Metroland Australia Limited

ACN 009 138 149

annual shareholder report

contents

chairman and ceo's address

Dear Shareholders

We are pleased to report to you a very successful financial year ending 30 June 2004.

This financial year, the Company has reported a net profit after tax of $2.833 million which amount is equivalent to 3.6 cents in earnings per share. Total dividends declared were 2 cents per share fully franked.

The first half of the year saw the completion of the joint venture development of 224 residential apartments at Erskineville, NSW, which contributed significantly to the year's earnings. All borrowings relating to this development have now been fully repaid.

With the softening of the residential property market, the Company has, since the completion of the Erskineville development, concentrated its resources on the acquisition of income-generating commercial properties with potential for re-development.

In December 2003, the Company, through a 50% owned joint venture, acquired the Greenway Plaza shopping centre at Wetherill Park, NSW, and subsequently the property adjoining the right hand side of the shopping centre. In a further strategic move, the Company then acquired the property adjoining the left side of the Greenway Plaza. The acquisition of these three properties would enable the Company to develop a bulky goods centre with a total lettable area of approximately 30,000 sq.m.

In June 2004, the Company entered into an agreement for the acquisition of the Wentworthville Mall, an established shopping centre producing a net income return of approximately 8% p.a.. This property has enormous potential for redevelopment and the Board will keep shareholders informed of any development proposals.

The acquisition and proposed development of the above properties and the golf resort in Cattai, NSW, together with the proposed re-development of the Company's Neutral Bay and Gladesville properties, means that the Company is well on track in the implementation of its strategic shift towards retail and commercial property development.

The Company will continue to develop its 55% owned strata management business which is expected to generate good cash flows and earnings in the years ahead.

The Company's activities have been partly funded by funds raised through a share purchase plan introduced during the year which enabled shareholders to increase their holdings in the Company at a price which was at a discount to the market price. The SPP raised $3.055 million.

The Company has also introduced a dividend reinvestment plan to enable shareholders to reinvest their earnings in the Company.

The Company also proposes to grant each shareholder a bonus option with an expiry date of 2009 for every 6 shares held.

The Company currently has a strong balance sheet and is in a position to seek and pursue good business opportunities. Full details of the Company's activities, earnings and asset holdings are set out in this Report.

The earnings outlook for the coming years is good.

The Company's success is attributable to not only the goals and strategies that the Board of Directors have put in place for the Company but also, very importantly, the continuing support that the Board has received from you, the shareholders of the Company.

We look forward to further strengthening the Company's position within the property industry and to continue to share its financial returns with all shareholders.

Yours faithfully

Eddie Lee
Chairman

Frank Shien
Managing Director & CEO

directors' report

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 2004 and the auditor's report thereon.

DIRECTORS

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

Eddie Lee (Chairman and Independent Non-Executive Director) Aged 57

B.E.Civil B.Sc.Dip.Bldg.Sc. (Sydney)

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.

Member of Audit Committee. Director since 1994.

Frank Shien (Deputy Chairman and Chief Executive Officer) Aged 52 BA (Lon)

Mr Shien has extensive construction and property development experience and has business associates in Indonesia, Malaysia, Hong Kong and China. Mr Shien is a director of a number of property companies and during the last 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.

Director since 1997.

John Wardman (Non-Executive Director) Aged 44

B.Econ, FAICD, SIA(Aff.)

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

Member of Audit Committee. Director since 1996.

Steam Leung (Non-Executive Director) Aged 45 LREA

Mr Leung has 16 years experience in real estate in Australia, is a Licensed Real Estate Agent and Auctioneer, and is a Director of Colliers International (NSW) Pty Limited. He has extensive experience in sales and marketing of commercial properties and residential projects.

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

Director since 1997.

Da Cheng Zhang (Non-Executive Director) Aged 50

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-principal of the Harbin Institute of Technology in Harbin, PRC.

Director since February 2000.

PRINCIPAL ACTIVITIES

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

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

REVIEW AND RESULTS OF OPERATIONS

Company Overview

The consolidated profit from ordinary activities after tax was $2,833,173 compared with $3,068,318 in 2003. The profit is derived mainly from the completion of the Sydney Park Joint Venture property development, with revenues derived over the 2 year period 2003 and 2004. The decrease in profit is mainly due to the completion of more than half of the sales of the development in the 2003 financial year. At 30 June 2004 there is a balance of 5 units to be sold in the development, which are held as Property Inventories in the Statement of Financial Position at a value of $1,957,885.

Rental and property management activities have increased with revenues increasing from $790,000 in 2003 to $1,009,000 in the 2004 year. Other revenue from ordinary activities, being principally interest income, has also increased from $204,000 in 2003 to $431,000 in the 2004 year.

Operating expenses have been kept to a minimal increase as shown below:

	2003 $	2004 $
Property expenses	238,000	258,000
Directors fees	118,800	118,800
Employee expenses	237,000	323,000
Legal and professional fees	240,000	129,000
Other expenses	380,000	300,000

Review of Principal Business Investments

The consolidated entity is continuing its strategic direction in property development, property investment and rental and related property management services. The majority of the company's profit for 2004 was derived from the sale of all but 5 of the remaining units of the Sydney Park Joint Venture development which was completed in the 2nd quarter of the financial year.

With the softening of the residential market, the company has shifted its development activities towards retail and commercial development. The company is also moving its direction towards the creation of more income by increasing its investment in commercial properties, which has necessitated raising more funds by way of equity and debt funding. The company has made a number of substantial acquisitions of properties during the year, two of which are on a 50% joint venture basis with private investors to mitigate risks.

Greenway Plaza, Wetherill Park

Greenway Plaza was acquired in December 2003 for $18.6 million through a joint venture of which the company has a 50% interest. Greenway Plaza is a well established regional shopping centre situated at a very prominent location on Horsley Drive, Wetherill Park, at the entrance to a number of industrial estates in the west of Sydney. Greenway Plaza sits on 20,000 sq.m land and generates net income of $1.5 million per annum. The Plaza's tenants include Westpac, Red Rooster, Subway, Pizza Haven, Supercheap Auto, Seafood Outlet, Road & Traffic Authority, as well as an independent butcher, fruit barn and others.

Glendale Chemical Factory

The same joint venture that owns the Greenway Plaza has entered into a contract, conditional upon the receipt of a satisfactory Contamination Report from the vendor, to purchase the Glendale Chemical Factory adjoining Greenway Plaza. It has a land area of 22,000 sq.m. The $7.5 million purchase is due for settlement in April 2005 upon the relocation of the factory.

Abruzzi Sports Club

In April 2004, a wholly-owned subsidiary of Metroland purchased the Abruzzi Sports Club for $6.45 million with a one year lease back arrangement. The Abruzzi Sports Club land adjoins the left side of the Greenway Plaza and has a land area of 20,000 sq.m.

The Greenway Supacenta

It is proposed that all three properties referred to above will be consolidated to create a Bulky Goods Centre with a proposed total lettable area of approximately 30,000 sq.m., trading under the name of "The Greenway Supacenta". It is anticipated that this development of the two sites and the upgrade of Greenway Plaza will generate substantial income for the company.

directors' report

Sydney Park Joint Venture

The Joint Venture development was completed in September 2003 with all pre-sold contracts settled and the construction loan fully repaid. There now remains 5 units unsold and the Joint Venture expects these to be sold in the coming year.

Bay Plaza, Neutral Bay

The conditional development approval for the re-development of the combined site of 2,400 sq.m. was granted during the year subject to gazettal of the re-zoning of 4 Rangers Road. The company reported last year that the re-zoning of 4 Rangers Road was approved by Council. However, the process of gazetting has taken a longer time than the company expected. The company now expects the gazetting to occur soon. The DA provides for the development of 2 levels of basement car park, 14 retail shops on the ground level providing 1,200 sq.m. of retail area and 64 residential units of a mix of 1,2 and 3 bedroom apartments over 4 levels. The Bay Plaza is currently fully leased generating gross rental income of approximately $620,000 per annum.

Gladesville Property

The company has had a number of informal meetings during the year with Council, together with representatives of the adjoining Church to discuss the proposed re-development of the site and that part of the land where the community hall of the Church is situated. The Council is now in the process of drawing up a new master plan for the whole of the Gladesville municipality and the company seeks to establish good communication with the Council and the local community with the view to producing a re-development plan that complements the overall objectives of the Council and the community. The company expects that the end result will be of substantial benefit to all parties. The property currently comprises 8 shop houses and a car park and is fully leased producing gross rental income of approximately $180,000 per annum.

