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# METROLAND IS ABOUT...

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**METROLAND AUSTRALIA LIMITED**

[www.metroland.com.au](http://www.metroland.com.au)

ACN 009 138 149



...vibrancy and  
dynamism

## C O N T E N T

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**Dear Shareholders,**

In a year which has seen turbulent stock markets, a loss of confidence in the US economy causing uncertainty in the Australian sharemarkets and falling returns from superannuation funds accompanied by some big corporate crashes; it is very pleasing to report that Metroland has had a good year, with a healthy profit and the posting of a maiden dividend for the 2002 financial year of 1.5 cents per share. This has resulted in a firming perception and share price for the Company. The profit made by the Company equates to an earning per share of 3.8 cents after tax.

The Company believes that a solid foundation has now been built from the Company's property development business where it hopes that ideally, regular dividends can begin to flow to shareholders from the earnings. Additionally, properties acquired years ago are in the Company at book value, giving a strong underpinning to the Company's net asset backing and balance sheet.

The current property development of 224 units at Sydney Park, South Sydney is well underway achieving a pre-sales of \$71million. Multiplex, the project builder has finished the earthworks and car park and the structures construction have reached level four. The project is expected to be completed around the second half of 2003.

During the past year the Company has also acquired additional properties including a promising retail strip of shops in Gladesville and a property in Neutral Bay adjoining the Company's existing Bay Plaza Shopping Complex. Whilst maintaining focus on its core property development business, the Company is actively looking at ways to expand the revenue through strategy of forward planning, to create further wealth for our shareholders.

The Board of Directors wishes to take this opportunity to express their thanks to the shareholders for their support of the Company, particularly during its formative years.

**Eddie Lee**  
*Chairman*

**Frank Shien**  
*Director*

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 2002 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) Aged 55**  
*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 (Deputy Chairman and Chief Executive Officer) Aged 50**  
*BA (Lon)*  
*Director since 1997*

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 eleven 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) Aged 42**  
*B.Econ, FAICD, SIA(Aff.)*  
*Director since 1996*

Mr Wardman has extensive experience in finance, including capital markets and corporate development, 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.

**Steam Leung (Non-Executive Director) Aged 43**  
*LREA*

*Director since 1997*

Mr Leung has 14 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) Aged 55**  
*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) Aged 45**  
*Director since 1998*

*Resigned as a director on 8 January 2002.*

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.

**Da Cheng Zhang (Non-Executive Director) Aged 48**  
*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.

... visionary  
business  
approach



## Principal Activities

The principal activities of the consolidated entity during the financial year continued to be in property development 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 from ordinary activities after tax was \$2,928,414.

## Review of Operations

The consolidated entity is continuing its direction in property management and development. It is also looking to expand the financial services operations especially in areas relating to properties and vendor finance. Profit has been realised from the sale of one property holding, and development is underway to underpin future returns. The entity is also actively looking at other development opportunities so as to generate further earnings.

### Sydney Park Joint Venture

In our last financial report, we reported that the Joint Venture has achieved pre-sales of \$40 million. Due to the strong property market, the Joint Venture has now achieved pre-sales of \$71 million with a predicted final gross realisation value of \$78 million. Construction commenced in December 2001 and has now reached level three. It is anticipated that all structures will be completed by December 2002 and the whole project completed by the second half of 2003. Stage one which comprises the West Block (Park West) is expected to be completed in June 2003, followed by stage 2 a few months later. Your directors are confident that the Joint Venture will produce the expected return as anticipated.

### Bay Plaza, Neutral Bay

Metroland has entered into a contract to acquire a property adjoining to its existing Bay Plaza Shopping Complex. It is intended that the site, when amalgamated giving an area of 2,400 sqm, will be re-developed into a residential and retail complex. This project, when brought on line, should provide a good return and further enhance the asset value of the company.

### Gladesville Property

During the year, Metroland acquired a row of 8 shop houses with car park at the corner of Pittwater Road and Victoria Road at Gladesville. The property is generating a rental return of approximately 8%. The Company is looking into the development potential of the property and is confident that a residential/rental complex can be viably developed.

### Other

Metroland is investigating the possibilities of providing property related services such as vendor finance and property management services. The entity is also actively looking at other development opportunities.

## Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

### Type

In respect of the current financial year:  
Final - Ordinary shares

Cents Per Share	Total Amount	Date of Payment	Tax Rate for Franking Credit
1.5	\$1,181,080	6/09/2002	30%

The final dividend declared by the Company was 27% franked.

## State of Affairs

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

- The consolidated entity sold its property held for development at Five Dock during the year for \$7,750,000. Part of the proceeds were used to repay borrowings on the purchase of the property.
- During the year, the consolidated entity acquired investment and development properties totalling \$4,140,000. The acquisitions were partially financial by borrowings, and from the proceeds of the sale of its development property at Five Dock.

## Events Subsequent to Balance Date

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 expansion of its financial sector services to include vendor financing and property management services.

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	11	11
Mr J Wardman	11	11
Mr F Shien	11	11
Mr S Leung	11	11
Mr C Y Shieh	1	2
Mr W H Zhou	2	5
Mr D C Zhang	2	11

## 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 shareholders. 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 \$	Non Cash Benefits \$	Total \$
<i>Executive</i>			
Frank Shien	70,800	1,530	72,330
<i>Non-executive</i>			
John Wardman	22,434	1,530	23,964
Eddie Lee	21,944	1,530	23,474
Steam Leung	24,000	1,530	25,530
Da Cheng Zhang	-	1,530	1,530
<i>Former</i>			
W H Zhou	-	1,530	1,530



## Options

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

## 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	755,000
Mr D C Zhang	9,600,000

## Indemnification and Insurance of Officers

During the financial year, the Company paid premiums of \$9,181 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 27th day of September 2002.

Signed in accordance with a resolution of the directors.

