Metroland Australia Limited

Annual shareholder report

opportunity
results
experience
success

2004>05

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Chairman and CEO's address

Dear Shareholders

The 2005 financial year has been another successful year for the Company.

Whilst the net profit after tax for the 2005 financial year was only $352,000.00, the Company is expected to report a significantly higher profit result for the 2006 financial year following the sale of the properties in Gladesville and Neutral Bay, NSW, as previously announced to shareholders and the market.

The lower 2005 profit result reflects the cyclical nature of the revenues and profits from the Company's property development division. What is therefore of greater significance to the Company is that, in the last 15 months, the Company has been able to place itself in a stronger position to achieve its objective of securing regular and recurring income streams and growth in its activities.

The continuing development of the Greenway Supacenta, the Wentworthville Mall and the recent acquisition of Building X in Ultimo, NSW, are steps taken towards that objective of earning recurring income and pursuing continuing growth. The sale of the Gladesville and Neutral Bay properties has also strengthened the group's balance sheet and capital structure.

We are also pleased to inform you that the directors are continuing to assess various commercial opportunities, both locally and overseas, for the purposes of taking the company to a higher level. Our excellent track record to date means that the company regularly receives business proposals from other parties. These proposals are, and will continue to be, assessed in the context of the company's objectives and the directors' assessment of the risk factors of any particular project.

We thank all shareholders for their continuing support and invite you to continue to participate in what we expect to be a very exciting period ahead.

Yours faithfully

Eddie Lee
Chairman

Frank Shien
CEO and Managing Director

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 2005 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 58 *B.E.Civil B.Sc.Dip.Bldg.Sc. (Sydney)*

Mr Lee is a graduate of Sydney University majoring in Civil Engineering and has extensive experience in corporate management. He is the Australian representative of several substantial Asian investment groups and maintains a wide networking in the Asian business area. Mr Lee 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 53 *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 twelve 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 (Independent Non-Executive Director) Aged 45 *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 (Independent Non-Executive Director) Aged 46 *LREA*

Mr Leung has 17 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 (Independent Non-Executive Director) Aged 51

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.

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were property development and sales, property 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 RESULT OF OPERATIONS

Overview and Investments for Future Performace

The consolidated entity is continuing its direction in property development, property management and related property management services.

The profit after tax of the Group for the financial year ending 30 June 2005 is $352,000, compared to the previous year's profit of $2.83million. The profit result points to the cyclical nature of revenues and profits derived by the Group's property development division.

The company has now sold all the 224 units in the Zenix development in Erskineville that was completed in 2003. Following from a general softening of the residential property market, the company has diverted its resources into acquisitions of assets that produce strong recurring income, with good potential for future re-development.

During the 2005 financial year, the company exited out of its investment in the joint venture golf course development at Cattai, Windsor with a profit of $809,000. Although achieving lesser profit than what may have been the case if the development had been pursued, the decision to exit that investment and to reduce exposure in the resort accommodation market meant that the company was able to increase its investments in other income producing assets in the commercial property sector. This has placed the company in a stronger position to take advantage of available opportunities as a platform for further growth and to restore and to go beyond the company's profitability achieved in previous years.

Set out below is a summary of some of the specific projects that the company is currently involved in:

The Greenway Supacenta

As previously announced, the three properties: Greenway Plaza, The Glendale Chemical Factory site and The Abruzzi Sports Club site will be consolidated to create a Bulky Goods Centre with a proposed total lettable area of approximately 30,000sq. m. trading under the name of "The Greenway Supacenta".

Re-zoning of the Abruzzi Sports Club site from 4(A) to 4(C) was submitted to the Council during the year and has been approved subject to it being processed by the Planning Department. The DA drawing have been completed and will be lodged with the Council in October 2005.

The proposed strategy for the Supacenta is to achieve a maximum number of tenants commitments prior to commencement of development works so as to minimise any risk or exposure associated with the project. The company expects to generate substantial recurring income upon completion of the Supacenta.

Bay Plaza, Neutral Bay

As announced to the ASX in September 2005, Metroland Properties Pty Limited has entered into a Deed of Put & Call Option (the "Option Deed") for the sale of its Neutral Bay property at 199-207 Military Road and 4 Rangers Road, Neutral Bay, for $12.2million. Under the Option Deed, Metroland Properties may exercise its put option at any time during the 60-day period from the date which is 261 days from 9 September 2005. The call option may be exercised by the purchaser at any time within the 260-day period commencing 9 September 2005. Upon completion of the sale of the said Neutral Bay property, the financial return to Metroland Properties on its original capital outlay would be in excess of 190%.

Gladesville Property

In July 2005, the Contract of Sale was entered into by Metroland Homes Pty Ltd, a wholly-owned subsidiary of the company, for the sale of the Gladesville property at a price of $3.2million. Settlement will take place in November 2005. The sale of the property will yield a profit of approximately $700,000 for the Group.

The Ridge, Cattai at Windsor

As noted above, the company's 50% joint venture entity, Metroland Investments Pty Ltd, successfully exited from its investment in the Ridge Golf Course & Resort Development at Cattai, Windsor in March 2005. Metroland Investments received from the Lifestyle Investment Company Pty Limited, the owner of the property and the developer of the Resort the sum of $9,012,082 being full repayment of its loan of $6.5million made in July 2003, plus interest totalling $753,795 and an amount of $1,758,288 representing the consideration for Metroland Investment's equity interest in Lifestyle.