The Ridge, Cattai at Windsor

During the year, Metroland Investments Pty Limited accepted an expression of interest by a private investor to participate in The Ridge project venture resulting in the company's holding in Metroland Investments Pty Limited being reduced to a 50% joint venture interest. The underlying convertible loan made to Lifestyle Investment Pty Limited was converted into part-equity and part-loan in June 2004 in accordance with the terms of the Convertible Loan Agreement. Detailed plans for the construction of the golf course and the 200 homesteads were completed during the year. The company expects the project to commence its marketing activities shortly.

Wentworthville Mall, Wentworthville

A wholly-owned controlled entity of the company entered into a conditional contract in May 2004 to purchase an established suburban shopping centre in the heart of Wentworthville, west of Parramatta, for $17.8 million. The contract became unconditional in August 2004, and settlement took place on 22 September 2004. The shopping mall, which sits on land of 9,000 sq.m. is currently generating annual gross rentals of approximately $2 million, and after expenses, gives a net return of 8% on the investment. The Mall is 98% leased with approximately 32 tenancies including Franklins, St George Bank, Noni B, Millers, Soul Pattison and others.

Stratawide Management Pty Limited

Stratawide has now entered into its second year of operation and has taken on more management projects. Operational and training systems have been put in place and the company is satisfied with its progress and looks forward to lending its support in marketing the services of Stratawide.

Capital Raising

The company has raised $3,055,000 through a Share Purchase Plan announced in May 2004 which offered every Australian and New Zealand shareholder the opportunity to acquire additional shares of 5,000 to a maximum of 25,000 shares at 20 cents per share. The company has also launched its Dividend Reinvestment Plan commencing with the payment of the 2004 dividend.

Other

Metroland is continuing to seek good opportunities to further strengthen its revenue streams and the growth of the company.

DIVIDENDS

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

Type	Cents Per Share	Total Amount $	Date of Payment	Tax Rate for Franking Credit
Declared and paid during the year:				
- Final – 2003 ordinary	2.0	1,571,656	20/9/2003	30% Fully Franked
Declared and provided in the current year:				
- Final – 2004 ordinary	2.0	1,574,769	8/9/2004	30% Fully Franked
- Shares issued 30 July 2004 pursuant to the company's Share Purchase Plan	2.0	305,500	8/9/2004	30% Fully Franked
		1,880,269		

STATE OF AFFAIRS

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

The consolidated entity's total assets decreased by $29.343 million to $32.334 million (2003:$61.677 million) over the year. The decrease in total assets principally comprised:

- A decrease in trade receivables of $39.148 million due to the receipt and settlement of the Sydney Park Joint Venture property sales.
- A decrease in property inventories of $5.870 million due to the sale of substantially all the remaining units in the Sydney Park development during the year.

Partially offsetting these decreases were:

- An increase in property held for development totalling $8.734 million, as a result of the acquisition of property at Wetherill Park, and a deposit made on the purchase of a shopping mall in Wentworthville, NSW.
- An increase of $7.387 million in investments in associated joint venture entities arising from the company's 50% interest in two joint ventures during the year.

There has also been a decrease in total liabilities by $28.724 million to $22.318 million (2003:$51.042 million). This decrease is principally due to:

- A net decrease in borrowings of $22.816 million as a result of the full repayment of the Sydney Park development construction borrowings of $32.112 million which is offset by new borrowings taken out during the year of $9.430 million for the new acquisitions of properties held for development.
- A decrease in payables of $8.508 million due to the completion of the Sydney Park property development, and the payment of all amounts owing on the construction.

The consolidated entity's net assets decreased by $619,000 (6%) to $10.016 million (2003:$10.635 million) over the year. This decrease was principally due to the recognition of the dividend payment in respect of the 2003 financial year, in the current 2004 financial statements. This treatment is in accordance with the new accounting standard AASB 1044: Provisions, Contingent Liabilities and Contingent Assets. Total dividends paid for the 2003 financial year and recognised in the 2004 financial statements was $1,571,656.

directors' report

EVENTS SUBSEQUENT TO REPORTING DATE

(i) In July 2004, the company offered existing Australian and New Zealand registered shareholders the right to participate in a Share Purchase Plan ("SPP"), of up to a maximum of 25,000 shares per shareholder at a price of 20 cents per share. The SPP, which was underwritten to 7,500,000 shares, closed on 23 July 2004 and resulted in the issue of an additional 15,725,000 shares, raising $3,055,000 in working capital for the company. These shares were listed on the ASX on 30 July 2004.

(ii) The purchase contract entered into by a wholly-owned subsidiary for the acquisition of a shopping mall complex at 42-44 Dunmore Road, Wentworthville, NSW became unconditional in August 2004, with the balance of the contracted price of $16,020,000 settled on 22 September 2004. The settlement was financed by a loan from Perpetual Investment Management Limited of $14,000,000, secured by a first registered mortgage over the Wentworthville Mall Shopping centre, and a loan of $2 million from the International Commercial Bank of China, which is secured over the remaining 5 unsold units of the Sydney Park Joint Venture development at Alexandria, NSW.

(iii) The company announced the introduction of a Dividend Reinvestment Plan, effective from the payment of the company's 2004 financial year dividend. The company also announced the issue of one free option for every six shares held, with an exercise price of 26 cents, expiring in 2009. The record date is to be announced in October 2004.

(iv) In July 2004, the company repaid borrowings of $1,800,000 from a director related entity.

There has not arisen in the interval between the end of the financial year and the date of this report any other 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 rental and commercial property investment and development sectors, and to continue to pursue the company's policy of increasing revenue and profitability during the next financial year.

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

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:

Board Meetings	Attended	Held
Mr E Lee	5	5
Mr S Leung	5	5
Mr F Shien	5	5
Mr J Wardman	5	5
Mr D C Zhang	3	5

AUDIT COMMITTEE

Due to the limitations imposed by size, the company in the past did not have a separately constituted audit committee. With the increase in the group's operations, an audit committee consisting of two non-executive directors, Mrs John Wardman and Mr Eddie Lee, was established with the first audit committee meeting held on 10 September 2004 to adopt the Audit Committee Charter.

ENVIRONMENTAL REGULATIONS

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

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 directors and senior executives duties and responsibilities and level of performance.

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

Details of the nature and amount of each major element of the emoluments of each director of the company and each of the named officers of the company and the consolidated entity receiving the highest emoluments are as follows:-

Directors	Base Remuneration (salary & fees)	Superannuation Contributions	Total Remuneration
	$	$	$
Executive			
Frank Shien	70,800	-	70,800
Non-executive			
Eddie Lee	12,000	-	12,000
John Wardman	12,000	-	12,000
Steam Leung	24,000	-	24,000
Executive Officers (excluding directors)			
Company			
Tjin Hong Ong	88,750	7,988	96,738
Consolidated			
Anthony Maroon	120,000	10,800	130,800
Tjin Hong Ong	88,750	7,988	96,738

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 bodies 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 S Leung	855,000
Mr F Shien	8,868,245
Mr J Wardman	1,310,333
Mr D C Zhang	9,600,000

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The company has executed a Deed of Indemnity and Access with each director, except Mr D C Zhang. The Deed provides:-

- an indemnity against any legal proceedings, damage, loss, liability, cost, charges, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred in connection with being a director of the company, the employment with the company or a breach of the company of its obligations under the Deed;
- that the company will maintain, for the term of the appointment and for seven years following cessation of office, an insurance policy from a reputable insurance company at reasonable commercial rates, for the benefit of the director which insures the director against liability for acts or omissions of the director in the director's capacity or former capacity as a director of the company; and
- a right of access to Board papers relating to the directors period of appointment as a director for a period of seven years following that directors cessation of office.

No indemnities have been given for any other person during or since the end of the financial year, who is or has been an officer or auditor of the company. No insurance premiums have been paid during or since the end of the financial year. The company is currently seeking a D&O Policy at rates which are commercially reasonable to it's capitalisation, size and nature of operations.

Dated at Sydney this 24th day of September 2004.
Signed in accordance with a resolution of the directors.