Frank Shien  
Director

... building  
a prosperous  
future

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STATEMENTS OF FINANCIAL PERFORMANCE  
AS AT 30 JUNE 2002

		Consolidated		The Company	
	Note	2002	2001	2002	2001
Revenue from sale of property	4(a)	\$ 7,750,000	-	-	-
Rental revenue		728,449	1,320,478	77,489	725,853
Other revenues from ordinary activities		66,823	71,303	3,734,364	71,274
<b>Total Revenue</b>	3	<b>8,545,272</b>	<b>1,391,781</b>	<b>3,811,853</b>	<b>797,127</b>
Cost of property sold	4(a)	(4,077,622)	-	-	-
Doubtful debt expense	4(b)	(20,000)	(1,931,690)	(371,239)	(1,980,799)
Borrowing costs	4(b)	(517,448)	(540,116)	(143,076)	(246,664)
Property expenses		(255,946)	(392,266)	(49,963)	(180,042)
Directors fees		(139,183)	(208,530)	(139,183)	(208,530)
Legal and professional fees		(89,252)	(181,781)	(28,902)	(94,108)
Other expenses from ordinary activities		(273,801)	(607,675)	(322,387)	(569,294)
<b>Profit/(Loss) from ordinary activities before related income tax expense</b>		<b>3,172,020</b>	<b>(2,470,277)</b>	<b>2,757,103</b>	<b>(2,482,310)</b>
Income tax benefit (expense) relating to ordinary activities	5(a)	\$ (243,606)	9,996	(147,054)	6,793
<b>Net profit/(loss)</b>		<b>2,928,414</b>	<b>(2,460,281)</b>	<b>2,610,049</b>	<b>(2,475,517)</b>
Net loss attributable to outside equity interest		\$ -	49	-	-
Net profit/(loss) attributable to members of the parent entity	22	2,928,414	(2,460,232)	2,610,049	(2,475,517)
Total changes in equity from non-owner related transactions attributable to the members of the parent entity	22	2,928,414	(2,460,232)	2,610,049	(2,475,517)
Ordinary Shares:					
Basic earnings per share	7	\$0.038	(\$0.032)		
Diluted earnings per share	7	\$0.038	(\$0.029)		

The accompanying notes 1 to 31 form an integral part of these financial statements.

... generating  
opportunities



STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2002

	Note	Consolidated		The Company	
		2002	2001	2002	2001
<b>Current Assets</b>					
Cash	9(b)	\$ 5,525,185	477,806	5,519,259	450,962
Receivables	10	125,204	160,520	293,085	254,736
Other financial assets	13	-	63,825	-	63,825
Other	11	77,727	91,132	6,015	35,727
<b>Total Current Assets</b>		<b>5,728,116</b>	<b>793,283</b>	<b>5,818,359</b>	<b>805,250</b>
<b>Non-Current Assets</b>					
Receivables	10	\$ -	67,723	1,865,019	3,922,989
Properties held for development	12	14,141,849	9,135,493	12,087,194	5,508,498
Other financial assets	13	-	-	101	101
Property investments	14	7,457,882	5,098,589	-	-
Property, plant & equipment	15	31,366	40,588	31,366	40,587
<b>Total Non-Current Assets</b>		<b>21,631,097</b>	<b>14,334,393</b>	<b>13,983,680</b>	<b>9,472,175</b>
<b>Total Assets</b>		<b>27,359,213</b>	<b>15,127,676</b>	<b>19,802,039</b>	<b>10,277,425</b>
<b>Current Liabilities</b>					
Payables	16	\$ 2,734,808	240,988	244,254	295,480
Interest bearing liabilities	17	3,232,261	1,445,550	5,304	1,445,550
Current tax liabilities	5(b)	128,641	-	6,145	-
Provisions	19	1,197,994	9,072	1,197,994	9,072
<b>Total Current Liabilities</b>		<b>7,293,704</b>	<b>1,695,610</b>	<b>1,453,697</b>	<b>1,750,102</b>
<b>Non-Current Liabilities</b>					
Interest bearing liabilities	17	\$ 12,338,886	7,577,060	10,898,886	2,657,060
Deferred tax liabilities	5(c)	160,140	35,857	160,140	9,916
<b>Total Non-Current Liabilities</b>		<b>12,499,026</b>	<b>7,612,917</b>	<b>11,059,026</b>	<b>2,666,976</b>
<b>Total Liabilities</b>		<b>19,792,730</b>	<b>9,308,527</b>	<b>12,512,723</b>	<b>4,417,078</b>
<b>Net Assets</b>		<b>7,566,483</b>	<b>5,819,419</b>	<b>7,289,316</b>	<b>5,860,347</b>
<b>Equity</b>					
Contributed equity	20	\$ 8,361,962	8,361,962	8,361,962	8,361,962
Accumulated Losses	21	(795,479)	(2,542,813)	(1,072,646)	(2,501,615)
<b>Total Equity</b>	22	<b>7,566,483</b>	<b>5,819,149</b>	<b>7,289,316</b>	<b>5,860,347</b>

The accompanying notes 1 to 31 form an integral part of these financial statements.

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STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2002

		Consolidated		The Company	
	Note	2002	2001	2002	2001
<b>Cash Flows from operating Activities</b>					
Cash receipts in the course of operations	\$	9,259,484	1,396,376	109,233	1,061,570
Cash payments in the course of operations		(7,342,992)	(1,226,441)	(6,679,360)	(1,141,343)
Dividends received		-	-	2,500,000	-
Interest received		6,720	56,600	5,757	56,573
Borrowing costs paid		(722,936)	(632,197)	(348,564)	(236,098)
Income taxes (paid)/refunded		47,026	(68,159)	31,585	(54,101)
<b>Net cash provided by/(used in) operating activities</b>	9(a)	<b>1,247,302</b>	<b>(473,821)</b>	<b>(4,381,349)</b>	<b>(313,399)</b>
<b>Cash Flows from Investing Activities</b>					
Proceeds from sale of non-current assets	\$	63,826	8,000	63,826	8,000
Purchase of property, plant and equipment		(12,035)	(4,072)	(452)	(4,072)
Acquisition of investments		-	(67,284)	-	(71)
Acquisition of property held for development		(2,671,311)	(719,023)	-	(598,205)
Loan to other entities		-	(1,931,690)	-	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(2,619,520)</b>	<b>(2,714,069)</b>	<b>63,374</b>	<b>(594,348)</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from issue of shares	\$	-	852,550	-	852,500
Loans (to)/from related entities		(18,284)	(96,456)	2,695,348	(2,401,378)
Proceeds from borrowings		10,453,865	2,161,937	9,013,865	2,161,937
Repayment of borrowings		(4,016,677)	(866,040)	(2,316,677)	(866,040)
Hire purchase repayments		(6,264)	(10,655)	(6,264)	(10,655)
<b>Net cash provided by/(used in) financing activities</b>		<b>6,412,640</b>	<b>2,041,336</b>	<b>9,386,272</b>	<b>(263,636)</b>
<b>Net increase/(decrease) in cash held</b>	\$	<b>5,040,422</b>	<b>(1,146,554)</b>	<b>5,068,297</b>	<b>(1,171,383)</b>
Cash at beginning of the financial year		477,806	1,624,360	450,962	1,622,345
<b>Cash at the end of the financial year</b>	9(b)	<b>5,518,228</b>	<b>477,806</b>	<b>5,519,259</b>	<b>450,962</b>

