of the principle.

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NOTE 17 Interest Bearing Liabilities *(cont.)*

The mortgage loan is secured by mortgages over joint venture property interests, and is repayable on 10 October, 2001. The directors' have negotiated a refinancing of the loan until the completion of the property development. The loan bears interest at a rate of 6.95% pa, payable monthly. Penalty interest at the higher rate of 8.95% pa is applicable if interest payment terms are breached. The effective annual interest rate is 6.95% at 30 June 2001.

The bank loans are secured by registered first mortgages over properties of the controlled entities. An amount of $3,220,000 of the bank loans is payable by 1 May 2003, and the balance of $1,700,000 is payable by 16 December 2002. The weighted average interest rate is 7.56% at 30 June 2001.

The carrying amount of the pledged properties are as follows:

	Consolidated		The Company	
	2001	**2000**	**2001**	**2000**
Investment property	$ 5,090,589	$ 5,026,875	$ –	$ –
Property held for resale	9,135,492	8,259,526	5,502,328	4,858,809
Plant and equipment	31,331	–	31,331	–
	14,257,412	**13,286,401**	**5,533,659**	**4,858,809**

NOTE 18 Provisions

	2001	2000	2001	2000
Current				
Employee entitlements	**$ 9,072**	**$ –**	**$ 9,072**	**$ –**
Number of employees at year end	2	2	2	2

NOTE 19 Contributed Equity

	Consolidated		The Company	
	2001	2000	2001	2000
Issued and paid-up share capital 78,738,449 (2000:74,320,006) ordinary shares fully paid	$ 7,716,502	$ 6,864,002	$ 7,716,502	$ 6,864,002
Movement:				
Balance at beginning of the year	6,864,002	12,944,002	6,864,002	12,944,002
Shares issued				
- 4,168,443 from the conversion of convertible notes	800,000		800,000	
- 250,000 for cash pursuant to a placement	52,500		52,500	
- 9,600,000 for cash pursuant to a placement	–	1,920,000	–	1,920,000
Transfer to accumulated losses of paid-up capital cancelled	–	(8,000,000)	–	(8,000,000)
Transfer from share option reserve upon expiry of all options granted by the company	645,460	–	645,460	–
Balance at end of the year	**8,361,962**	**6,864,002**	**8,361,962**	**6,864,002**

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.

NOTE 20 Reserves

	Consolidated		The Company	
	2001	2000	2001	2000
Share option reserve	$ –	$ 645,460	$ –	$ 645,460
Movement:				
Balance at beginning of the year	645,460	645,460	645,460	645,460
Transfer to contributed equity upon the expiry of all options granted by the company	(645,460)	–	(645,460)	–
Balance at end of the year	**–**	**645,460**	**–**	**645,460**

NOTE 21 Accumulated Losses

	Consolidated		The Company	
	2001	2000	2001	2000
Accumulated losses at beginning of the year	$ (82,581)	$ (8,025,762)	$ (26,098)	$ (8,026,558)
Net profit/(loss) attributable to members of the parent entity	(2,460,232)	(56,819)	(2,475,517)	460
Transfer from contributed equity	–	8,000,000	–	8,000,000
Accumulated losses at the end of the year	**(2,542,813)**	**(82,581)**	**(2,501,615)**	**(26,098)**

NOTE 22 Total Equity Reconciliation

	2001	2000	2001	2000
Total equity at beginning of the year	$ 7,426,881	$ 5,563,700	$ 7,483,364	$ 5,562,904
Total changes in parent entity interest in equity recognised in statement of financial position	(2,460,232)	(56,819)	(2,475,517)	460
Transactions with owners as owners:				
Contributions of equity	852,500	1,920,000	852,500	1,920,000
Total equity at end of the year	**5,819,149**	**7,426,881**	**5,860,347**	**7,483,364**

NOTE 23 Interest in Joint Venture Operation

The company holds a 72.17% (2000: 72.17%) interest in a joint venture, named Sydney Park Management Venture, whose principal activity is property management and development. For the year ended 30 June 2001 the contribution of the joint venture to the operating result before tax of the Company and consolidated entity was $359,195 (2000: $310,840).

Included in the assets and liabilities of the Company and 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 1c.