Frank Shien
Director

statements of financial performance

for the year ended 30 June 2004

	Note	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
		$	$	$	$
Revenue from sale of property		8,934,650	42,169,226	8,934,650	42,169,226
Rental revenue		882,951	785,988	-	-
Other revenues from ordinary activities		602,590	207,965	1,336,266	633,060
Total Revenue	2	10,420,191	43,163,179	10,270,916	42,802,286
Cost of property sold	3(a)	(4,330,489)	(35,733,099)	(4,330,489)	(35,801,202)
Employee expenses		(322,927)	(237,392)	(177,543)	(144,306)
Borrowing costs	3(b)	(839,245)	(1,802,922)	(591,243)	(1,379,246)
Property expenses		(258,256)	(237,501)	-	-
Directors fees		(118,800)	(118,800)	(118,800)	(118,800)
Legal and professional fees		(128,893)	(240,196)	(127,593)	(72,770)
Other expenses from ordinary activities		(300,086)	(380,064)	(223,411)	(326,145)
Share of net loss of joint venture entities accounted for using the equity method	26	(48,242)	-	-	-
Profit from ordinary activities before related income tax expense		**4,073,253**	**4,413,205**	**4,701,837**	**4,959,817**
Income tax (expense) relating to ordinary activities	4(a)	(1,240,080)	(1,344,887)	(1,277,365)	(1,379,397)
Net profit attributable to members of the parent entity	**21**	**2,833,173**	**3,068,318**	**3,424,472**	**3,580,420**
Total changes in equity from non-owner related transactions attributable to the members of the parent entity	**22**	**2,833,173**	**3,068,318**	**3,424,472**	**3,580,420**
Ordinary Shares:					
Basic earnings per share	5	$0.036	$0.039		
Diluted earnings per share	5	$0.036	$0.039		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 11 to 34.

statements of financial position

for the year ended 30 June 2004

	Note	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
		$	$	$	$
CURRENT ASSETS					
Cash assets	8	3,136,796	4,017,247	3,099,883	3,970,158
Receivables	9	640,848	39,284,967	90,353	39,147,665
Property inventories	10	1,957,885	7,827,950	2,054,953	7,925,018
Other	12	93,251	59,650	-	-
Total Current Assets		**5,828,780**	**51,189,814**	**5,245,189**	**51,042,841**
NON-CURRENT ASSETS					
Receivables	9	129,303	256,751	19,567,604	4,138,259
Properties held for development	13	18,488,674	9,754,689	-	-
Investments accounted for using the equity method	11	7,386,621	-	-	-
Other financial assets	14	6,170	11,260	17,326	6,326
Property, plant & equipment	15	48,083	59,360	28,251	36,662
Deferred tax assets	4(d)	446,225	405,335	442,948	370,743
Total Non-Current Assets		**26,505,076**	**10,487,395**	**20,056,129**	**4,551,990**
TOTAL ASSETS		**32,333,856**	**61,677,209**	**25,301,318**	**55,594,831**
CURRENT LIABILITIES					
Payables	16	699,410	9,175,326	294,045	9,119,266
Interest bearing liabilities	17	1,841,309	35,398,874	1,805,309	32,117,178
Current tax liabilities	4(b)	2,544,163	511,924	2,544,163	511,924
Provisions	19	1,894,154	5,885	1,880,269	-
Total Current Liabilities		**6,979,036**	**45,092,009**	**6,523,786**	**41,748,368**
NON-CURRENT LIABILITIES					
Interest bearing liabilities	17	15,288,885	4,547,474	7,885,363	1,573,884
Deferred tax liabilities	4(c)	41,034	1,402,925	41,034	1,402,843
Provisions	19	8,852	-	8,852	-
Total Non-Current Liabilities		**15,338,771**	**5,950,399**	**7,935,249**	**2,976,727**
TOTAL LIABILITIES		**22,317,807**	**51,042,408**	**14,459,035**	**44,725,095**
NET ASSETS		**10,016,049**	**10,634,801**	**10,842,283**	**10,869,736**
EQUITY					
Contributed equity	20	8,361,962	8,361,962	8,361,962	8,361,962
Retained profits	21	1,654,087	2,272,839	2,480,321	2,507,774
Total Equity	**22**	**10,016,049**	**10,634,801**	**10,842,283**	**10,869,736**

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 11 to 34.

statements of cash flows

for the year ended 30 June 2004

	Note	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		49,443,276	3,830,931	48,082,315	2,992,693
Cash payments in the course of operations		(8,333,866)	(24,934,759)	(7,860,887)	(23,597,830)
Interest received		318,150	272,272	316,506	268,317
Borrowing costs paid		(922,794)	(1,202,994)	(663,344)	(796,178)
Income taxes paid		(679,140)	(124,154)	(679,140)	(1,658)
Net cash provided by/(used in) operating activities	7(a)	39,825,626	(22,158,704)	39,195,450	(21,134,656)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		-	(38,098)	-	(14,659)
Acquisition of investments		(7,204,537)	(928)	(7,189,755)	-
Acquisition of property held for development		(9,375,621)	(2,020,602)	-	-
Loan to other entities		-	(130,000)	-	-
Net cash (used in) investing activities		(16,580,158)	(2,189,628)	(7,189,755)	(14,659)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans (to/from) related entities		1,800,000	(218,700)	(5,765,815)	(1,870,546)
Proceeds from borrowings		10,634,000	24,223,012	6,174,000	22,646,957
Repayment of borrowings		(34,985,486)	-	(31,728,958)	-
Hire purchase repayments		(5,309)	(5,309)	(5,309)	(5,309)
Dividends paid		(1,549,888)	(1,170,888)	(1,549,888)	(1,170,888)
Net cash provided by/(used in) financing activities		(24,106,683)	22,828,115	(32,875,970)	19,600,214
Net (decrease) in cash held		**(861,215)**	**(1,520,217)**	**(870,275)**	**(1,549,101)**
Cash at beginning of the financial year		3,998,011	5,518,228	3,970,158	5,519,259
Cash at the end of the financial year	**7(b)**	**3,136,796**	**3,998,011**	**3,099,883**	**3,970,158**

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 11 to 34.

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

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 does not take into account changing money values or, except where stated, fair values of assets. These accounting policies have been consistently applied by each entity in the consolidated entity, and except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Principles of Consolidation

Controlled Entities

The financial statements of controlled entities are included in the consolidated financial statements 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 Ventures

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

Joint Venture Entities

In the consolidated financial statements, investments in joint venture entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the joint venture entities' net profit or loss is recognised in the consolidated statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Joint Venture Operations

The consolidated entity's interest in unincorporated joint ventures are brought to account by including its proportionate share of the joint venture operations' 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, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

Changes in Ownership Interest

Loss of control, joint control or significant influence retained

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

(c) Taxation

The consolidated entity adopts the income statement liability method of tax-effect accounting whereby the income tax expense is calculated on operating profit adjusted for any permanent differences between taxable and accounting income.

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 a provision for deferred income tax or as a future income tax benefit.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain. Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

Tax Consolidation

The company is the head entity in the tax-consolidated group comprising all the wholly-owned controlled entities set out in Note 25. The implementation date for the tax-consolidated group is 1 July 2002. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intra-group transactions).

The tax-consolidated group has not entered into any tax funding agreements.

(d) 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 reporting 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.

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Borrowing Costs

Borrowing costs include interest, ancillary costs incurred in connection with arrangement of borrowings and finance charges in respect of finance leases.

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 assets. Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing, net of any income earned on those assets. When funds are borrowed generally, the borrowing costs are expensed as incurred.

(f) Acquisition of Assets

All assets acquired, including property, plant and equipment are initially recorded at their cost of acquisition, at the date 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, otherwise the costs are expensed as incurred.

(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.

Joint Ventures

In the company's financial statements, investments in joint venture entities are carried at the lower of cost and recoverable amount. In the company's financial statements, investments in joint venture operations are accounted for as set out in Note 1(b).

(h) Inventories

Property inventories, and properties held for development are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition and for property inventories also includes, development and holding costs such as borrowing costs, rates and taxes until the point of time that the property is ready for sale. 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 taking into account estimated residual values. Assets are depreciated from the date of acquisition. Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

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

	2004	2003
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 90 days.

(k) Interest Bearing Liabilities

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

(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) Receivables

The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

Trade debtors

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

(n) 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.

Where properties are sold prior to completion of development, income and the corresponding receivable are recognised on an individual project basis using the percentage of completion method. In these circumstances, income is only recognised when:

- The stage of project completion can be reliably measured;
- The cost to date can be clearly identified; and
- Total project revenues and costs to complete can be reliably measured.

Recognition of Emerging Revenues

For reasons of comparability, sales revenue with respect to unconditional sale contracts are disclosed proportionately, based upon the percentage completion of the development, consistent with the recognition of emerging profits. Percentage completion is determined by reference to actual costs incurred as a proportion of total projected development costs.

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, taking into account the effective yield on the financial asset.

Dividend

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

(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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part 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 Australian Taxation Office is included as a current asset or liability in the statement of financial position.

(p) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the company, adjusted for any bonus issue.

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

(q) Employee Benefits

Wages, Salaries and Annual Leave

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Long Service Leave

The provision for employee benefits to long service leave represents the present value of the estimate future cash outflows to be made resulting from the employees' services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history.