The accompanying notes 1 to 31 form an integral part of these financial statements.

... thoughtful,  
deliberate  
and prudent  
management



## NOTE 1 – Statement of Significant Accounting Policies

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

### (a) Basis of Preparation

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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) Principles of Consolidation

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#### *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. Unrealised gains and losses resulting from transactions with joint ventures are eliminated to the extent of the consolidated entity's interest.

### (c) Taxation

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The consolidated entity 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 tax 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 only brought to account when their realisation is virtually certain.

### (d) Recoverable Amount of Non-Current Assets Valued on Cost Basis

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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 expensed in the reporting period in which it occurs.

Current valuations for land and building valued on the cost basis are carried out at least once every three years.

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

### (e) Borrowing Costs

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Borrowing costs include interest relating to borrowings and for lease finance charges. 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.

### (f) Acquisition of Assets

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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.



## NOTE 1 – Statement of Significant Accounting Policies (cont.)

### (g) 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.

### (h) Land held for resale

Development properties are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and holding costs such as borrowing costs, rates and taxes. Borrowing costs and other holding costs incurred after completion of development are expensed.

### (i) 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:

	2002	2001
Plant and Equipment	17 – 40%	17 – 40%

### (j) 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.

### (k) Interest bearing Liabilities

Bank loans are recognised at their principal amount. Interest expense is accrued at the contracted rate and is included in "Other Creditors and Accruals".

### (l) 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.

### (m) 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 recognised when an unconditional contract of sale is exchanged and a significant non-refundable deposit is received.

#### *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.

#### *Dividend*

Revenue from dividends from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

### (n) 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 taxation authority. 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 – Change in Accounting Policy

### (a) Segment Reporting

The consolidated entity has applied the revised AASB1005: *Segment Reporting* for the first time from 1 July 2001.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The new business segments reported are property sales and development and property rental.

Comparative information has been restated for the changes in definition of segment revenues and results. There is no financial effect of the change on the consolidated entity in total comparative segment revenues and total comparative segment results.

### (b) Earnings Per Share

The consolidated entity has applied AASB1027: *Earnings Per Share* for the first time from 1 July 2001.

Basic and diluted earnings per share ("EPS") for the comparative period ended 30 June 2001 have been adjusted so that the basis of calculation used is consistent with that of the current period.

### *Diluted earnings per share*

Diluted EPS earnings are now calculated by only adjusting the basic EPS earnings for the after tax effect of interest on convertible notes and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary share been converted.

The diluted EPS weighed average number of shares now includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price.

The identification of dilutive potential ordinary shares is now based on net loss from continuing ordinary operations, not net profit or loss before extraordinary items and is applied on a cumulative basis taking into account the incremental earnings and incremental number of shares for each series of potential ordinary shares.

## NOTE 3 – Revenue from Ordinary Activities

	Consolidated		The Company	
	2002	2001	2002	2001
<i>Revenue from operating activities</i>				
Rental revenue	\$ 728,449	1,320,478	77,489	725,853
Sale of property revenue	7,750,000	-	-	-
<b>Total revenue from operating activities</b>	<b>8,478,449</b>	<b>1,320,478</b>	<b>77,489</b>	<b>725,853</b>
Other revenues:				
<i>From operating activities</i>				
Dividends – other parties	\$ -	10	-	10
– related parties	-	-	2,500,000	-
Interest – other parties	6,761	60,320	5,798	60,291
– related parties	48,244	-	1,228,566	-
Distributions – other parties	-	3,700	-	3,700
<i>From outside operating activities</i>				
Gross proceeds from sale of non-current assets	11,818	7,273	-	7,273
<b>Total Other Revenues</b>	<b>66,823</b>	<b>71,303</b>	<b>3,734,364</b>	<b>71,274</b>
<b>Total Revenue from Ordinary Activities</b>	<b>8,545,272</b>	<b>1,391,781</b>	<b>3,811,853</b>	<b>797,127</b>

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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 – Profit from Ordinary Activities before Income Tax**

	Consolidated		The Company	
	2002	2001	2002	2001
(a) Individually significant expense/(revenue) included in profit from ordinary activities before income tax				
Proceeds from sale of property	\$ (7,750,000)	-	-	-
Cost of property sold	4,077,622	-	-	-
<b>Net gain</b>	<b>3,672,378</b>	<b>-</b>	<b>-</b>	<b>-</b>
Doubtful debt provision on loan to prospective investee company	\$ -	1,931,690	-	-
Interest income on loans to related parties	-	-	(1,228,566)	-
Doubtful debt provision on loan to controlled entity	-	-	-	1,980,799
Dividend income from controlled entity	-	-	(2,500,000)	-
<b>Write down in value of investment accounted for using the equity method</b>	<b>-</b>	<b>80,093</b>	<b>-</b>	<b>101,106</b>
(b) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:				
Borrowing Costs:				
Other parties				
- Borrowings	\$ 891,811	692,082	517,439	287,000
Related parties	20,313	-	20,313	-
Less: Capitalised borrowing costs	(394,676)	(151,966)	(394,676)	(40,336)
	<b>517,448</b>	<b>540,116</b>	<b>143,076</b>	<b>246,664</b>
Borrowing costs were capitalised to land held for resale under development and construction at a weighted average of 7.9%				
Amortisation and depreciation of:				
Plant and equipment	\$ 23,575	20,443	9,673	6,541
Deferred expenditure	14,062	6,185	-	-
Net bad and doubtful debts expense including movements in provision for doubtful debts	20,000	1,931,690	371,239	1,980,799
Net expense from movements in provisions for:				
- Employee entitlement	15,701	9,073	15,701	9,073
Minimum operating lease payments	18,000	18,000	18,000	18,000
Net (profit)/loss on disposal of:				
- property, plant and equipment	(11,818)	4,413	-	4,413
Write down in value of investments	-	136,509	-	157,520