Directors' report

Wentworthville Mall, Wentworthville

The purchase of the Mall was settled in September 2004. The property is generating good return for the Group. The company is in the process of submitting a development application for a proposed extension of the car park and the expansion of the lettable area by 500 sq.m.

Building X, Ultimo

In June 2005, the company bought Building X at Ultimo, NSW through a wholly-owned subsidiary Kings Properties (Australia) Pty Ltd for a consideration of $8.45million. The company intends to convert the existing building into student accommodation to achieve the company's objective of producing further recurring income for the Group.

Stratawide Management Pty Limited

Stratawide has now entered into its third year of operation and has since taken on more management businesses. It is now managing 20 blocks of residential and commercial buildings. Stratawide is now a profitable operation.

Review of Financial Condition

Capital Structure

A capital raising, by way of a share purchase plan was undertaken during the year, raising $3.164million. The consolidated entity's debt to equity ratio at 30 June 2005 is significant. The acquisitions of property is significantly geared with on average 70% of the acquisition cost financed by bank loans. It is management's objective to gradually reduce the high gearing of the consolidated entity, with the commencement of the development of properties held, and their ultimate sale. The consolidated entity proposes to commence the development on it's joint venture project, The Greenway Supacenta in the 2006 financial year.

Liquidity and Funding

The consolidated entity is reliant on funding through bank facilities to support investment decisions. Borrowings increased by $23.165million, the majority being through secured bank facility loans. These funds were used for the acquisition of properties.

Impact of Legislation and Other External Requirements

From 1 July 2005 the consolidated entity is required to comply with Australian equivalents to International Financing Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board. The expected impact of the resulting changes in accounting policies are disclosed in Note 34 of the financial report.

Other

With the assistance of its external advisors, Metroland is continuing to look for and pursue opportunities that will enable the Group to further strengthen its revenue stream and to achieve significant growth.

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 $'000	Date of Payment	Tax Rate for Franking Credit
Paid during the year:				
Final – 2004 ordinary	2.0	**1,880**	8/9/2004	30% Fully Franked
Declared and provided in the current year:				
Final – 2005 ordinary	0.5	**473**	28/10/2005	30% Fully Franked

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

The consolidated entity's total assets increased by $23.491million to $55.825million (2004: $32.334million) over the year. The increase in total assets principally comprised:

- Increase in properties held for development totalling $27.462million as a result of the acquisitions of the Wentworthville Shopping Mall at Dunmore Street, Wentworthville in September 2004 for $17.675million; and a vacant property at Mountain Street, Ultimo in April 2005 for $9.226million.

Partially offsetting this increase was:

- A reduction in the consolidated entity's investments accounted for using the equity method of $2.623million. This decrease is directly due to a joint venture entity's exit from it's investment in the Ridge Golf Course & Resort development in Cattai, NSW and is in line with the Group's direction in reducing exposure in the leisure property market and increasing investments in income producing assets.

Total liabilities of the consolidated entity have also increased, by $20.442million during the year to $42.760million (2004: $22.318million). This increase is principally due to:

- Bank loans taken out during the year of $23.974million to finance the new acquisitions of properties held for development. This increase was partially offset by the full reduction of the company's 2004 income tax liability of $2.544million, which was fully paid by March 2005, and the decrease in dividend provisions for the 2005 year of $1.407million.

The consolidated entity's equity increased by $3.049million over the year and is due to the increase in contributed equity of $3.170million resulting from the company's share purchase plan offer to its existing Australian and New Zealand registered shareholders in July 2004.

EVENTS SUBSEQUENT TO REPORTING DATE

- In July 2005, a wholly-owned subsidiary, Metroland Homes Pty Limited entered into a contract for the sale of it's commercial property at 265 Victoria Road, Gladesville for $3.2million, with settlement to take place in November 2005.
- In July 2005, the company repaid borrowings of $550,000 from a director-related entity; and $845,000 of bank loans.
- In September 2005, a wholly-owned subsidiary, Metroland Properties Pty Limited entered into a Deed of Put & Call Option for the sale of it's Neutral Bay property at 199-207 Military Road, and 4 Rangers Road for $12.2million. Under the Deed of Put & Call Option, the purchaser may exercise it's call option at any time within the 260-day period commencing from 9 September 2005; and the Put Option may be exercised by Metroland Properties Pty Limited at any time during a 60-day period from the date which is 261-days from 9 September 2005.
- For reporting periods beginning on or after 1 July 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 34 to the financial statements.

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.

Directors' report

MEETINGS OF DIRECTORS

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

	Board Meetings		Audit Committee	
Director	**Held**	**Attended**	**Held**	**Attended**
Mr E Lee	5	5	2	2
Mr S Leung	5	5	–	–
Mr F Shien	5	5	–	–
Mr J Wardman	5	5	2	2
Mr D C Zhang	5	5	–	–

AUDIT COMMITTEE

The members of the audit committee during the year comprised of two independent non-executive directors, Mr John Wardman and Mr Eddie Lee.