(r) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

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

(s) Use and Revision of Accounting Estimates

The preparation of the financial report requires the making of estimates and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revisions affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

notes to the financial statement

for the year ended 30 June 2004

	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
	$	$	$	$

NOTE 2 – REVENUE FROM ORDINARY ACTIVITIES

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Rental revenue	882,951	785,988	-	-
Sale of property revenue	8,934,650	42,169,226	8,934,650	42,169,226
Other revenues:-				
From operating activities				
Interest - other parties	318,150	113,080	177,907	26,262
- related parties	316,506	941,527	173,952	459,108
Property management fees	126,472	3,796	-	-
Trust distribution – related party	-	-	78,233	-
From outside operating activities				
Gain on deconsolidation of subsidiary	44,888	-	-	-
Total Other Revenues	**602,590**	**207,965**	**1,336,266**	**633,060**
Total Revenue from Ordinary Activities	**10,420,191**	**43,163,179**	**10,270,916**	**42,802,286**

NOTE 3 – PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
(a) Individually significant expense/(revenue) included in profit from ordinary activities before income tax:				
Proceeds from sale of property	(8,934,650)	(42,169,226)	(8,934,650)	(42,169,226)
Cost of property sold	4,330,489	35,733,099	4,330,489	35,801,202
Net gain	(4,604,161)	(6,436,127)	(4,604,161)	(6,368,024)
Interest income on loans to related parties	**(113,080)**	**(26,262)**	**(941,527)**	**(459,108)**
(b) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:				
Borrowing Costs:				
- Other parties	949,219	2,049,770	689,889	1,626,094
- Related parties	1,184	4,640	1,184	4,640
Less: Capitalised borrowing costs	(111,158)	(251,488)	(99,830)	(251,488)
	839,245	**1,802,922**	**591,243**	**1,379,246**

Borrowing costs were capitalised to property inventories and qualifying assets at a weighted average annual rate of 6.4% (2003: 6.4%)

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Amortisation and depreciation of:				
Plant and equipment	26,337	25,164	8,410	9,364
Deferred expenditure	-	9,423	-	-
	26,337	**34,587**	**8,410**	**9,364**
Net expense from movements in provisions for:				
- Employee entitlement	16,852	13,916	8,852	8,031
Minimum operating lease payments	**36,200**	**27,100**	**36,200**	**27,000**

	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
	$	$	$	$

NOTE 4 – TAXATION

(a) Income Tax Expense

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Prima facie income tax expense calculated at 30% (2003 - 30%) on the profit from ordinary activities	1,221,976	1,323,962	1,410,551	1,487,945
Increase/(decrease) in income tax expense due to:				
- Division 43 capital allowance	(17,322)	(17,322)	(17,322)	-
- Other	3,968	600	83	600
Share of joint venture entities net loss	14,473	-	-	-
Transfer of distribution from joint venture entity to equity accounted investment	23,469	-	-	-
Gain on deconsolidation of subsidiary	(13,466)	-	-	-
Tax losses of partially owned subsidiaries not recognised as future income tax benefit	15,906	37,647	-	-
Recovery of capital losses not previously brought to account	(8,924)	-	(8,924)	-
Tax expense on losses from wholly-owned subsidiaries within the tax-consolidated group	-	-	(107,023)	(109,148)
Income tax expense attributable to operating profit	**1,240,080**	**1,344,887**	**1,277,365**	**1,379,397**

(b) Current Tax Liabilities

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Provision for Current Income Tax				
Movements during the year:				
Balance at beginning of the year	511,924	128,641	511,924	6,145
Current year's income tax expense on operating profit	2,720,270	507,437	2,720,270	507,437
Income tax paid:				
- operating activities – prior year	(500,346)	(1,658)	(500,346)	(1,658)
- operating activities – current year	(178,794)	(122,496)	(178,794)	-
(Over) provision in prior year	(8,891)	-	(8,891)	-
	2,544,163	**511,924**	**2,544,163**	**511,924**

(c) Deferred Income Tax Liabilities

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Provision for Deferred Income Tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2003:30%) on the following items:				
Expenditure currently deductible for tax but deferred for accounting purposes	41,034	33,484	41,034	33,402
Income currently not assessable for tax but recognised for accounting purposes	-	1,369,441	-	1,369,441
	41,034	**1,402,925**	**41,034**	**1,402,843**

(d) Deferred tax assets

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2003:30%) on the following items:				
Income currently assessable for tax but deferred for accounting purposes	422,366	360,600	422,366	360,600
Expenditure deducted for accounting, but deferred for tax purposes	23,859	44,735	20,582	10,143
	446,225	**405,335**	**442,948**	**370,743**

notes to the financial statement

for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	$	$	$	$

NOTE 5 – EARNINGS PER SHARE

Classification of securities as ordinary shares

The company only has ordinary share securities on issue at reporting date.
There are no securities existing at reporting date which could classify as potential ordinary shares.

Earnings reconciliation

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Basic earnings			**2,833,173**	**3,068,318**
Diluted earnings			**2,833,173**	**3,068,318**

Weighted average number of shares used as the denominator

	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
Number for basic earnings per share:				
Ordinary Shares			**78,738,449**	**78,738,449**
Number for diluted earnings per share:				
Ordinary shares			**78,738,449**	**78,738,449**

NOTE 6 – AUDITORS REMUNERATION

Auditors of the Company:

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Audit services				
Audit and review of financial reports	34,072	29,989	34,072	29,989
Other services				
Taxation services	5,320	4,100	5,320	4,100
Share registry services	11,674	10,200	11,674	10,200
Due diligence related services	19,285	-	19,285	-
Other assurance services	19,668	10,594	19,668	10,594
	55,947	24,894	55,947	24,894
	90,019	**54,883**	**90,019**	**54,883**

	Consolidated		The Company	
	2004	2003	2004	2003
	$	$	$	$

NOTE 7 – NOTES TO THE STATEMENT OF CASH FLOWS

Operating profit after income tax	2,833,173	3,068,318	3,424,472	3,580,420
Add/(less) items classified as investing/financing activities:				
Interest paid capitalised	39,054	242,278	-	176,358
Non-cash items				
Interest income capitalised	-	-	(798,740)	(298,823)
Formation costs written-off	2,308	-	-	-
Depreciation	26,337	25,164	8,410	9,364
Provision for employee entitlements	16,852	(11,028)	8,852	(16,914)
Gain on deconsolidation of subsidiary	(44,888)	-	-	-
Equity accounted share of joint venture entities' results	48,242	-	-	-
Changes in assets and liabilities:				
(Increase)/decrease in property inventories	5,870,065	4,155,920	5,870,065	4,155,920
(Increase)/decrease in receivables	39,107,190	(39,115,733)	39,019,620	(39,147,666)
Increase/(decrease) in payables	(8,600,046)	8,246,980	(8,935,454)	9,022,931
Increase/(decrease) in tax balances	560,940	1,220,743	598,225	1,377,739
(Increase)/decrease in prepayments	(33,601)	8,654	-	6,015
Net cash provided by / (used in) operating activities	**39,825,626**	**(22,158,704)**	**39,195,450**	**(21,134,656)**
(b) Reconciliation of Cash				
Cash	43,992	634,438	7,079	587,349
Short term deposits	3,092,804	3,382,809	3,092,804	3,382,809
Bank overdraft	-	(19,236)	-	-
	3,136,796	**3,998,011**	**3,099,883**	**3,970,158**

NOTE 8 – CASH ASSETS

Current				
Cash at bank and on hand	43,992	634,438	7,079	587,349
Bank short term deposits	3,092,804	3,382,809	3,092,804	3,382,809
	3,136,796	**4,017,247**	**3,099,883**	**3,970,158**

Included in bank short term deposits is $532,929 (2003:$492,942) held as guarantee by Council in respect of the Sydney Park development, and expected to be released within 4 months of reporting date. Bank short term deposits pay interest at a weighted average interest rate of 4.6% (2003:3.82%)

	Note	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
		$	$	$	$

NOTE 9 – RECEIVABLES

	Note	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Current					
Trade debtors		-	39,147,781	-	39,147,665
Distributions receivable – related entity		-	-	78,233	-
Loans to other entities		-	130,000	-	-
Rent receivable		25,684	7,186	-	-
GST receivable		615,119	-	12,075	-
Other receivable		45	-	45	-
		640,848	**39,284,967**	**90,353**	**39,147,665**
Non-Current					
Loans to related entities		16,222	256,751	31,196	256,751
Loans to joint venture entities		-	-	7,434,828	-
Loans to controlled entities		-	-	11,875,419	3,881,508
Interest receivable – joint venture entity		113,081	-	226,161	-
		129,303	**256,751**	**19,567,604**	**4,138,259**

The weighted average effective interest rate on loans to all controlled and related and a joint venture entity is 9% (2003: 9%). All loans are repayable at call. The loans are not repayable within the next twelve months.