	2001	2000	2001	2000
Current Assets				
Cash	$ 50,924	$ 59,582	$ 50,924	$ 59,582
Prepayments	30,053	35,744	30,053	35,744
Deferred expenditure	–	3,564	–	3,564
Receivables	106,186	44,444	106,186	44,444
Total Current Assets	187,163	143,334	187,163	143,334
Non–Current Assets				
Property held for development	5,502,328	4,858,809	5,502,328	4,858,809
Total Non–Current Assets	5,502,328	4,858,809	5,502,328	4,858,809
Total Assets	**5,689,491**	**5,002,143**	**5,689,491**	**5,002,143**
Current Liabilities				
Trade and other creditors	260,350	159,800	260,350	159,800
Non–Current Liabilities				
Borrowings	3,078,719	2,742,484	3,078,719	2,742,484
Total Liabilities	**3,339,069**	**2,902,284**	**3,339,069**	**2,902,284**

NOTE 24 Investments Accounted for Using the Equity Method

		Consolidated 2001	Consolidated 2000
The consolidated entity holds a 33% interest in an associated company, 4D Sec Pty Limited.			
Results of associates			
Share of associate's operating loss before income tax	$	–	(21,013)
Share of associate's income tax expense		–	–
Share of associate's net loss – equity accounted		**–**	**(21,013)**
Movement in carrying amount of investments			
Carrying amount of investments in associates at the beginning of the year		80,093	31,106
Investments in associate acquired during the year		–	70,000
Share of associate's net loss		–	(21,013)
Provision for diminution in value of investment		(80,093)	–
Carrying amount of investment in associate at the end of the year		**–**	**80,093**

Details of investment in associate is as follows:-

Name	Principal Activities	Balance Date	Ownership Interest 2001	Ownership Interest 2000	Investment Carrying Amount Consolidated 2001	Consolidated 2000	The Company 2001	The Company 2000
4D Sec Pty Limited	Surveillance Systems Products	30 June	33.3%	33.3%	**–**	**80,093**	**–**	**101,106**

NOTE 25 Controlled Entities

(a) Particulars in relation to controlled entities

Name	Interest Held % 2001	Interest Held % 2000
Metroland Australia Limited		
Controlled entities		
Metroland Properties Pty Limited	100	100
Kings Properties (Australia) Pty Limited	100	100
Crossingham Pty Limited	100	100
Pacific Metronet Limited	51	–
Metroland Homes Pty Limited	100	–
Pacific Metrocom Limited	100	–

All controlled entities were incorporated and carries on business in Australia.
There were no acquisitions or disposals of controlled entities during the current or previous financial year.

NOTE 26 Contingent Liabilities

	Consolidated		The Company	
	2001	2000	2001	2000
Contingent liabilities in respect of termination benefits under service and consultancy agreements with Messrs Lee, Wardman and Shien expiring December 2000	–	94,012	–	94,012

NOTE 27 Statement of Operations by Segment

a Industry Segments

	Property Management Development		Investment and Financial Services		Consolidated	
	2001	2000	2001	2000	2001	2000
Revenue outside the company	$ 1,320,478	1,089,439	71,303	64,934	1,391,781	1,154,373
Total revenue	1,320,478	1,089,439	71,303	64,934	1,391,781	1,154,373
Expenses	(977,875)	(1,145,062)	(2,190,621)	(69,613)	(3,168,496)	(1,214,675)
Segment operating result	342,603	(55,623)	(2,119,318)	(4,679)	(1,776,715)	(60,302)
Unallocated expenses					(693,562)	–
Operating result before tax					(2,470,277)	(60,302)
Income tax attributable to operating result					9,996	3,483
Operating result after income tax					(2,460,281)	(56,819)
Segment assets	**$ 15,063,851**	**15,229,208**	**63,825**	**200,343**	**15,127,676**	**15,429,551**

b Geographic Segments
The consolidated entity operated principally in Australia.

c The consolidated entity derived income from the following activities:

i Property development and management

- Management of and rental income from the Sydney Park development prior to development. The project is located in the developing corridor between Sydney City and the Sydney International Airport. The development is expected to commence in November 2001.
- Rental income from property held for development at 126-130 Kings Road, Five Dock and investment property at 199-207 Military Road, Neutral Bay.

ii Investment and Financial Services
Comprises investments in listed entities, and other unlisted entities, including proposed investment in a computer technology company which was abandoned during the year when the investee company went into liquidation.