ENVIRONMENTAL REGULATIONS

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

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:

		Base Remuneration (salary & fees) $	Superannuation Contributions $	Total Remuneration $
Directors				
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	Tjing Hong Ong	90,000	8,100	98,100
Consolidated	Anthony Maroon	120,000	10,800	130,800
	Tjing Hong Ong	90,000	8,100	98,100

SHARE OPTIONS

Options Granted

During the year, the company granted options for no consideration over unissued ordinary shares to all shareholders of Metroland Australia Limited on a pro-rata basis of 1 option for each 6 shares held. All options were granted during the financial year. No options have been granted since the end of the financial year.

Unissued Shares Under Option

At the date of this report, unissued ordinary shares of the company under option are:

Expiry Date	Exercise Price	Number of Shares
28 May 2009	$0.26	15,744,774

Each option may be exercised by the option-holder at any time prior to the expiry date, but not before the "first exercise date" of 8 March 2006; and shall entitle the holder to subscribe for and to be allotted one share in the capital of the company upon the payment to the company of the exercise price.

These options do not entitle the holder to participate in any share issue of the company or any other body corporate. During or since the end of the financial year, the company did not issue any ordinary shares by virtue of the exercise of an option.

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	Options over Ordinary Shares
Mr. E Lee	527,500	87,916
Mr. S Leung	855,000	142,500
Mr. F Shien	8,868,245	1,478,040
Mr. J Wardman	1,310,333	218,388
Mr D C Zhang	9,600,000	1,600,000

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.

Directors' report

NON-AUDIT SERVICES

During the year, Gould Ralph & Company, the company's auditor and it's associated entity, Gould Ralph Pty Limited has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services by the auditor is compatible with, and did not compromise the auditor independence requirements of the Corporations Act 2001 for the reason that the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1: Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included in the Directors' Report.

Details of the amounts paid to the auditor of the company, Gould Ralph & Company and it's related entities for audit and non-audit services provided during the year are set out below.

		Consolidated	
		2005	**2004**
		$	**$**
Statutory audit			
Audit and review of financial reports		62,514	34,072
Services other than statutory audit			
Other assurance services:	IFRS accounting services	3,500	–
	Other assurance services	12,092	17,800
	Due diligence services	–	19,285
Other services:	Taxation compliance services	4,760	5,320
	Share registry	30,904	11,674
	Corporate statutory	1,730	1,868
		52,986	**55,947**

REMUNERATION REPORT

Details of the remuneration and remuneration policies is disclosed in Note 30 – Directors' and Executives' Disclosures, of the financial report.

ROUNDING OFF

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollar, unless otherwise stated.

Dated at Sydney this 30th day of September 2005.
Signed in accordance with a resolution of the directors.

Frank Shien
Director

Gould Ralph & Company
Chartered Accountants

ABN 74 632 161 298

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

To: The directors of Metroland Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

GOULD RALPH & COMPANY
Chartered Accountants

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

Dated at Sydney this 30th day of September 2005.

Statements of financial performance

for the Year Ended 30 June 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Revenue from sale of property		1,203	8,935	1,203	8,935
Rental revenue		2,869	883	–	–
Other revenues from ordinary activities		392	602	1,809	1,336
Total Revenue	2	4,464	10,420	3,012	10,271
Cost of property sold	3(a)	(1,463)	(4,330)	(1,560)	(4,330)
Employee expenses		(331)	(323)	(166)	(178)
Borrowing costs	3(b)	(1,643)	(839)	(824)	(591)
Property expenses		(869)	(258)	–	–
Directors fees		(119)	(119)	(119)	(119)
Legal and professional fees		(190)	(129)	(185)	(128)
Other expenses from ordinary activities		(450)	(301)	(378)	(224)
Share of net profit/(loss) of joint venture entities accounted for using the equity method	26	952	(48)	–	–
Profit/(loss) from ordinary activities before related income tax expense		**351**	**4,073**	**(220)**	**4,701**
Income tax benefit/(expense) relating to ordinary activities	4(a)	1	(1,240)	–	(1,277)
Net profit/(loss) attributable to members of the parent entity	**21**	**352**	**2,833**	**(220)**	**3,424**
Total changes in equity from non-owner related transactions attributable to the members of the parent entity	**22**	**352**	**2,833**	**(220)**	**3,424**
Ordinary Shares:					
Basic earnings per share	5	$0.0038	$0.036		
Diluted earnings per share	5	$0.0038	$0.036		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 13 to 44.