NOTE 10 – PROPERTY INVENTORIES

	Note	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Current					
Development properties, at lower of cost and net realisable value		**1,957,885**	**7,827,950**	**2,054,953**	**7,925,018**
Development properties held for sale comprises:					
Cost of acquisition		226,068	790,827	226,068	790,827
Development costs capitalised		1,672,132	6,745,073	1,672,132	6,745,073
Borrowing costs capitalised		59,685	292,050	156,753	389,118
		1,957,885	**7,827,950**	**2,054,953**	**7,925,018**

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Non-current					
Joint venture entities	**26**	**7,386,621**	**-**	**-**	**-**

NOTE 12 – OTHER CURRENT ASSETS

	Note	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Current					
Prepayments		**93,251**	**59,650**	**-**	**-**

	Note	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
		$	$	$	$

NOTE 13 – PROPERTIES HELD FOR DEVELOPMENT

Non-Current					
Cost of acquisition		17,909,998	9,362,607	-	-
Development costs capitalised		554,182	392,082	-	-
Interest capitalised		24,494	-	-	-
		18,488,674	**9,754,689**	**-**	**-**

Borrowing costs were capitalised at a weighted average rate of 8% (2003:Nil %)

Properties held for development and resale comprise:-

- A shopping complex known as Bay Plaza, located at 199–207 Military Road, Neutral Bay, and an adjoining property at 4 Rangers Road, Cremorne. Development plans have been lodged with Council for this joint property complex, although development is not expected to commence until after 2005. An independent valuation of the Bay Plaza in June 2003 was carried out by CB Richard Ellis Pty Ltd on a "highest-and-best-use" basis assuming vacant possession at $9 million. The book value of the combined property at 30 June 2004 is $7,436,391.
- A commercial property at 265 Victoria Road, Gladesville, with a book value at 30 June 2004 of $2,414,731.
- A sports club complex at 11–15 Elizabeth Street, Wetherill Park adjourning the company's joint venture investment property at Greenway Plaza, was purchased in June 2004. This property will form part of the Greenway Supacenta bulky goods centre re-development. The book value of the property at 30 June 2004 is $6,810,777.
- Deposit on Wentworthville Mall, a shopping complex at 42–44 Dunmore Street, Wentworthville made in May 2004 of $1,814,091. The contract became unconditional in August 2004 and settlement of the balance of the purchased price of $16,020,000 was completed on 22 September 2004. The settlement was financed with loans from Perpetual Investments Management Limited of $14,000,000 and $2 million from International Commercial Bank of China.

NOTE 14 – OTHER FINANCIAL ASSETS

Non-Current					
Investments in controlled entities					
Unlisted shares at cost		-	-	156	156
Corporate formation costs		-	5,090	-	-
Investment in Joint Venture Operation		6,170	6,170	6,170	6,170
Investments in Associates					
Unlisted shares at cost		101,106	101,106	111,606	101,106
Unlisted units at cost		-	-	500	-
Provision for diminution		(101,106)	(101,106)	(101,106)	(101,106)
		-	-	11,000	-
		6,170	**11,260**	**17,326**	**6,326**

	Note	Consolidated 2004	2003	The Company 2004	2003
		$	$	$	$

NOTE 15 – PROPERTY, PLANT & EQUIPMENT

Plant and equipment – at cost	86,368	86,368	62,930	62,930
Accumulated depreciation	(38,285)	(27,008)	(34,679)	(26,268)
	48,083	**59,360**	**28,251**	**36,662**
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	59,360	31,366	36,662	31,366
Additions	-	38,098	-	14,660
Depreciation	(11,277)	(10,104)	(8,411)	(9,364)
Carrying amount at end of year	**48,083**	**59,360**	**28,251**	**36,662**

NOTE 16 – PAYABLES

Current				
Trade creditors	23,060	7,109,324	2,987	7,106,415
Other creditors and accruals	548,706	2,021,028	164,854	1,975,115
GST payable	-	44,974	-	37,736
Owing to related entity	127,644	-	126,204	-
	699,410	**9,175,326**	**294,045**	**9,119,266**

NOTE 17 – INTEREST-BEARING LIABILITIES

Current					
Construction debt facility – secured	17(d)	-	29,242,078	-	29,242,078
Redeemable convertible notes – unsecured	17(a)	-	1,000,000	-	1,000,000
Loans from other entities – unsecured	17(b)	-	1,869,791	-	1,869,791
Loans from related entity – unsecured	17(e)	1,800,000	-	1,800,000	
Bank loans– -secured	17(c)	36,000	3,262,460	-	-
Hire purchase liabilities – secured		5,309	5,309	5,309	5,309
Bank overdraft		-	19,236	-	-
		1,841,309	**35,398,874**	**1,805,309**	**32,117,178**
Non-current					
Bank loans – secured	17(c)	12,403,522	2,973,590	5,000,000	-
Loan from other entities – unsecured	17(b)	2,882,708	1,565,920	2,882,708	1,565,920
Hire purchase liabilities – secured		2,655	7,964	2,655	7,964
		15,288,885	**4,547,474**	**7,885,363**	**1,573,884**

(a) The convertible notes bear interest at 8% per annum and is paid quarterly in arrears. The convertible notes were fully redeemed in December 2003.

(b) Loans from other entities are unsecured. The non-current loans are due for repayment between January and June 2006. The weighted average interest rate on these loans at 30 June 2004 is 9.55% (2003:10.97%).

	Consolidated		The Company	
	2004	2003	2004	2003
	$	$	$	$

NOTE 17 – INTEREST-BEARING LIABILITIES (cont.)

(c) The bank loans are secured by registered first mortgages over properties of the controlled entities. The current portion of the bank loans of $36,000 is repayable in monthly instalments over the next 12 months. The non-current portion of the bank loans of $4,460,000 is set on a one year repayment term due on 6 July 2005, with extensions to the term at the lenders discretion; $1,440,000 is payable on 30 April 2012; $5,000,000 which is also secured by unlimited guarantee and indemnity from director, Frank Shien and controlled entity, Metroland Properties Pty Limited, is repayable on 6 August 2006, and the balance of $1,503,523 is repayable monthly over 19 years. The weighted average interest rate on these loans at 30 June 2004 is 6.98% (2003:7.14%).

(d) The construction debt facility to finance the development at Sydney Park Road was fully repaid by September 2003. The weighted average interest rate for the 2004 year was 6% (2003:6%).

(e) The loan from a related entity is unsecured and was fully repaid in July 2004. The weighted average interest rate on this loan was 9.5%.

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

Properties held for development	16,661,898	9,754,689	-	-
Property inventories	-	7,827,950	-	7,925,018
Property receivable	-	39,006,356	-	-
	16,661,898	**56,588,995**	**-**	**7,925,018**

NOTE 18 – FINANCING ARRANGEMENTS

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

Total facilities available:				
Construction debt facility	-	29,242,078	-	29,242,078
Bank loans	26,500,000	12,760,000	5,000,000	6,500,000
	26,500,000	**42,002,078**	**5,000,000**	**35,742,078**
Facilities utilised at balance date:				
Construction debt facility	-	29,242,078	-	29,242,078
Bank loans	12,439,522	6,236,050	5,000,000	-
	12,439,522	**35,478,128**	**5,000,000**	**29,242,078**
Facilities not utilised at balance date:				
Bank loans	14,060,478	6,523,950	-	6,500,000
	14,060,478	**6,523,950**	**-**	**6,500,000**

notes to the financial statement

for the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	$	$	$	$
NOTE 19 – PROVISIONS				
Current				
Employee benefits	13,885	5,885	-	-
Dividends	1,880,269	-	1880,269	-
	1,894,154	**5,885**	**1,880,269**	**-**
Non-current				
Employee benefits	8,852	-	8,852	-
Number of employees at year end	**3**	**3**	**2**	**2**
Reconciliations				
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, is set out below:				
Dividends				
Provisions made during the year:				
- Final dividend 2003	1,571,656	-	1,571,656	-
- Final dividend 2004	1,880,269	-	1,880,269	-
- Payments made during the year	(1,571,656)	-	(1,571,656)	-
Carrying amount at year end	**1,880,269**	**-**	**1,880,269**	**-**

NOTE 20 – CONTRIBUTED EQUITY

Share capital				
78,738,449 (2003:78,738,449) ordinary shares fully paid	**8,361,962**	**8,361,962**	**8,361,962**	**8,361,962**

Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

NOTE 21 – RETAINED PROFITS

Retained profits/(accumulated losses) at beginning of the year	2,272,839	(795,479)	2,507,774	(1,072,646)
Net profit attributable to members of the parent entity	2,833,173	3,068,318	3,424,472	3,580,420
Dividends recognised during the year	(3,451,925)	-	(3,451,925)	-
Retained profits at the end of the year	**1,654,087**	**2,272,839**	**2,480,321**	**2,507,774**

	Note	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
		$	$	$	$

NOTE 22 – TOTAL EQUITY RECONCILIATION

	Note	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Total equity at beginning of the year		10,634,801	7,566,483	10,869,736	7,289,316
Total changes in parent entity interest in equity recognised in statement of financial position		2,833,173	3,068,318	3,424,472	3,580,420
Transactions with owners as owners:					
Dividends	23	(3,451,925)	-	(3,451,925)	-
Total equity at end of the year		**10,016,049**	**10,634,801**	**10,842,283**	**10,869,736**

NOTE 23 – DIVIDENDS

Dividends recognised in the current year by the company are:

	Cents per share	Total amount $	Date of payment	Tax rate for franking credit	Franked/ Unfranked
2004					
Final 2003 ordinary	2.0	1,571,656	19/9/2003	30%	Franked
Final 2004 ordinary	2.0	1,880,269	8/9/2004	30%	Franked
		3,451,925			

Included in the Final 2004 ordinary dividend, is an amount of $305,500 representing dividends payable on the shares issued pursuant to the company's share purchase plan, which were allotted and listed on 30 July 2004.