NOTE 28 Directors' Remuneration

	Consolidated		The Company	
	2001	2000	2001	2000
Directors' Income				
The number of directors of the Company whose income from the Company or any related party falls within the following bands:				
$0 – $9,999			2	3
$20,000 – $29,999			1	2
$30,000 – $39,999			2	1
$40,000 – $49,000			1	–
$70,000 – $79,999			1	1
Total income paid or payable, or otherwise made available to all directors of the Company and controlled entities from the Company or any related party	**208,530**	**168,700**	**208,530**	**168,700**

NOTE 29 Related Parties

a Directors

The names of each person holding the position of director of Metroland Australia Limited during the financial year are Messrs E Lee, F Shien, J Wardman, S Leung, C Y Shieh, W H Zhou and D C Zhang. Mr C Y Shieh resigned on 24 September 2001.

Details of directors' remuneration are set out in Note 28.

Apart from the details disclosed in this note, no directors has entered into a material contact with the company or the consolidated entity since the end of the previous year and there were no material contracts involving directors' interests subsisting at year end.

Directors' Holdings of Share and Share Options

The interest of directors of the Company and their director-related entities in shares and share options of the Company at year end are set out below:

Metroland Australia Limited	***2001 Number Held***	***2000 Number Held***
Ordinary Shares	25,940,745	24,287,500
Quoted options over ordinary shares	–	1,411,000
Unquoted options over ordinary shares	–	12,500,000

b Directors' Transactions with the Company or its Controlled Entities

i Premier Realty Pty Limited is associated with Frank Shien and provided serviced office premises to Metroland Australia Limited. During the year ended 30 June 2001, rental of $18,000 (2000:$20,400) was paid.

ii The company has entered into a joint venture arrangement with Contases Pty Limited, a company controlled by Frank Shien, to manage and develop the property situated at 221-229 Sydney Park Road, Alexandria. The company's investment of $1,816,624 provides a 72.17% interest in the unincorporated joint venture (Refer also note 23). At year end, the amount receivable from Contases Pty Limited is $76,454. The loan is interest free and unsecured. →

NOTE 29 Related Parties *(cont.)*

c Wholly-Owned Group

Details of interests in wholly-owned controlled entities are set out at Note 25.
Details of dealings with these entities are set out below:

Loans

Loans between entities in the wholly-owned group is interest free and not repayable within the next twelve months.

Balances with entities within the wholly-owned group

The aggregate amount receivable from wholly-owned controlled entities by the company at balance date:

	The Company	
	2001	**2000**
Receivables		
Non-current		
Wholly owned controlled entities	$ 3,846,535	3,522,413
Partly owned controlled entities	1,980,799	–
Provision for doubtful recovery	(1,980,799)	–
	3,846,535	**3,522,413**

NOTE 30 Financial Instrument Disclosure

a Interest Rate Risk

The consolidated entity's exposure to interest rate risks and the interest rates of recognised financial assets and financial liabilities at the balance date, are as follows:

	Floating Interest Rate	Fixed Interest Rate Maturing in		Non-Interest Bearing	Total	Weighted Average Interest Rate
		1 year or Less	*1 – 5 years*			
2001						
i Financial Assets						
Cash assets	$ 477,806	–	–	–	477,806	2.6%
Receivables – other	–	–	–	140,520	140,520	–
Receivables – related entity	–	–	–	87,723	87,723	–
Investments	–	–	–	5,154,414	5,154,414	–
Total Financial Assets	**477,806**	**–**	**–**	**5,382,657**	**5,860,463**	
ii Financial Liabilities						
Payables	$ –	–	–	240,988	240,988	–
Bank loans	–	–	4,920,000	–	4,920,000	7.56%
Mortgage loans	–	–	1,876,436	–	1,876,436	6.95%
Loans from other entities	–	440,241	762,042	–	1,202,283	13.9%
Redeemable convertible note	–	1,000,000	–	–	1,000,000	8.0%
Hire purchase liabilities	–	5,309	18,582	–	23,891	7.0%
Total Financial Liabilities		**–**	**1,445,550**	**7,577,060**	**240,988**	**9,263,598**