Statements of financial position

as at 30 June 2005

		Consolidated		The Company	
		2005	**2004**	**2005**	**2004**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
CURRENT ASSETS					
Cash assets	8	1,365	3,137	1,130	3,100
Receivables	9	1,568	641	891	90
Income tax receivable	4(b)	145	–	145	–
Property inventories	10	3,335	1,958	786	2,055
Other	12	209	93	–	–
Total Current Assets		**6,622**	**5,829**	**2,952**	**5,245**
NON-CURRENT ASSETS					
Receivables	9	–	129	25,831	19,568
Properties held for development	13	43,536	18,489	–	–
Investments accounted for using the equity method	11	4,764	7,387	–	–
Other financial assets	14	242	6	253	17
Property, plant & equipment	15	41	48	24	28
Deferred tax assets	4(d)	620	446	615	443
Total Non-Current Assets		**49,203**	**26,505**	**26,723**	**20,056**
TOTAL ASSETS		**55,825**	**32,334**	**29,675**	**25,301**
CURRENT LIABILITIES					
Payables	16	1,212	699	818	294
Interest bearing liabilities	17	16,151	1,842	3,922	1,806
Current tax liabilities	4(b)	–	2,544	–	2,544
Provisions	19	492	1,894	473	1,880
Total Current Liabilities		**17,855**	**6,979**	**5,213**	**6,524**
NON-CURRENT LIABILITIES					
Payables	16	536	–	574	–
Interest bearing liabilities	17	24,145	15,289	10,345	7,885
Deferred tax liabilities	4(c)	213	41	213	41
Provisions	19	11	9	11	9
Total Non-Current Liabilities		**24,905**	**15,339**	**11,143**	**7,935**
TOTAL LIABILITIES		**42,760**	**22,318**	**16,356**	**14,459**
NET ASSETS		**13,065**	**10,016**	**13,319**	**10,842**
EQUITY					
Contributed equity	20	11,532	8,362	11,532	8,362
Retained profits	21	1,533	1,654	1,787	2,480
Total Equity	**22**	**13,065**	**10,016**	**13,319**	**10,842**

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 13 to 44.

Statements of cash flows

for the Year Ended 30 June 2005

		Consolidated		The Company	
		2005	**2004**	**2005**	**2004**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		3,499	49,444	584	48,081
Cash payments in the course of operations		(2,575)	(8,334)	(1,128)	(7,861)
Interest received		473	318	455	317
Borrowing costs paid		(2,122)	(923)	(644)	(663)
Income taxes paid		(2,689)	(679)	(2,689)	(679)
Net cash provided by/(used in) operating activities	7(a)	(3,414)	39,826	(3,422)	39,195
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(27)	–	(4)	–
Acquisition of investments		(236)	(7,204)	(236)	(7,190)
Acquisition of property held for development		(26,848)	(9,376)	–	–
Repayment of joint venture contributions		4,056	–	4,056	–
Net cash provided by/(used in) investing activities		(23,055)	(16,580)	3,816	(7,190)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans (to)/from related entities		(140)	1,800	(8,522)	(5,766)
Proceeds from borrowings		26,019	10,634	5,688	6,174
Repayment of borrowings		(2,455)	(34,986)	(803)	(31,728)
Hire purchase repayments		(5)	(5)	(5)	(5)
Dividends paid		(1,886)	(1,550)	(1,886)	(1,550)
Proceeds from issue of shares		3,164	–	3,164	–
Net cash provided by/(used in) financing activities		24,697	(24,107)	(2,364)	(32,875)
Net (decrease) in cash held		**(1,772)**	**(861)**	**(1,970)**	**(870)**
Cash at beginning of the financial year		3,137	3,998	3,100	3,970
Cash at the end of the financial year	**7(b)**	**1,365**	**3,137**	**1,130**	**3,100**

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 13 to 44.

Notes to the financial statements

for the Year Ended 30 June 2005

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.

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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).

Other Entities

Investments in other unlisted entities are carried at the lower of cost and recoverable amount. Refer Note 1(d).

(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:

	2005	2004
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 collectibilty 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.

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 affect 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 statements

for the Year Ended 30 June 2005

NOTE 2 – REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Rental revenue	2,869	883	–	–
Sale of property revenue	1,203	8,935	1,203	8,935
Other revenues:				
From operating activities				
Interest – other parties	91	318	73	316
– related parties	78	113	1,557	942
Property management fees	223	126	51	–
Trust distribution – related party	–	–	128	78
From outside operating activities				
Gain on deconsolidation of subsidiary	–	45	–	–
Total Other Revenues	**392**	**602**	**1,809**	**1,336**
Total Revenue from Ordinary Activities	**4,464**	**10,420**	**3,012**	**10,271**

NOTE 3 – PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

(a) Individually significant expense/(revenue) included in profit from ordinary activities before income tax:

Proceeds from sale of property	(1,203)	(8,935)	(1,203)	(8,935)
Cost of property sold	1,463	4,330	1,560	4,330
Net (gain)/loss	**260**	**(4,605)**	**357**	**(4,605)**
Interest income on loans to related parties	(78)	(113)	(1,557)	(942)

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

Borrowing Costs:				
– Other parties	2,262	949	788	690
– Related parties	36	1	36	1
Less: Capitalised borrowing costs	(655)	(111)	–	(100)
	1,643	**839**	**824**	**591**

Borrowing costs were capitalised to property inventories and qualifying assets at a weighted average annual rate of 8.26% (2004: 6.4%)

Amortisation and depreciation of:				
Plant and equipment	**27**	**26**	**8**	**8**
Net expense from movements in provisions for:				
– Employee entitlement	7	17	2	9
Write-down in value of inventories	200	–	200	–
Minimum operating lease payments	36	36	36	36