NOTE 5 – Taxation

	Consolidated		The Company	
	2002	2001	2002	2001
(a) Income Tax Expense/(Benefit)				
Prima facie income tax expense (benefit) calculated at 30% (2001 – 34%) on the profit/(loss) from ordinary activities	\$ 951,606	(839,894)	827,131	(841,676)
Increase/(decrease) in income tax expense due to:				
- Rebateable dividend income	-	-	(750,000)	-
- Provision for doubtful term debt	-	656,775	-	673,472
- Diminution in value of investments	-	46,413	-	53,557
- 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)
- Other	(16,777)	(4,100)	545	-
Tax losses not recognised as future income tax benefit	-	112,824	-	86,409
Recovery of tax losses not previously brought to account	(691,223)	-	(664,541)	-
Tax expense on losses transferred to a controlled entity	-	-	733,919	-
<b>Income tax (benefit)/expense attributable to operating profit/(loss)</b>	<b>243,606</b>	<b>(9,996)</b>	<b>147,054</b>	<b>(6,793)</b>
(b) Provision for Current Income Tax				
Movements during the year:				
Balance at beginning of the year	\$ (37,709)	30,450	(22,267)	31,833
Current year's income tax expense on operating profit	119,324	-	-	-
Income tax (paid)/refunded – operating activities	47,026	(68,159)	28,412	(54,100)
	<b>128,641</b>	<b>(37,709)</b>	<b>6,145</b>	<b>(22,267)</b>
(c) Provision for Deferred Income Tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2001:30%) on the following items:				
Expenditure currently deductible for tax but deferred for accounting purposes	\$ 166,714	39,079	166,714	13,138
Income currently not assessable for tax but recognised for accounting purposes.	-	1,000	-	1,000
Future income tax benefit on provisions and accrued employee entitlements not currently deductible offset against deferred income tax	(6,574)	(4,222)	(6,574)	(4,222)
	<b>160,140</b>	<b>35,857</b>	<b>160,140</b>	<b>9,916</b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2002

**NOTE 5 – Taxation (cont.)**

		Consolidated		The Company
	2002	2001	2002	2001
(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:				
<b>Tax losses carried forward</b>	\$ -	97,301	-	77,956

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 6 – Dividend Franking Account**

		Consolidated		The Company
	2002	2001	2002	2001
Franking credits available to shareholders of Metroland Australia Limited for subsequent financial years				
<b>Class C-30% (2001:30%) franking credits</b>	\$ -	288,957	-	252,929

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

**NOTE 7 – Earnings Per Share**

		Consolidated		The Company
	2002	2001	2002	2001
<i>Classification of securities as potential ordinary shares</i>				
The following securities have been classified as potential ordinary shares and included in diluted earnings per shares only				
(a) redeemable convertible notes				
<i>Earnings reconciliation</i>				
Basic earnings	\$ 2,928,414	(2,460,285)		
After-tax effect of interest on convertible notes	56,000	28,038		
<b>Diluted earnings</b>	<b>2,984,414</b>	<b>(2,432,247)</b>		
<i>Weighted average number of shares used as the denominator</i>				
<b>Number for basic earnings per share:</b>				
<b>Ordinary Shares</b>	<b>77,738,449</b>	<b>77,487,250</b>		
<b>Number for diluted earnings per share:</b>				
<b>Ordinary shares</b>	<b>78,381,950</b>	<b>82,976,544</b>		



## NOTE 8 – Auditors Remuneration

	Consolidated		The Company	
	2002	2001	2002	2001
Auditors of the company:				
Audit services	\$ 29,255	25,422	29,255	25,422
Other services (including share registry)	9,465	23,255	9,465	23,255
	<b>38,720</b>	<b>48,677</b>	<b>38,720</b>	<b>48,677</b>

## NOTE 9 – Notes to the Statement of Cash Flow

	Consolidated		The Company	
	2002	2001	2002	2001
(a) Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/ (used in) operating activities				
Operating profit/(loss) after income tax	\$ 2,928,414	(2,460,281)	2,610,049	(2,475,517)
Add (less) items classified as investing/financing activities:				
Interest paid capitalised	108,256	(111,631)	(36,955)	-
Formation costs	-	(1,913)	-	-
Non-cash items				
Interest income capitalised	-	-	(1,083,358)	-
Depreciation	23,575	20,443	9,673	6,541
Diminution in value of investments	-	136,509	-	157,520
Provision for employee entitlements	7,840	9,073	7,840	9,073
Loss on sale of non-current assets	-	4,414	-	4,414
Bad debt written off	-	-	351,240	-
Provision for doubtful debts	20,000	1,931,690	20,000	1,980,799
Changes in assets and liabilities:				
(Increase)/decrease in property held for development	(2,820,419)	-	(6,453,583)	-
(Increase)/decrease in receivables	6,028	21,921	14,122	40,699
Increase/(decrease) in payables	731,878	20,232	(28,728)	7,833
Increase/(decrease) in tax balances	242,387	(78,156)	178,639	(60,893)
(Increase)/decrease in prepayments	(657)	33,878	29,712	16,132
<b>Net cash provided by (used in) operating activities</b>	<b>1,247,302</b>	<b>(473,821)</b>	<b>(4,381,349)</b>	<b>(313,399)</b>
(b) Reconciliation of Cash				
Cash	\$ 291,177	477,806	285,251	450,962
Short term deposits	5,234,008	-	5,234,008	-
Bank overdraft	(6,957)	-	-	-
	<b>5,518,228</b>	<b>477,806</b>	<b>5,519,259</b>	<b>450,962</b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2002