Dividend Franking Account

	The Company 2004 $	The Company 2003 $
30% franking credits available to shareholders of Metroland Australia Limited for subsequent financial years	**1,739,153**	**3,459**

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

(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax-consolidated entity at year-end;
(d) franking credits that the entity may be prevented by from distributing in subsequent years.

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

Tax Consolidation Legislation

On 1 July 2002, Metroland Australia Limited and it's wholly-owned subsidiaries adopted the Tax Consolidation legislation which requires a tax-consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax-consolidated group) disclosed has been measured under the new legislation as those available from the tax-consolidated group.

NOTE 24 – INTEREST IN JOINT VENTURE OPERATION

The company holds a 72.17% (2003:72.17%) 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 which was completed during the year. For the year ended 30 June 2004 the contribution of the joint venture to the operating result before tax of the company and consolidated entity was a profit of $4,659,535 (2003:$5,181,869).

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)

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $

NOTE 24 – INTEREST IN JOINT VENTURE OPERATION (cont.)

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Current Assets				
Cash	643,792	496,396	643,792	496,396
Property inventories	1,957,885	7,827,950	2,054,953	7,925,018
Receivables	415	39,147,781	415	39,147,665
Total Current Assets	2,609,092	47,472,127	2,699,160	47,569,079
Consolidated				
Total Assets	**2,602,092**	**47,472,127**	**2,699,160**	**47,569,079**
Current Liabilities				
Trade and other creditors	147,855	9,043,015	147,855	9,043,015
Interest bearing liabilities	-	30,861,869	-	30,861,869
	147,855	39,904,884	147,855	39,904,884
Total Liabilities	**147,855**	**39,904,884**	**147,855**	**39,904,884**

Refer Note 28 for details of contingent liabilities.

NOTE 25 – CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

NAME	ORDINARY SHARE CONSOLIDATED ENTITY INTEREST 2004	2003
Parent entity	%	%
Metroland Australia Limited		
Controlled entities		
Metroland Properties Pty Limited	100	100
Kings Properties (Australia) Pty Limited	100	100
Greenway Australia Properties Pty Limited (formerly Crossingham Pty Limited)	100	100
Pacific Metronet Limited	51	51
Metroland Homes Pty Limited	100	100
Stratawide Management Pty Limited	55	55
Goldwest Metro Pty Limited	100	-

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

(b) Acquisition of controlled entities

During the financial year a wholly-owned entity, Goldwest Metro Pty Limited was incorporated on 19 May 2004. Details of the acquisition are:

	Consolidated 2004 ($)	The Company 2004 ($)
Consideration	10	10
Fair value of net assets acquired		
Cash	10	10

(c) Disposal of controlled entities

On 10 October 2003, Metroland Investments Pty Limited issued shares to an external private investor, whereby the Company's interest was reduced to 50%, effectively causing Metroland Investments Pty Limited to become a joint venture entity between the Company and the private investor. As a result of this, Metroland Investments Pty Limited was deconsolidated from the consolidated entity and accounted for in the consolidated statement of financial position using the equity method. A gain of $44,888 from the deconsolidation of Metroland Investments Pty Limited has been recognised in the statement of financial performance.

No controlled entities were disposed of in the previous year.

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $

NOTE 26 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Share of net losses accounted for using the equity method included in the statement of financial performance:				
- Joint venture entities	**48,242**	**-**	**-**	**-**

Interest in Joint Venture Entities

Details of interests in joint venture entities are as follows:

Name	Principal Activities	Joint Venture Reporting Date	Ordinary Ownership		Investment Amount			
			Consolidated		Consolidated		Company	
			2004 (%)	2003 (%)	2004 ($)	2003 ($)	2004 ($)	2003 ($)
Metroland Investments P/L	Investment in property development entity	30 June	50	-	3,313,766	-	-	-
Gaintak Investments P/L ATF Gaintak Investment Unit Trust	Property investment and development	30 June	50	-	4,072,855	-	-	-
					7,386,621	**-**	**-**	**-**

Results of joint venture	Consolidated 2004 ($)	Consolidated 2003 ($)
Revenue from ordinary activities	550,841	-
Expenses from ordinary activities	(595,753)	-
Loss from ordinary activities before income tax	(44,912)	-
Income tax expenses relating to ordinary activities	(3,330)	-
	(48,242)	**-**

Statement of financial position

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

	Consolidated 2004 ($)	Consolidated 2003 ($)
Current assets	196,970	-
Non-current assets	13,835,051	-
Total assets	14,032,021	-
Current liabilities	(138,586)	-
Non-current liabilities	(6,506,814	-
Total liabilities	(6,645,400)	-
Net assets – accounted for using the equity method	**7,386,621**	**-**

Refer to notes 27 and 28 for details of commitments and contingencies

	Consolidated 2004 ($)	Consolidated 2003 ($)
NOTE 26 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont.)		
Share of post-acquisition profit attributable to joint venture entities		
Share of joint venture entities' retained profits at beginning of year	-	-
Share of joint venture entities' net (loss)	(48,242)	-
Share of joint venture entities' retained (loss) at end of year	**(48,242)**	**-**
Movements in carrying amount of joint venture entities		
Carrying amount at beginning of year	-	-
Investments in joint venture entities acquired during the year	11,000	-
Cash contributions to joint venture entities during the year	7,468,751	-
Share of joint venture entities' net loss	(48,242)	-
Share of opening accumulated losses following the deconsolidation of a formerly controlled entity	(44,888)	-
Carrying amount at end of year	**7,386,621**	**-**

	Consolidated 2004 ($)	Consolidated 2003 ($)	The Company 2004 ($)	The Company 2003 ($)
NOTE 27 – COMMITMENTS				
Capital Commitments				
In May 2004, a controlled entity entered into a contract to acquire a shopping mall complex at 42–44 Dunmore Street, Wentworthville, NSW for $17.8 million, with a 10% deposit made on the date of the contract. The contract was conditional on the vendor obtaining the approval of it's unitholders for the sale of the property. Approval was obtained in August 2004 and the contract was settled on 22 September 2004	16,020,000	-	-	-
Joint Venture Commitments				
In March 2004, a joint venture entity in which the company has a 50% interest entered into a contract to purchase property at 1187 The Horsley Drive, Wetherill Park, NSW for $7.5 million with a 10% deposit made on the date of the contract. This contract is conditional on the receipt of a clean contamination report, at the vendors expense, on the property by 23 August 2005. The company's share of the commitment is	3,375,000	-	3,375,000	-
	19,395,000	**-**	**3,375,000**	**-**

	Consolidated		The Company	
	2004 ($)	2003 ($)	2004 ($)	2003 ($)

NOTE 28 – CONTINGENT LIABILITIES

The directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.

	Consolidated 2004 ($)	Consolidated 2003 ($)	The Company 2004 ($)	The Company 2003 ($)
Joint and Several Liability				
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. The assets of the joint venture are sufficient to meet such liabilities. The joint venture liabilities not already reflected in the statement of financial position are:	57,016	15,404,863	57,016	15,404,863
The company has jointly and severally guaranteed the performance of the contract to purchase property at 1187 The Horsley Drive, Wetherill Park, NSW entered into by a joint venture entity. The contract is conditional at reporting date and the company's 50% commitment to this contract is disclosed at Note 27. The joint venture entity's liability not already disclosed in Note 27, which the company has jointly and severally guaranteed is:	3,375,000	-	3,375,000	-
Litigation				
Claims for settlement have been brought against an entity in which the company has an ultimate 25% interest, through a joint venture entity in which it has a 50% interest. The settlement claims are all in respect of development work carried out on the Ridge Resort Development and total $220,786. The directors are of the opinion that no provision is required for the company's share of $55,196 as the assets of the joint venture entity are sufficient to meet such liabilities should the claims be successful.	55,196	-	55,196	-
Total estimated contingent liabilities	**3,487,212**	**15,404,863**	**3,487,212**	**15,404,863**

NOTE 29 – SEGMENT REPORTING

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

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

Business Segments

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

Property sales and development:	Sales of properties developed and properties currently under development.
Property rentals and management:	Properties not currently under development, but generating rental income; and residential property management operations.
Investment and financial services:	Investments in joint venture entities; cash investments and general loan borrowings.