NOTE 4 – TAXATION

	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
(a) Income Tax Expense/(Benefit)				
Prima facie income tax expense/(benefit) calculated at 30% (2004 –30%) on the profit from ordinary activities	105	1,222	(66)	1,411
Increase/(decrease) in income tax expense due to:				
– Division 43 capital allowance	(17)	(17)	(17)	(17)
– Other	3	4	3	–
Share of joint venture entities net profit/(loss)	(285)	14	–	–
Transfer of distribution/interest from joint venture entity to equity accounted investment	31	23	–	–
Gain on deconsolidation of subsidiary	–	(13)	–	–
Tax losses not recognised as future income tax benefit	175	16	171	–
Recovery of capital losses not previously brought to account	(13)	(9)	(13)	(9)
Tax expense on losses from wholly-owned subsidiaries within the tax-consolidated group	–	–	(78)	(108)
Income tax expense attributable to operating profit	**(1)**	**1,240**	**–**	**1,277**
(b) Current Tax Liabilities				
Provision for Current Income Tax				
Movements during the year:				
Balance at beginning of the year	2,544	512	2,544	512
Current year's income tax expense on operating profit	–	2,720	–	2,720
Income tax paid: – operating activities – prior year	(2,544)	(500)	(2,544)	(500)
– operating activities – current year	(145)	(179)	(145)	(179)
(Over) provision in prior year	–	(9)	–	(9)
	(145)	**2,544**	**(145)**	**2,544**
(c) Deferred Income Tax Liabilities				
Provision for Deferred Income Tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2004:30%) on the following items:				
Expenditure currently deductible for tax but deferred for accounting purposes	213	41	213	41
(d) Deferred tax assets				
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2004:30%)on the following items:				
Income currently assessable for tax but deferred for accounting purposes	422	422	422	422
Expenditure deducted for accounting, but deferred for tax purposes	31	24	29	21
Tax losses carried forward	167	–	164	–
	620	**446**	**615**	**443**
Future income tax benefit not taken to account: The potential future income tax benefit arising from tax losses not recognised as an asset because recovery of tax losses is not virtually certain	**225**	**50**	**171**	**–**

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 4 – TAXATION (CONT'D)

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

(i) the relevant entity and head entity derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
(ii) the relevant entity and the head entity continue to comply with the conditions for deductibility imposed by the law;
(iii) no change in legislation adversely affect the relevant entity and the head entity in realising the benefit.

NOTE 5 – EARNINGS PER SHARE

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Classification of securities as ordinary shares				
The company has no securities existing at reporting date which would classify as potential ordinary shares as the May 2009 options are not exercisable until their "first exercise date" on 8 March 2006.				
Earnings reconciliation				
Basic earnings			**352**	**2,833**
Diluted earnings			**352**	**2,833**
Weighted average number of shares used as the denominator				
Number for basic earnings per share:			**Number**	**Number**
Ordinary Shares			**92,003,453**	**78,738,449**
Number for diluted earnings per share:				
Ordinary shares			**92,003,453**	**78,738,449**

NOTE 6 – AUDITORS REMUNERATION

	Consolidated		The Company	
	2005 $	2004 $	2005 $	2004 $
Auditors of the Company:				
Audit services				
– Audit and review of financial reports	62,514	34,072	62,514	34,072
Other services				
– Taxation services	4,760	5,320	4,760	5,320
– Share registry services	30,904	11,674	30,904	11,674
– Due diligence related services	–	19,285	–	19,285
– Other assurance services	17,322	19,668	17,322	19,668
	52,986	55,947	52,986	55,947
	115,500	**90,019**	**115,500**	**90,019**

NOTE 7 – NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Operating profit /(loss) after income tax	352	2,833	(220)	3,424
Add/(less) items classified as investing/financing activities:				
Interest paid capitalised	(751)	39	–	–
Non-cash items				
Interest income capitalised	–	–	(1,401)	(799)
Formation costs written-off	–	3	–	–
Loans forgiven	–	–	7	–
Depreciation	27	26	8	8
Provision for employee entitlements	8	17	2	9
Gain on deconsolidation of subsidiary	–	(45)	–	–
Equity accounted share of joint venture entities' results	(952)	48	–	–
Changes in assets and liabilities:				
(Increase)/decrease in property inventories	1,268	5,870	1,268	5,870
(Increase)/decrease in receivables	(617)	39,107	(578)	39,020
Increase/(decrease) in payables	57	(8,600)	181	(8,935)
Increase/(decrease) in tax balances	(2,690)	561	(2,689)	598
(Increase)/decrease in prepayments	(116)	(33)	–	–
Net cash provided by / (used in) operating activities	**(3,414)**	**39,826**	**(3,422)**	**39,195**
(b) Reconciliation of Cash				
Cash	80	44	32	7
Short term deposits	1,285	3,093	1,098	3,093
	1,365	**3,137**	**1,130**	**3,100**

NOTE 8 – CASH ASSETS

Current				
Cash at bank and on hand	80	44	32	7
Bank short term deposits	1,285	3,093	1,098	3,093
	1,365	**3,137**	**1,130**	**3,100**

Included in bank short term deposits is $251,364 (2004:$532,929) held as guarantee by Council in respect of the Sydney Park development, which was released in July 2005. Bank short term deposits pay interest at a weighted average interest rate of 4.5% (2004: 4.6%).