**NOTE 10 – Receivables**

	Consolidated		The Company	
	2002	2001	2002	2001
<b>Current</b>				
Loan to related entity	\$ -	20,000	-	20,000
Other receivables from related entity	85,971	-	214,016	129,381
Income tax refundable	-	37,709	-	22,268
Rent receivable	39,233	40,261	-	31,704
GST receivable	-	57,550	79,069	46,383
Other debtors	-	5,000	-	5,000
	<b>125,204</b>	<b>160,520</b>	<b>293,085</b>	<b>254,736</b>
<b>Non-Current</b>				
Loans to related entities	\$ -	67,723	-	76,454
Loans to controlled entities	-	-	1,865,019	5,827,334
Provision for doubtful loan	-	-	-	(1,980,799)
	<b>-</b>	<b>67,723</b>	<b>1,865,019</b>	<b>3,922,989</b>

The weighted average effective interest rate on loans to controlled and related entities is 9% and is repayable at call.  
The loans are not repayable within the next twelve months.

**NOTE 11 – Other Current Assets**

	Consolidated		The Company	
	2002	2001	2002	2001
Prepayments	\$ 68,303	67,647	6,015	35,727
Deferred expenditure	9,424	23,485	-	-
	<b>77,727</b>	<b>91,132</b>	<b>6,015</b>	<b>35,727</b>

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## NOTE 12 – Properties held for Development

	Consolidated		The Company	
	2002	2001	2002	2001
Non-Current				
Cost of acquisition	\$ 6,558,524	7,725,510	4,503,869	4,503,869
Development costs capitalised	7,148,312	1,183,504	7,148,312	964,293
Interest capitalised	435,013	226,479	435,013	40,336
	<b>14,141,849</b>	<b>9,135,493</b>	<b>12,087,194</b>	<b>5,508,498</b>

Borrowing costs were capitalised at a weighted average rate of 7.88% (2001:6.98%)

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, which is currently under development and construction with expected completion in August 2003. An independent valuation in May 2001 was carried out by Landmark White based on the completed residential development at \$70,687,900 with the consolidated entity's 72.17% being \$50,015,895.
- Property at 4 Rangers Road, Cremorne purchased by a controlled entity in December 2001. A rezoning to residential development has been granted by Council conditional upon the gazettal by the Department of Planning. Development is not expected to commence until after 2005.

## NOTE 13 – Other Financial Assets

	Consolidated		The Company	
	2002	2001	2002	2001
Current				
Investments in other entities				
Listed units at cost	\$ -	209,400	-	209,400
Provision for diminution	-	(145,575)	-	(145,575)
	-	<b>63,825</b>	-	<b>63,825</b>
Non-Current				
Investments in controlled entities				
Unlisted shares at cost	\$ -	-	101	101
Investments in Associates				
Unlisted shares at cost	-	-	101,106	101,106
Provision for diminution	-	-	(101,106)	(101,106)
	-	-	<b>101</b>	<b>101</b>

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NOTES TO THE FINANCIAL STATEMENTS  
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## NOTE 14 – Property Investments

	Consolidated		The Company	
	2002	2001	2002	2001
Land and building at cost	\$ 7,271,430	4,901,818	-	-
Plant and equipment at cost	232,228	220,645	-	-
Less: Accumulated depreciation	(45,776)	(31,874)	-	-
	<b>7,457,882</b>	<b>5,090,589</b>	-	-

The property investments comprises:

(i) A shopping complex known as Bay Plaza, located at 199-207 Military Road, Neutral Bay. An independent valuation in July 2002 was carried out by Richard M Berntsen C.S.A.G and Marcel James F.A.P.I of Laing Simmons. The property together with the adjoining property at 4 Rangers Road, included in Properties Held for Development in Note 12, was valued on as "As Is" basis at \$10,800,000. The book value of the properties at 30 June 2002 is \$7,328,679.

(ii) A commercial property at 265 Victoria Road, Gladesville. The property was purchased in October 2001.

### Reconciliations

Reconciliations of the carrying amounts for each class of non-current property investments is set out below:

Balance at beginning of year	\$ 5,090,589	5,026,875	-	-
Acquisition of property	2,256,565	-	-	-
Additions	124,630	77,616	-	-
Depreciation	(13,902)	(13,902)	-	-
	<b>7,457,882</b>	<b>5,090,589</b>	-	-

## NOTE 15 – Property, Plant & Equipment

	Consolidated		The Company	
	2002	2001	2002	2001
Plant and equipment – At cost	\$ 48,270	47,818	48,270	47,818
Accumulated depreciation	(16,904)	(7,230)	(16,904)	(7,230)
	<b>31,366</b>	<b>40,588</b>	<b>31,366</b>	<b>40,588</b>

### 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	\$ 40,588	20,195	40,558	20,195
Additions	452	38,619	452	38,619
Disposals	-	(11,685)	-	(11,685)
Depreciation	(9,674)	(6,541)	(9,674)	(6,541)
<b>Carrying amount at end of year</b>	<b>31,366</b>	<b>40,588</b>	<b>31,366</b>	<b>40,588</b>

## NOTE 16 – Payables

	Consolidated		The Company	
	2002	2001	2002	2001
Current				
Trade creditors	\$ 69,443	147,122	32,509	132,575
Sundry creditors	126,102	52,866	103,840	162,905
GST payable	669,115	-	-	-
Property creditors	1,870,148	41,000	-	-
Owing by related entity	-	-	107,905	-
	<b>2,734,808</b>	<b>240,988</b>	<b>244,254</b>	<b>295,480</b>