	Floating Interest Rate	Fixed Interest Rate Maturing in 1 – 5 years	Non-Interest Bearing	Total	Weighted Average Effective Interest Rate
2000					
iii Financial Assets					
Cash assets	$1,624,360	–	–	1,624,360	5.7%
Receivables – other	–	–	45,866	45,866	–
Receivables – related entity	–	–	109,216	109,216	–
Total Financial Assets	**1,624,360**	**–**	**155,082**	**1,779,442**	
iv Financial Liabilities					
Payables	$	–	263,884	263,884	–
Mortgage loans	–	2,742,484	–	2,742,484	7.5%
Bank loans	–	4,920,000	–	4,920,000	7.89%
Total Financial Liabilities	**–**	**7,662,484**	**263,884**	**7,926,368**	

b Credit Risk Exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised Financial Instruments

The credit risk on financial assets excluding investments of the consolidated entity, which have been recognised on the statement of financial performance, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity is not materially exposed to any individual customer.

c Net Fair Values of financial assets and liabilities

The carrying amounts of financial assets and liabilities as at the reporting date approximate net fair value.

NOTE 31 Events Subsequent to Balance Date

- The Sydney Park Joint Venture has obtained, subject to shareholders approval, construction funding of $39m to fund the development for 210 residential units. Metroland Australia Limited and Mr Frank Shien stand as guarantor to jointly and severally guarantee the loan and cost overrun, if any.

- In September, Multiplex Constructions (NSW) Pty Limited was appointed as the builder to undertake the construction for a guaranteed maximum price of $38.5 million. It is expected that it will take 83 weeks to finish the construction from commencement. Construction is expected to start in November 2001.

- The Joint Venture has pre-sold $40m worth of units as of September through its network of contacts.

Official launching of the project is estimated to commence in December 2001/January 2002.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2001.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Independent Audit Report

TO THE MEMBERS OF METROLAND AUSTRALIA LIMITED

In the opinion of the Directors of Metroland Australia Limited:

a the financial statements and notes as set out on pages 7 to 29 are in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

ii complying with Accounting Standards and the Corporations Regulations 2001; and

b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Eddie Lee
Chairman

Frank Shien
Director

Dated at Sydney this 28th day of September 2001

Scope

We have audited the financial report of Metroland Australia Limited for the financial year ended 30 June 2001, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the directors declaration as set out on pages 7 to 30. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Metroland Australia Limited 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 2001, and of their performance for the year ended on that date; and

ii complying with Accounting Standards and the Corporations Regulations 2001; and

b other mandatory professional reporting requirements.

Gould Ralph & Company
Chartered Accountants

Greg Ralph M.Com. F.C.A.
Partner
Dated at Sydney this 28th day of September 2001

Additional Information

FOR LISTED PUBLIC COMPANIES

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 19 September 2001)

Category	*Number of Shareholders*
	Ordinary
1 – 1,000	10
1,001 – 5,000	180
5,001 – 10,000	100
10,001 – 100,000	265
100,001 – over	99
	654

b The number of shareholdings less than a marketable parcel at 19 September 2001 was 190.

c The number of shares held by the substantial shareholders at 19 September 2001 were:-

Shareholder	*Number of Ordinary Shares*
Da Cheng Zhang	9,600,000
Tanesia Holdings Pty Limited	4,500,000

d Voting Rights

On a show of hands

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

On a poll

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

e Twenty largest shareholders as at 19 September 2001.

	Shareholders	*No. of Ordinary Fully Paid Shares Held*	*% Held of Issued Issued*
1.	Da Cheng Zhang	9,600,000	12.19
2.	Tanesia Holdings Pty Ltd	4,500,000	5.72
3.	Goldic Investments Group Limited	3,000,000	3.81
4.	Formbell Pty Limited	2,950,358	3.75
5.	Gainfield Consultants Limited	2,300,000	2.92
6.	NX Holdings Pty Limited	2,124,495	2.70
7.	Mr Tonny Rungkat	2,035,104	2.58
8.	Veta Holdings Pty Limited	1,436,000	1.82
9.	K H Kluge & Sons Limited	1,375,000	1.75
10.	Pauline CY Chen	1,325,000	1.68
11.	Dawes Investment Group Ltd	1,300,000	1.65
12.	Dr Frederick Chen	1,260,000	1.60
13.	Wincute International Development Ltd	1,175,000	1.49
14.	Com-Asia Limited	1,170,000	1.49
15.	Janie Teo	1,110,000	1.41
16.	Seow Hwee Tan	1,064,000	1.35
17.	Bee Eng Hoon	1,035,500	1.32
18.	MLD Holdings Pty Limited	1,028,750	1.31
19.	M J & L J Wilton	1,000,000	1.27
20.	Mrs Hsue Ying Chen	900,000	1.14
		41,689,207	**52.95**

f Unquoted equity securities
Redeemable convertible notes
Rungkat Pty Limited hold 4,761,904 redeemable convertible notes, representing 100% of the total number on issue.