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 9 – RECEIVABLES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Current					
Property trade debtors		672	–	672	–
Distributions receivable – related entity		–	–	207	78
Rent receivable		64	26	–	–
GST receivable		813	615	–	12
Other receivable		19	–	12	–
		1,568	**641**	**891**	**90**
Non-Current					
Loans to related entities		–	16	–	31
Loans to joint venture entities		–	–	4,255	7,435
Loans to controlled entities		–	–	21,576	11,876
Interest receivable – joint venture entity		–	113	–	226
		–	**129**	**25,831**	**19,568**

The weighted average effective interest rate on loans to all controlled entities is 9% (2004: 9%). All loans are repayable at call. The loans are not repayable within the next twelve months.

NOTE 10 – PROPERTY INVENTORIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Current					
Development properties, at lower of cost and net realisable value		**3,335**	**1,958**	**786**	**2,055**
Development properties held for sale comprises:					
Cost of acquisition		2,311	226	87	226
Development costs capitalised		862	1,672	639	1,672
Borrowing costs capitalised		162	60	60	157
		3,335	**1,958**	**786**	**2,055**

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Non-Current					
Joint venture entities	**26**	**4,764**	**7,387**	**–**	**–**

NOTE 12 – OTHER CURRENT ASSETS

Current				
Prepayments	**209**	**93**	**–**	**–**

NOTE 13 – PROPERTIES HELD FOR DEVELOPMENT AND RESALE

	Consolidated		**The Company**	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
Non-Current				
Cost of acquisition	41,975	17,910	–	–
Development costs capitalised	1,013	554	–	–
Interest capitalised	548	25	–	–
	43,536	**18,489**	**–**	**–**

Borrowing costs were capitalised at a weighted average rate of 8.3% (2004:8 %)

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. An independent valuation of the property in May 2005 was carried out by CB Richard Ellis Pty Ltd on the freehold interest in the property with development approval at $13.5million. The book value of the combined property at 30 June 2005 is $7,546,688. Subsequent to balance date a Deed of Put & Call Option was entered into for the sale of the property for $12.2million. Refer Note 33 for further details on the Put & Call Option.
- A commercial property at 265 Victoria Road, Gladesville, with a book value at 30 June 2005 of $2,548,438. A contract for the sale of the property was entered into in July 2005 for $3.2million with settlement due in November 2005.
- 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 2005 is $7,128,349.
- The Wentworthville Mall, a shopping centre complex at 42-44 Dunmore Street, Wentworthville was purchased in September 2004. The development application for an increase in lettable retail area, and in the number of car spaces, together with the potential for the development of a residential high-rise apartment over the shopping centre complex is currently being completed for lodgement with the local Council. The book value of the property at 30 June 2005 is $19,502,166.
- A vacant property at 16-20 Mountain Street, Ultimo was acquired in April 2005. The company intends to convert the existing building into either commercial spaces or student accommodation to realise it's full potential. The book value of the property at 30 June 2005 is $9,226,338.
- The 2 remaining units in the Zenix development at Sydney Park Road, Alexandria with a book value at 30 June 2005 of $786,397.

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 14 – OTHER FINANCIAL ASSETS

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
Non-Current				
Investments in controlled entities				
Unlisted shares at cost	–	–	–	–
Investments in other entities				
Units in unlisted unit trust	200	–	200	–
Joint venture entity	36	–	36	–
	236	–	236	–
Investment in Joint Venture Operation	6	6	6	6
Investments in Associates				
Unlisted shares at cost	101	101	111	111
Unlisted units at cost	–	–	1	1
Provision for diminution	(101)	(101)	(101)	(101)
	–	–	11	11
	242	**6**	**253**	**17**

NOTE 15 – PROPERTY, PLANT & EQUIPMENT

Plant and equipment – at cost	89	86	66	63
Accumulated depreciation	(48)	(38)	(42)	(35)
	41	**48**	**24**	**28**
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	48	59	28	37
Additions	4	–	4	–
Depreciation	(11)	(11)	(8)	(9)
Carrying amount at end of year	**41**	**48**	**24**	**28**

NOTE 16 – PAYABLES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Current					
Trade creditors		193	23	82	3
Other creditors and accruals		374	549	116	165
GST payable		–	–	5	–
Owing to related entities		645	127	615	126
		1,212	**699**	**818**	**294**
Non-current					
Owing to related entities		**536**	**–**	**574**	**–**

NOTE 17 – INTEREST-BEARING LIABILITIES

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Current					
Bank loans -secured	17(b)	13,746	36	1,517	–
Loans from other entities-unsecured	17(a)	1,852	–	1,852	–
Loans from related entity-unsecured	17(c)	550	1,801	550	1,801
Hire purchase liabilities – secured		3	5	3	5
		16,151	**1,842**	**3,922**	**1,806**
Non-current					
Bank loans-secured	17(b)	22,668	12,404	8,868	5,000
Loan from other entities-unsecured	17(a)	1,356	2,883	1,356	2,883
Loans from related entities – unsecured	17(c)	121	–	121	–
Hire purchase liabilities-secured		–	2	–	2
		24,145	**15,289**	**10,345**	**7,885**

(a) Loans from other entities are unsecured. The non-current loan of $182,000 is due for repayment in May 2008 and the balance of $1,174,000 is due for repayment between February to June 2007. The weighted average interest rate on these loans at 30 June 2005 is 9.54% (2004: 9.55%).