## NOTE 17 – Interest-Bearing Liabilities

	Consolidated		The Company	
	2002	2001	2002	2001
Current				
Redeemable convertible notes-unsecured	\$ -	1,000,000	-	1,000,000
Loans from other entities-unsecured	-	440,241	-	440,241
Bank loans-secured	3,220,000	-	-	-
Hire purchase liabilities-secured	5,304	5,309	5,304	5,309
Bank overdraft	6,957	-	-	-
	<b>3,232,261</b>	<b>1,445,550</b>	<b>5,304</b>	<b>1,445,550</b>
Non-current				
Construction debt facility-secured	\$ 8,095,190	-	8,095,190	-
Bank loans-secured	1,440,000	4,920,000	-	-
Mortgage loan-secured	-	1,876,436	-	1,876,436
Loan from other entities-unsecured	1,790,417	762,042	1,790,417	762,042
Redeemable convertible notes-unsecured	1,000,000	-	1,000,000	-
Hire purchase liabilities-secured	13,279	18,582	13,279	18,582
	<b>12,338,886</b>	<b>7,577,060</b>	<b>10,898,886</b>	<b>2,657,060</b>

Redeemable convertible notes must be redeemed for cash or converted at the option of the holder in December 2003. The convertible notes bear interest at 8% per annum and is paid quarterly in arrears.

Loans from other entities are unsecured. The loans are due for repayment in December 2003. The weighed average interest rate on these loans at 30 June 2002 is 12.17% (2001:14%)

The bank loans are secured by registered first mortgages over properties of the controlled entities. The current portion of the bank loans is payable by 1 May 2003. The non-current portion of the bank loans of \$1,440,000 is payable by 30 April 2012. The weighted average interest rate is 7.0% at 30 June 2002 (2001:7.56%).



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**NOTE 17 – Interest-Bearing Liabilities (cont.)**

The construction debt facility to finance the development at Sydney Park Road is payable by 28 February 2004 or 3 months after the completion of the project, whichever is the earlier. The facility is secured by a registered first mortgage over the development at Sydney Park Road. The weight average interest rate at 30 June 2002 is 7%.

The carrying amount of the pledged properties are as follows:

	Consolidated		The Company	
	2002	2001	2002	2001
Investment property	\$ 7,475,882	5,090,589	-	-
Property held for resale	14,141,849	9,135,492	12,081,024	5,502,328
Plant and equipment	-	31,331	-	31,331
	<b>21,617,731</b>	<b>14,257,412</b>	<b>12,081,024</b>	<b>5,533,659</b>

**NOTE 18 – Financing Arrangements**

	Consolidated		The Company	
	2002	2001	2002	2001

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

Total facilities available:				
Construction debt facility	\$ 28,146,540	-	28,146,540	-
Bank loans	4,660,000	6,796,436	-	6,796,436
	<b>32,806,540</b>	<b>6,796,436</b>	<b>28,146,540</b>	<b>6,796,436</b>

Facilities utilised at bank date:				
Construction debt facility	\$ 8,095,190	-	8,095,190	-
Bank loans	4,660,000	6,796,436	-	6,796,436
	<b>12,755,190</b>	<b>6,796,436</b>	<b>8,095,190</b>	<b>6,796,436</b>

Facilities not utilised at balance date:				
Constructive debt facility	\$ 20,051,350	-	20,051,350	-
Bank loans	-	-	-	-
	<b>20,051,350</b>	<b>-</b>	<b>20,051,350</b>	<b>-</b>

**NOTE 19 – Provisions**

	Consolidated		The Company	
	2002	2001	2002	2001
Current				
Employee entitlements	\$ 16,914	9,072	16,914	9,072
Dividends	1,181,080	-	1,181,080	-
	<b>1,197,994</b>	<b>9,072</b>	<b>1,197,994</b>	<b>9,072</b>
<b>Number of employees at year end</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

## NOTE 20 – Contributed Equity

	Consolidated		The Company	
	2002	2001	2002	2001
<b>Issued and paid-up share capital 78,738,449 (2001:78,738,449) ordinary shares fully paid</b>	<b>8,361,962</b>	<b>8,361,962</b>	<b>8,361,962</b>	<b>8,361,962</b>
Movement:				
Balance at beginning of the year	\$ 8,361,962	6,864,002	8,361,962	6,864,002
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
Transfer from share option reserve upon expiry of all options granted by the company	-	645,460	-	645,460
<b>Balance at end of the year</b>	<b>8,361,962</b>	<b>8,361,962</b>	<b>8,361,962</b>	<b>8,361,962</b>

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 21 – Accumulated Losses

	Consolidated		The Company	
	2002	2001	2002	2001
Accumulated losses at beginning of the year	\$ (2,542,813)	(82,581)	(2,501,615)	(26,098)
Net profit/(loss) attributable to members of the parent entity	2,928,414	(2,460,232)	2,610,049	(2,475,517)
Dividends	(1,181,080)	-	(1,181,080)	-
<b>Accumulated losses at the end of the year</b>	<b>(795,479)</b>	<b>(2,542,813)</b>	<b>(1,072,646)</b>	<b>(2,501,615)</b>

## NOTE 22 – Total Equity Reconciliation

	Note	Consolidated		The Company	
		2002	2001	2002	2001
Total equity at beginning of the year	\$	5,819,149	7,426,881	5,860,347	7,483,364
Total changes in parent entity interest in equity recognised in statement of financial position		2,928,414	(2,460,232)	2,610,049	(2,475,517)
Transactions with owners as owners:					
Contributions of equity		-	852,500	-	852,500
Dividends	23	(1,181,080)	-	(1,181,080)	-
<b>Total equity at end of the year</b>		<b>7,566,483</b>	<b>5,819,149</b>	<b>7,289,316</b>	<b>5,860,347</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

## NOTE 23 – Dividends

Dividends recognised in the current year by the Company are:

	Cents per share	Total amount in \$	Date of payment	Tax rate for franking credit	Percentage franked
2002					
Final – Ordinary	1.5	1,181,080	6 September 2002	30%	27%

No dividends were declared or paid during the 2001 year.