NOTE 29 – SEGMENT REPORTING (cont.)

Primary Reporting

Business Segments	Property Sales & Development		Property Rental & Management		Investment & Financial Services		Consolidated	
	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $
External segment revenue	8,934,650	42,169,226	1,009,422	789,784	476,119	204,169	10,420,191	43,163,179
Segment result	4,543,546	5,155,832	314,635	(45,039)	(163,364)	(205,016)	4,694,817	4,905,777
Unallocated corporate expenses							(621,564)	(492,572)
Profit from ordinary activities before income tax							4,073,253	4,413,205
Income tax expense							(1,240,080)	(1,344,887)
Net profit							**2,833,173**	**3,068,318**
Depreciation	-	-	17,927	15,800	8,410	9,364	26,337	25,164
Individually significant items:								
Proceeds on sale of property	8,934,650	(42,169,226)	-	-	-	-	8,934,650	(42,169,226)
Costs of property sold	(4,330,489)	35,733,099	-	-	-	-	(4,330,489)	35,733,099
	4,604,161	6,436,127					4,604,161	6,436,127
Segment assets	1,957,885	53,585,300	19,216,971	7,528,332	10,631,278	427,478	31,806,134	61,541,110
Unallocated corporate assets							527,722	136,099
Consolidated total assets							32,333,856	61,677,209
Liabilities								
Segment liabilities	149,295	43,287,773	7,858,315	4,850,799	9,713,098	2,829,289	17,720,708	50,967,861
Unallocated corporate liabilities							4,597,099	74,547
Consolidated total liabilities							22,317,807	51,042,408
Acquisition of non-current assets	-	-	8,624,868	23,438	7,466,357	14,659	16,091,225	38,097

Secondary Reporting

Geographical Segments

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

NOTE 30 – DIRECTORS' AND EXECUTIVES' DISCLOSURES

Remuneration of specified directors and specified executives by the consolidated entity

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

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

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

Fees for non-executive directors are presently between $12,000 and $24,000 per annum. Directors fees cover all main board activities and the membership of other committees, where applicable.

The company does not have any Retirement or Redundancy Schemes in operation for directors and senior executives.

The following table provides the details of all directors of the company and the executives of the consolidated entity with the greatest authority, and the nature and amount of the elements of their remuneration for the year ended 30 June 2004:-

	Primary salary & wages		**Post-employment superannuation benefits**	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Specified directors				
Non-executive				
Steam Leung	24,000	24,000	-	-
Eddie Lee	12,000	12,000	-	-
John Wardman	12,000	12,000	-	-
Da Cheng Zhang	-	-	-	-
Executive				
Frank Shien	70,800	70,800	-	-
Total, all specified directors	**118,800**	**118,800**	**-**	**-**
Specified executives				
Anthony Maroon, CEO, Stratawide Management Pty Ltd (appointed November 2002)	120,000	80,000	10,800	7,200
Tjin Hong Ong, Property Investment Manager, Metroland Australia Limited	88,750	75,000	7,988	6,750
	208,750	**155,000**	**18,788**	**13,950**

Equity Instruments

Equity holdings and transactions

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

	Held at 1 July 2003	**Purchases**	**Sales**	**Held at 30 June 2004**
Specified directors				
Frank Shien	9,527,995	-	-	9,527,995
Steam Leung	1,230,000	-	(40,690)	1,189,310
Eddie Lee	527,000	-	-	527,500
John Wardman	1,215,000	-	(15,000)	1,200,000
Da Cheng Zhang	9,600,000	-	-	9,600,000

NOTE 30 – DIRECTORS' AND EXECUTIVES DISCLOSURES (cont.)

	Held at 1 July 2003	Purchases	Sales	Held at 30 June 2004
Specified executives				
Anthony Maroon	-	-	-	-
Tjin Hong Ong	540,000	200,000	-	740,000

Loans and other Transactions with Specified Directors and Specified Executives

Other transactions with the company or its controlled entities

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

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

The aggregate amounts recognised during the year relating to specified directors, specified executives and their personally-related entities, were total expenses of $415,328. Details of the transactions are as follows:

	Transaction	Note	2004
			$
Specified directors			
Frank Shien	Office rental and administration	(i)	36,200
	Investment property management	(ii)	25,056
	Property sale commissions	(iii)	110,563
	Interest	(iv)	1,184
Steam Leung	Property sale commissions	(iii)	242,325
			415,328

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

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

(iii) During the year, Premier Realty Pty Ltd, and Colliers International (NSW) Pty Ltd, a company of which Steam Leung is a director, received commissions, based on normal market rates for the sale of units in the Sydney Park Joint Venture development.

(iv) During the year, NX Holdings Pty Ltd, a company of which Frank Shien is a director, loaned funds totalling $1,800,000 to the company. The loan bears interest at 9.5%, is unsecured and was repaid in July 2004.

(v) The company's Sydney Park Management Venture, the joint venture operation which has developed the property situated at 221–229 Sydney Park Road, Alexandria, is with Contases Pty Limited, a company controlled by Frank Shien. The company's investment of $1,816,624 provides a 72.17% interest in the incorporated joint venture (refer Note 24). At year end, the amount owing to Contases Pty Limited is $126,204, and is interest-free and unsecured.

Assets and liabilities ensuing from the above transactions:

	30 June 2004
	$
Current Liabilities	
Trade creditors	2,200
Owing to related entity	126,204
Loan from related entity	1,800,000

NOTE 31 – NON-DIRECTOR RELATED PARTIES

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

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

Loans

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

Balances with non-director related entities

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

	The Company	
	2004	**2003**
	$	**$**
Receivables		
Current		
Joint venture entity	78,233	-
Non-current		
Wholly-owned controlled entities	11,715,276	3,731,427
Partly-owned controlled entities	191,339	150,081
Joint venture entities	7,660,989	-
	19,567,604	**3,881,508**

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	700,108	358,195
Partly-owned controlled entities	15,258	6,548
Joint venture entity	226,161	-
Trust distribution – Joint venture entity	78,233	-

Percentage of equity interest

Details of equity interests held in controlled entities are set out in Note 25; and in joint venture entities are set out in Note 26.

NOTE 32 – ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and financial liabilities is set out below:

		Floating Interest Rate	Maturing			
	Fixed Interest Rate	**1 Year or Less**	**1 to 5 years**	**Non-Interest Bearing**	**Total**	**Weighted Average Interest Rate**
2004	**$**	**$**	**$**	**$**	**$**	**%**
(i) Financial Assets						
Cash assets	3,136,796	-	-	-	3,136,796	4.60
Receivables	-	-	-	770,151	770,151	-
Other financial assets	-	-	-	6,170	6,170	-
Total Financial Assets	3,136,796	-	-	776,321	3,913,117	-

NOTE 32 – ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (cont.)

		Fixed Interest Rate	Floating Interest Rate Maturing 1 Year or Less	Floating Interest Rate Maturing 1 to 5 years	Non-Interest Bearing	Total	Weighted Average Interest Rate
	2004	$	$	$	$	$	%
(ii)	Financial Liabilities						
	Payables	-	-	-	667,452	667,452	-
	Bank loans	7,403,522	36,000	5,000,000	-	12,439,522	6.98
	Loans from related entities	-	1,800,000	-	-	1,800,000	9.50
	Loans from other entities	-	-	2,882,708	-	2,882,708	9.55
	Hire purchase liabilities	-	5,309	2,655	-	7,964	7.0
	Dividends payable	-	-	-	1,912,227	1,912,227	-
	Employee benefits	-	-	-	22,737	22,737	-
	Total Financial Liabilities	7,403,522	1,841,309	7,885,363	2,602,416	19,932,610	

		Fixed Interest Rate	Floating Interest Rate Maturing 1 Year or Less	Floating Interest Rate Maturing 1 to 5 years	Non-Interest Bearing	Total	Weighted Average Interest Rate
	2003	$	$	$	$	$	%
(i)	Financial Assets						
	Cash assets	4,017,247	-	-	-	4,017,247	3.82
	Receivables - Other	-	-	-	39,284,967	39,284,967	-
	Receivables - related entity	-	-	256,751	-	256,751	9.0
	Other financial assets	-	-	-	11,260	11,260	-
	Total Financial Assets	4,017,247	-	256,751	39,296,227	43,570,225	
(ii)	Financial Liabilities						
	Payables	-	-	-	9,175,326	9,175,326	-
	Bank loans	3,016,050	3,220,000	-	-	6,236,050	7.14
	Loans from other entities	-	1,869,791	1,565,920	-	3,435,711	10.97
	Construction debt facility	29,242,078	-	-	-	29,242,078	6.0
	Redeemable convertible note	-	1,000,000	-	-	1,000,000	8.0
	Hire purchase liabilities	-	5,309	7,964	-	13,273	7.0
	Total Financial Liabilities	32,258,128	6,095,100	1,573,884	9,175,326	49,102,438	

(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 position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties. The consolidated entity is not materially exposed to any individual customer.