(b) The bank loans are secured by registered first mortgages over properties of the controlled entities. The current portion of the bank loans of $200,000 is repayable in quarterly instalments over the next 12 months. The non-current portion of the bank loans of $367,967 is set for repayment by September 2006; $13,800,000 is repayable in quarterly instalments of $50,000 with full repayment by September 2009; and $8,500,000 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. The weighted average interest rate on these loans at 30 June 2005 is 8.01% (2004: 6.98%).

(c) The loans from related entities is unsecured and the current loan of $550,000 was fully repaid in July 2005. The non-current portion of $121,000 is due for repayment in May 2008. The weighted average interest rate on these loans at 30 June 2005 was 9.0% (2004: 9.5%).

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

	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Properties held for development	43,338	16,662	–	–
Property inventories	3,335	–	786	–
	46,673	**16,662**	**786**	**–**

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 18 – FINANCING ARRANGEMENTS

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank loans	37,745	26,500	10,385	5,000
	37,745	**26,500**	**10,385**	**5,000**
Facilities utilised at balance date:				
Bank loans	36,414	12,440	10,385	5,000
	36,414	**12,440**	**10,385**	**5,000**
Facilities not utilised at balance date:				
Bank loans	1,331	14,060	–	–
	1,331	**14,060**	**–**	**–**

NOTE 19 – PROVISIONS

Current				
Employee benefits	19	14	–	–
Dividends	473	1,880	473	1,880
	492	**1,894**	**473**	**1,880**
Non-current				
Employee benefits	**11**	**9**	**11**	**9**
Number of employees at year end	**4**	**3**	**2**	**2**
Reconciliations				
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, is set out below:				
Dividends				
Carrying amount at beginning of year	1,880	–	1,880	–
Provisions made during the year:				
– Final dividend 2003	–	1,572	–	1,572
– Final dividend 2004	–	1,880	–	1,880
– Final dividend 2005	473	–	473	–
– Payments made during the year	(1,880)	(1,572)	(1,880)	(1,572)
Carrying amount at year end	**473**	**1,880**	**473**	**1,880**

NOTE 20 – CONTRIBUTED EQUITY

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Share capital					
94,720,572 (2004:78,738,449) ordinary shares fully paid		**11,532**	**8,362**	**11,532**	**8,362**
Movements during the year:					
Balance at beginning of year:					
78,738,449 shares		8,362	8,362	8,362	8,362
Shares issued:					
15,275,000 for cash under the share purchase plan		3,016	–	3,016	–
457,123 pursuant to the company dividend reinvestment plan		99	–	99	–
250,000 for cash pursuant to a share placement		55	–	55	–
Balance at end of the year		**11,532**	**8,362**	**11,532**	**8,362**

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

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Retained profits at beginning of the year		1,654	2,273	2,480	2,508
Net profit/(loss) attributable to members of the parent entity		352	2,833	(220)	3,424
Dividends recognised during the year		(473)	(3,452)	(473)	(3,452)
Retained profits at the end of the year		**1,533**	**1,654**	**1,787**	**2,480**

NOTE 22 – TOTAL EQUITY RECONCILIATION

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Total equity at beginning of the year		10,016	10,635	10,842	10,870
Total changes in parent entity interest in equity recognised in statement of financial position		352	2,833	(220)	3,424
Transactions with owners as owners:					
Contributions of equity		3,170	–	3,170	–
Dividends	23	(473)	(3,452)	(473)	(3,452)
Total equity at end of the year		**13,065**	**10,016**	**13,319**	**10,842**

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for the Year Ended 30 June 2005

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
2005 – Final	0.5	472,855	28 October 2005	30%	Fully franked
Dividend Franking Account					
30% franking credits available to shareholders of Metroland Australia Limited for subsequent financial years				1,699	1,739

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.

NOTE 24 – INTEREST IN JOINT VENTURE OPERATION

The company holds a 72.17% (2004: 72.17%) interest in a joint venture, named Sydney Park Management Venture, whose principal activity was the development of the property at 221-229 Sydney Park Road, Alexandria which was completed during the 2004 year; and a 74% interest in the Greenway Supacenta Joint Venture whose principle activity is the development of the proposed bulky goods supacenta at Elizabeth Street, Wetherill Park. For the year ended 30 June 2005 the contribution of the joint ventures to the operating result before tax of the company and consolidated entity was a loss of $372,571 (2004: profit of $4,659,535).

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 ventures, recorded in accordance with the accounting policies described in Note 1 (b).