## NOTE 24 – Interest in Joint Venture Operation

	Consolidated		The Company	
	2002	2001	2002	2001
The company holds a 72.17% (2001: 72.17%) interest in a joint venture, named Sydney Park Management Venture, whose principal activity is the development of the property at 221-229 Sydney Park Road, Alexandria. For the year ended 30 June 2002 the contribution of the joint venture to the operating result before tax of the Company and consolidated entity was a loss of \$23,099 (2001: \$359,195 profit).				
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 1 (b).				
Current Assets				
Cash	\$ 4,234	50,924	4,234	50,924
Prepayments	-	30,053	-	30,053
Receivables	203,174	106,186	203,174	106,186
Total Current Assets	207,408	187,163	207,408	187,163
Non-Current Assets				
Property held for development	12,081,024	5,502,328	12,081,024	5,502,328
Total Non-Current Assets	12,081,024	5,502,328	12,081,024	5,502,328
<b>Total Assets</b>	<b>12,288,432</b>	<b>5,689,491</b>	<b>12,288,432</b>	<b>5,689,491</b>
Current Liabilities				
Trade and other creditors	\$ 90,270	260,350	90,270	260,350
Non-Current Liabilities				
Interest bearing liabilities	9,635,606	3,078,719	9,635,606	3,078,719
<b>Total Liabilities</b>	<b>9,725,876</b>	<b>3,339,069</b>	<b>9,725,876</b>	<b>3,339,069</b>



## NOTE 25 – Controlled Entities

(a) Particulars in relation to controlled entities

Name	Ordinary Share Consolidated Entity Interest	
	2002 %	2001 %
<i>Parent entity</i>		
Metroland Australia Limited		
<i>Controlled entities</i>		
Metroland Properties Pty Limited	100	100
Kings Properties (Australia) Pty Limited	100	100
Crossingham Pty Limited	100	100
Pacific Metronet Limited	51	51
Metroland Homes Pty Limited	100	100
Pacific Metrocom Limited	100	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	
	2002	2001	2002	2001
The company as a 72.17% venturer in the Sydney Park Joint Venture operation is jointly and severally liable for 100% of all liabilities incurred by the joint venture; and has also guaranteed the construction debt facility of the joint venture. The joint venture liabilities not already reflected in the statement of financial position are				
	\$ 3,750,349	1,234,305	3,750,349	1,234,305

## NOTE 27 – 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:

Property sales and development:	Development and sale of land held for resale
Property rentals:	Rental from commercial property investments
Other:	Investment activities

**NOTE 27 – Segment Reporting (cont.)**

<b>PRIMARY REPORTING</b>			
<b>Business Segments</b>	<b>Property Sales and Development</b>		<b>Property</b>
	<b>2002</b>	<b>2001</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>External segment revenue</b>	7,761,818	0	728,449
<b>Segment result</b>	3,684,196	0	(48,240)
Unallocated corporate expenses			
Profit from ordinary activities before income tax			
Income tax expense			
<b>Net profit</b>			
Depreciation	0	0	13,902
<b>Individually significant items:</b>			
Proceeds on sale of property	(7,750,000)	0	0
Costs of property sold	4,077,622	0	0
	(3,672,378)	0	0
Doubtful term debt provision on loan to prospective investee company	0	0	0
Segment assets	19,868,785	3,633,165	7,448,730
Unallocated corporate assets			
<b>Consolidated total assets</b>			
<b>Liabilities</b>			
Segment liabilities	13,906,033	1,737,482	4,737,420
Unallocated corporate liabilities			
<b>Consolidated total liabilities</b>			
Acquisition of non-current assets	2,250,741	232,448	2,225,565
<b>SECONDARY REPORTING</b>			
<b>Geographical Segments</b>			
The company operates in the Sydney Region of New South Wales, Australia.			



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2002

Rental	Investment and Financial Services		Consolidated	
	2001 \$	2002 \$	2001 \$	2001 \$
1,320,478	55,005	71,303	8,545,272	1,391,781
342,603	6,102	(2,119,318)	3,642,058	(1,776,715)
			(470,038)	(693,562)
			3,172,020	(2,470,277)
			(243,606)	9,996
			<b>2,928,414</b>	<b>2,460,281</b>
13,902	9,673	6,541	23,575	20,443
0	0	0	(7,750,000)	0
0	0	0	4,077,622	0
0	0	0	(3,672,378)	0
0	0	1,931,690	0	1,931,690
11,390,099	10,332	63,825	27,327,847	15,087,089
			31,366	40,587
			<b>27,359,213</b>	<b>15,127,676</b>
7,493,038	0	0	18,643,453	9,230,520
			1,149,277	78,007
			<b>19,792,730</b>	<b>9,308,527</b>
0	0	0	4,476,306	232,448

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2002

**NOTE 28 – Directors' Remuneration**

	Consolidated		The Company	
	2002	2001	2002	2001
<b>Directors' Income</b>				
The number of directors of the Company whose income from the Company or any related party falls within the following bands:				
\$0 - \$9,999			3	2
\$20,000 - \$29,999			3	1
\$30,000 - \$39,999			-	2
\$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				
	\$ 148,358	208,530	148,358	208,530

**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 and Mr W H Zhou resigned on 8 January 2002.

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 contract 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 Shares*

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

	2002 Number Held	2001 Number Held
Metroland Australia Limited Ordinary Shares	23,635,745	25,940,745

There are no unissued ordinary shares for which options are outstanding at the end of the year.

(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 and property management services for properties owned by the consolidated entity. During the year ended 30 June 2002, rental and management fees totalling \$31,000 (2001:\$21,000) was paid.

(ii) The company has entered into a joint venture arrangement with Contases Pty Limited, a company controlled by Frank Shien, to 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 was \$106,110. The loan carries interest at 9% and is unsecured. During the year interest of \$20,908 was charged on the loan.

(c) **Non-Director Related Parties**

*Wholly-owned controlled entities*

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 charged interest at 9% on the balance outstanding and is 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	
	2002	2001
	\$	\$
Receivables		
Non-current		
Wholly owned controlled entities	1,865,019	3,846,535
Partly owned controlled entities	-	1,980,799
Provision for doubtful recovery	-	(1,980,799)
	<b>1,865,019</b>	<b>3,846,535</b>

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	883,350	-
Partly – owned controlled entities	345,216	-
Dividend revenue		
<b>Wholly-owned controlled entities</b>	<b>2,500,000</b>	<b>-</b>

Percentage of equity interest

Details of equity interests held in classes of related parties are set out in Note 25.