NOTE 32 – ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (cont.)

(c) Net Fair Values of Financial Assets and Liabilities

Valuation approach

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

Recognised financial instruments.

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

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

(d) Net Fair Values

Recognised Financial Instruments

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

	2004		2003	
	Carrying Amount	**Net Fair Value**	**Carrying Amount**	**Net Fair Value**
	$	**$**	**$**	**$**
Financial Assets				
Cash assets	3,136,796	3,136,796	4,017,247	4,017,247
Receivables	770,151	770,151	39,541,718	39,541,718
Properties held for development	18,488,674	22,027,789	9,754,689	13,515,769
Investments – other	6,170	6,170	-	-
Financial liabilities				
Payables	699,410	699,410	9,175,326	9,175,326
Bank loans	12,447,486	12,447,486	35,510,637	33,510,637
Redeemable convertible notes	-	-	1,000,000	809,524
Loans from related and other entities	4,682,708	4,682,708	3,435,711	3,435,711
Employee benefits	22,737	22,737	5,885	5,885
Dividends payable	1,894,154	1,894,154	-	-

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

NOTE 33 – EVENTS SUBSEQUENT TO BALANCE DATE

(i) In July 2004, the company offered existing Australian and New Zealand registered shareholders the right to participate in a Share Purchase Plan ("SPP"), of up to a maximum of 25,000 shares per shareholder at a price of 20 cents per share. The SPP, which was underwritten up to 7,500,000 shares, closed on 23 July 2004, and resulted in the issue of an additional 15,275,000 shares, raising $3,017,500, net of related costs of the issue, in additional working capital for the company. These shares were listed on the ASX on 30 July 2004.

(ii) The purchase contract entered into by a wholly-owned subsidiary for the acquisition of a shopping mall complex at Wentworthville, NSW became unconditional in August 2004 with the balance of the contracted price of $16,020,000 settled on 22 September 2004. The settlement was financed by a loan from Perpetual Investment Management Limited of $14,000,000, secured over a first registered mortgage over the Wentworthville Mall shopping centre, and first ranking fixed and floating charge over the assets and undertakings of the wholly-owned subsidiary. The balance was financed by an additional loan of $2,000,000 from International Commercial Bank of China, which is secured over the remaining 5 unsold units of the Sydney Park Joint Venture development at Alexandria, NSW.

(iii) In July 2004, the company repaid borrowings of $1,800,000 from a director related entity.

International Financial Reporting Standards

For reporting periods beginning or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary is not an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentations or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the differences disclosed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including any system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- financial instruments must be recognised in the statement of financial position and most financial assets must be carried at fair value;
- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity;
- revaluation increments and decrements relating to re-valued property, plant and equipment will be recognised on an individual asset basis, not a class of asset basis;
- investment properties measured at cost and depreciated, and owner occupied properties, will be classified as property, plant and equipment;
- equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services;
- changes in accounting polices will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

There has not arisen in the interval between the end of the financial year and the date of this report any other 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.

Directors' Declaration

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

1. the financial statements and notes, set out on pages 8 to 34 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 2004 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 24th day of September 2004

Independent Audit Report

SCOPE

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration, set out on pages 8 to 35, for both Metroland Australia Limited (the "Company") and Metroland Australia Limited and it's Controlled Entities (the "Consolidated Entity"), for the year ended 30 June 2004. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 2004, 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 24th day of September 2004

asx

additional information

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

1. Shareholding

(a) Distribution of shareholders (as at 13 September 2004)

Category	Number Of Shareholders
	Ordinary
1 – 1,000	34
1,001 – 5,000	178
5,001 – 10,000	119
10,001 – 100,000	447
100,001 – over	111
	889

(b) The number of shareholdings less than a marketable parcel at 13 September 2004 was 61.

(c) The number of shares held by the substantial shareholders at 13 September 2004 were:-

Shareholder	Number of Ordinary Shares
Da Cheng Zhang	9,600,000

(d) Voting Rights

On a show of hands

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

On a poll

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

(e) Twenty largest shareholders as at 13 September 2004.

Shareholders	No of Ordinary Fully Paid Shares Held	% Held of Total Issued
1. Da Cheng Zhang	9,600,000	10.16
2. Tanesia Holdings Pty Ltd	4,525,000	4.79
3. Formbell Pty Limited	3,713,698	3.93
4. LJL Capital Pty Limited	3,266,009	3.46
5. Wincute International Development Ltd	3,025,000	3.20
6. Cheptsow Properties Limited	2,820,000	2.99
7. NX Holdings Pty Limited	2,149,495	2.28
8. Comm-Asia Limited	1,975,000	2.09
9. MDM Thie Tjie Hoa	1,975,000	2.09
10. Gainfield Consultants Limited	1,525,000	1.61
11. MLD Holdings Pty Ltd (Superannuation Fund)	1,493,750	1.58
12. G H Kluge & Sons Limited	1,375,000	1.46
13. Dawes Investment Group Ltd	1,300,000	1.38
14. Dr Frederick Chen	1,260,000	1.33
15. Seow Hwee Tan	1,134,000	1.20
16. Janie Teo	1,110,000	1.17
17. Bee Eng Hoon	1,035,000	1.10
18. John Wardman & Associates Pty Ltd (Superannuation Fund)	1,010,333	1.07
19. Gary Leon & Shirley Ann Lewis (Lewis Superannuation Fund)	975,000	1.03
20. Hsue Ying Chen	945,893	1.00
	46,213,178	**48.92**

(f) Stock Exchange

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

(g) On-market Buy-Back

There is no current on-market buy-back.

corporate governance statement

Board of Directors

Role of the Board

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

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

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

Board Processes

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

Due to the size of the consolidated entity's operations in the past, the company did not have a separately constituted Audit Committee. With the current and projected increases in the group's operations, an Audit Committee was constituted in September 2004. The board is of the opinion that due to the size composition of the present board, that a separately constituted Nomination and Remuneration Committee is currently not required. The overseeing of the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the company's Chief Executive Officer "CEO", including the setting of remuneration levels for directors and senior executives is taken by the full board.

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

The full board currently holds at least five scheduled meeting each year and any extraordinary meeting at such other times as may be necessary to address any specific significant matters that may arise.

Independent Professional Advice and Access to Company Information

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

Composition of the Board

The names of the directors of the company in office at the date of this report are set out in the Directors' Report on page 2.

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

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

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

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

corporate governance statement

Nomination Process

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

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

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

Remuneration Process

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

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

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

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

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

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

Non-executive directors' base fees are presently up to $24,000 per annum, with total remuneration of all non-executives of $48,000. Directors fees currently cover all main board activities and membership of one committee.

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

Audit Committee

The Audit Committee was constituted in September 2004, with the first audit committee meeting to adopt the Audit Committee Charter held on 10 September 2004.

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

The members of the Audit Committee are:

- John Wardman, B.Econ, FAIC,SIA(Aff) – Independent Non-Executive
- Eddie Lee, B.E.Civil B.Sc.Dip.Bldg.Sc – Independent Non-Executive

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

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

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

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

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

Risk Management

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

Risk Profile

The Audit Committee, constituted in September 2004, will report to the board quarterly on the status of risks, ensuring risks are identified, assessed and appropriately managed.

Risk Management and Compliance Control

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

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

Comprehensive practices, have been established to ensure:-

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

Financial Reporting

The CEO has declared, in writing to the board that the company's financial report are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Environmental Regulation

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

Ethical Standards

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis of any interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entities transactions with the company and consolidated entity are set out in Note 30.

corporate governance statement

Trading in General Company Securities by Directors and Employees

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

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

Communication with Shareholders

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

In summary, the Continuous Disclosure policy operates as follows:

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

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

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

corporate directory

Board of Directors
Eddie Lee (Chairman)
B.E.Civil B.Sc.Dip.Bldg. Sc. (Syd.)

Frank Shien
(Deputy Chairman & CEO)
BA (Lon)

John Howard Robert Wardman
B.Econ, FAICD, SIA(Aff.)

Steam Leung *LREA*

Mr Da Cheng Zhang

Company Secretary
Winnie Yeung

Registered Office
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Tel (02) 9692 0020
Fax (02) 9692 0084

Share Registry
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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

Auditors
Gould Ralph & Company
Level 42, AAP Centre
259 George Street
Sydney NSW 2000

Home Stock Exchange
Australian Stock Exchange Ltd
Brisbane QLD 4000
ASX Code: MTD

ACN 009 138 149

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