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

h On-market Buy-Back
There is no current on-market buy-back.

Corporate Governance Statement

The board is responsible for the overall corporate governance of the Company including its strategic direction, the establishment of objectives for management and monitoring the achievement of those objectives, and management of its business risk. The CEO is responsible for the maintenance of adequate internal controls and appropriate ethical standards.

The corporate governance of the Company is maintained by all directors of the Company and monitored by the Audit Committee, which comprises highly experienced directors in the public company area who maintain high ethical standards.

Non-executive directors comprise the predominance of the Board members and monitor the Company's activities at frequent Board Meetings and has the experience and breadth to input criteria into business decisions of the Company; including business risks, appropriate decision making mechanisms, assessing investment and strategy decisions of the Company and to maintain relations with the Company's shareholders, including compliance with legal and statutory matters.

Board members are recruited to provide additional expertise in specific areas, both nationally and internationally, or where an outstanding candidate is available.

The terms and conditions of the appointment and retirement of non-executive directors are in the first instance set out in the entity's articles and secondly in a letter of appointment wherein the board's expectations, procedures for dealing with conflicts of interest, and the availability of independent advice at the entity's expense are communicated.

The 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 as disclosed in the Directors' Report and Note 28 to the financial statements for the year ended 30 June 2001.

The managing director is responsible for direct liaison with the external auditors including discussion of the audit plan, any control problems that warrant attention, the impact of any changes in accounting standards, any other matters materially affecting or likely to affect the entity's business, and proposed fees for audit work to be performed.

The board reviews with the CEO comment by the external auditors after any audit or review, and the Proforma half-year and preliminary final financial statements prior to lodgement with the Australian Securities & Investments Commission and the Australian Stock Exchange.

The audit committee for Metroland comprises Mr E Lee and Mr J Wardman.

The committee responsibilities include the overseeing and monitoring of the Company's internal controls, accounting systems, the Public Company reporting process including statutory financial reporting, reviewing the Company's activities in relation to the day to day management and liaising with the Company's auditors.

The entity is of a size and scope that matters of significant business risk can and are dealt with by the board directly.

The Company's external solicitors frequently assist the board on matters of Australian Securities & Investments Commission and Australian Stock Exchange compliance.

Shareholders can ultimately determine the appointment or removal of directors, and it is a fundamental of the entity's corporate governance polices that shareholders be fully and regularly informed of the entity's progress and the related performance of its directors. This is achieved by the issue with comment of financial results twice annually, and specific communication and/or requests for approval when any major development is under review.

Corporate Directory

Board of Directors
Eddie Lee (Chairman)
B.E. Civil B.Sc.Dip. Bldg.Sc.
Frank Shien *BA* (CEO)
John Howard Robert Wardman
FAICD B.Econ. SIA(Aff.)
Steam Leung
Mr Da Cheng Zhang
Mr Chien Yein Shieh
Mr Wen Huan Zhou

Company Secretary
Winnie Yeung

Registered Office
Suite 3, 261 Harris Street
Pyrmont NSW 2009
Tel (02) 9692 0020
Fax (02) 9692 0084

Share Registry

Gould Ralph Services Pty Ltd
Level 40, AMP Centre
50 Bridge Street
Sydney NSW 2000
Tel (02) 9231 0500
Fax (02) 9231 0501

Solicitors to the Company

Hemming and Hart
Level 2, 307 Queen Street
Brisbane QLD 4000

Gye Associates Lawyers
Level 5, 6-10 O'Connell Street
Sydney NSW 2000

Auditors

Gould Ralph & Company
Level 40, AMP Centre
50 Bridge Street
Sydney NSW 2000

Home Stock Exchange

Australian Stock Exchange Limited
Brisbane QLD 4000
ASX Code: MTD

Visit our website
www.metroland.com.au