**NOTE 30 – Financial Instrument Disclosure**

(a) **Interest Rate Risk**

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

**Fixed Interest Rate Maturing**

2002	Floating Interest Rate	1 Year or Less	1 to 5 Years	Non-Interest Bearing	Total	Weighted Average Interest Rate
(i) <b>Financial Assets</b>	\$	\$	\$	\$	\$	%
Cash assets	5,525,185	-	-	-	5,525,185	4.6
Receivables – other	-	-	-	39,233	39,233	-
Receivables – related entity	-	85,971	-	-	85,971	9.0
Investments	-	-	-	7,457,882	7,457,882	-
<b>Total Financial Assets</b>	<b>5,525,185</b>	<b>85,971</b>	<b>-</b>	<b>7,497,115</b>	<b>13,108,271</b>	

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2002

NOTE 30 – Financial Instrument Disclosure (cont.)

Fixed Interest Rate Maturing

2002	Floating Interest Rate	1 Year or Less	1 to 5 Years	Non-Interest Bearing	Total	Weighted Average Interest Rate
(ii) <b>Financial Liabilities</b>	\$	\$	\$	\$	\$	%
Payables	-	-	-	2,734,808	2,734,808	-
Bank loans	-	3,220,000	1,440,000	-	4,660,000	7.48
Bank overdraft	6,957	-	-	-	6,957	10.97
Loans from other entities	-	-	1,790,417	-	1,790,417	11.0
Construction debt facility	8,095,190	-	-	-	8,095,190	7.0
Redeemable convertible note	-	-	1,000,000	-	1,000,000	8
Hire purchase liabilities	-	5,304	13,279	-	18,583	7.0
Dividends payable	-	-	-	1,181,080	1,181,080	-
<b>Total Financial Liabilities</b>	<b>8,102,147</b>	<b>3,225,304</b>	<b>4,243,696</b>	<b>3,915,888</b>	<b>19,487,035</b>	

Fixed Interest Rate Maturing

2001	Floating Interest Rate	1 Year or Less	1 to 5 Years	Non-Interest Bearing	Total	Weighted Average Interest Rate
(i) <b>Financial Assets</b>	\$	\$	\$	\$	\$	%
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	-
<b>Total Financial Assets</b>	<b>477,806</b>	<b>-</b>	<b>-</b>	<b>5,382,657</b>	<b>5,860,463</b>	
(ii) <b>Financial Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,445,550</b>	<b>7,577,060</b>	<b>240,988</b>	<b>9,263,598</b>	



## NOTE 30 – Financial Instrument Disclosure *(cont.)*

### (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

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.

...conducting affairs  
honestly, fairly,  
ethically.

## DIRECTORS' DECLARATION

In the opinion of the Directors of Metroland Australia Limited ("the Company"):

1. the financial statements and notes as set out on pages 6 to 30 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

2. 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:



**Frank Shien**  
*Director*

Dated at Sydney this 27th day of September 2002

## INDEPENDENT AUDIT REPORT

### Scope

We have audited the financial report of Metroland Australia Limited ("the Company") for the financial year ended 30 June 2002, 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 6 to 29. 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 in Australia and statutory requirements 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 2002, and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**Gould Ralph & Company**  
*Chartered Accountants*



**Greg Ralph** M.Com. F.C.A.  
*Partner*

Dated at Sydney this 27th day of September 2002

*Liability is limited by the Accountants Scheme pursuant to the NSW Professional Standards Act 1994*





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 10 September 2002)

Category	Number of Shareholders
	<i>Ordinary</i>
1 - 1,000	9
1,001 - 5,000	171
5,001 - 10,000	96
10,001 - 100,000	233
100,001 - over	103
	<b>612</b>

(b) The number of shareholdings less than a marketable parcel at 10 September 2002 was 35.

(c) The number of shares held by the substantial shareholders at 10 September 2002 were:

Shareholder	No. 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 10 September 2002.

Shareholders	No. of Ordinary Fully Paid Shares Held	% Held of Total Issued
1. Da Cheng Zhang	9,600,000	12.19
2. Tanesia Holdings Pty Ltd	4,500,000	5.72
3. Formbell Pty Limited	3,576,886	4.55
4. Gainfield Consultants Limited	2,300,000	2.92
5. Mr Tonny Rungkat	2,282,458	2.90
6. NX Holdings Pty Limited	2,124,495	2.70
7. LJL Capital Pty Limited	1,718,833	2.18
8. G H Kluge & Sons Limited	1,375,000	1.75
9. Pauline C Y Chen	1,325,000	1.68
10. Dawes Investment Pty Limited	1,300,000	1.65
11. Dr Frederick Chen	1,260,000	1.60
12. Ms Moey Soi Quek	1,200,000	1.52
13. Wincute Intl 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. Mr Hsue Ying Chen	900,000	1.14
20. Chepston Properties Limited	860,000	1.09
	<b>40,905,922</b>	<b>51.96</b>

(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.

(j) Stock Exchange

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

(k) On-market Buy-Back

There is no current on-market buy-back.

... creating  
quality of life

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 non-executive directors, comprising of 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 2002.

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 comments 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 Board's 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 policies 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.

... commitment  
to the future



## C O R P O R A T E   D I R E C T O R Y

### **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  
Pymont NSW 2009  
Tel (02) 9692 0020  
Fax (02) 9692 0084

### **Share Registry**

**Gould Ralph Services Pty Ltd**  
Level 42, AAP Centre  
259 George Street  
Sydney NSW 2000  
Tel (02) 9032 3000  
Fax (02) 9032 3088

### **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 42, AAP Centre  
259 George Street  
Sydney NSW 2000

### **Home Stock Exchange**

#### **Australian Stock Exchange Limited**

Brisbane QLD 4000  
ASX Code: MTD



# METROLAND...

OUR PURPOSE, GROWTH

OUR DRIVE, INTEGRITY

OUR VISION, THE FUTURE



**METROLAND AUSTRALIA LIMITED**

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ACN 009 138 149