	Consolidated		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Current Assets				
Cash	269	644	269	644
Property inventories	786	1,958	786	2,055
Receivables	672	–	672	–
Total Current Assets	1,727	2,609	1,727	2,699
Total Assets	**1,727**	**2,602**	**1,727**	**2,699**
Current Liabilities				
Trade and other creditors	–	148	–	148
Interest bearing liabilities	672	–	672	–
	672	148	672	148
Non-current Liabilities				
Interest bearing liabilities	368	–	368	–
Total Liabilities	**1,040**	**148**	**1040**	**148**

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 2005 %	2004 %
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	100	100
Pacific Metronet Limited (de-registered in 2005)	–	51
Metroland Homes Pty Limited	100	100
Stratawide Management Pty Limited	55	55
Goldwest Metro Pty Limited	100	100

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

(b) Acquisition of controlled entities

No controlled entities were acquired in the current financial year. In the previous financial year, a wholly-owned entity, Goldwest Metro Pty Limited was incorporated with a fair value of net assets acquired of $10.00.

(c) Disposal of controlled entities

During the current year, a partly owned controlled entity, Pacific Metronet Limited was de-registered and the loan to the entity of $6,937 was written-off.

In the previous financial year, 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 was recognised in the statement of financial performance in the previous financial year.

NOTE 26 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Share of net profit/(loss) accounted for using the equity method included in the statement of financial performance:				
Joint venture entities	**952**	(48)	**–**	–

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for the Year Ended 30 June 2005

NOTE 26 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D)

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	
			2005 %	2004 %	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Metroland Investments P/L	Investment in property development entity	30 June	50	50	412	3,314	10	10
Gaintak Investments P/L ATF Gaintak Investment Unit Trust	Property investment and development	30 June	50	50	4,352	4,073	1	1
					4,764	**7,387**	**11**	**11**

Results of Joint Venture	Consolidated 2005 $'000	Consolidated 2004 $'000
Revenue from ordinary activities	2,202	551
Expenses from ordinary activities	(1,076)	(596)
Profit/(loss) from ordinary activities before income tax	1,126	(45)
Income tax expenses relating to ordinary activities	(174)	(3)
	952	**(48)**
Statement of financial position		
The consolidated entity's share of the joint venture entities assets and liabilities consists of:		
Current assets	771	197
Non-current assets	10,569	13,835
Total assets	11,340	14,032
Current liabilities	(541)	(138)
Non-current liabilities	(6,035)	(6,507)
Total liabilities	(6,576)	(6,645)
Net assets – accounted for using the equity method	**4,764**	**7,387**

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

NOTE 26 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D)

	Consolidated	
	2005 $'000	2004 $'000
Share of post-acquisition profit attributable to joint venture entities		
Share of joint venture entities' retained (loss) at beginning of year	(48)	–
Share of joint venture entities' net profit/(loss)	952	(48)
Share of joint venture entities' retained profit/(loss) at end of year	**904**	**(48)**
Movements in carrying amount of joint venture entities		
Carrying amount at beginning of year	7,387	–
Investments in joint venture entities acquired during the year	–	11
Cash contributions to joint venture entities during the year	481	7,469
Share of joint venture entities' net profit/(loss)	952	(48)
Repayment of contributions during the year	(4,056)	–
Share of opening accumulated losses following the deconsolidation of a formerly controlled entity	–	(45)
Carrying amount at end of year	**4,764**	**7,387**

NOTE 27 – COMMITMENTS

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
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 $17.8million, 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	–	–
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 Horsely Drive, Wetherill Park, NSW for $7.5million with a 10% deposit made on the date of the contract. This contract was conditional on the receipt of a clean contamination report, at the vendors expense, on the property by 23 August 2005. The date for the fulfilment of the contract condition has been extended to October 2005. The company's share of the commitment is	3,375	3,375	3,375	3,375
	3,375	**19,395**	**3,375**	**3,375**

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NOTE 28 – CONTINGENT LIABILITIES

	Consolidated		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
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.				
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:	401	57	401	57
The company has jointly and severally guaranteed the performance of the contract to purchase property at 1187 The Horsely Drive, Wetherill Park, NSW entered into by a joint venture entity. The contract is still 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	3,375	3,375	3,375
Litigation				
Claims for settlement were brought against Lifestyle Investment Company Pty Ltd in which the company had 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. During the year the joint venture entity sold it's equity interest in Lifestyle Investment Company Pty Ltd.	–	55	–	55
Total estimated contingent liabilities	**3,776**	**3,487**	**3,776**	**3,487**

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; or undergoing development approval and not generating rental income.

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'D)

Primary Reporting

Business Segments	Property Sales & Development		Property Rental & Management		Investment & Financial Services		Consolidated	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**
External segment revenue	**1,203**	**8,935**	**3,092**	**1,009**	**169**	**476**	**4,464**	**10,420**
Segment result	(469)	4,543	1,029	315	479	(163)	1,039	4,695
Unallocated corporate expenses							(688)	(622)
Profit from ordinary activities before income tax							351	4,073
Income tax expense							1	(1,240)
Net profit							**352**	**2,833**
Depreciation	**–**	**–**	**16**	**18**	**11**	**8**	**27**	**26**
Individually significant items:								
Proceeds on sale of property	–	8,935	–	–	–	–	–	8,935
Costs of property sold	–	(4,330)	–	–	–	–	–	(4,330)
	–	**4,605**	**–**	**–**	**–**	**–**	**–**	**4,605**
Segment assets	11,820	1,958	37,754	19,217	5,868	10,631	55,442	31,806
Unallocated corporate assets							383	528
Consolidated total assets							**55,825**	**32,334**
Liabilities								
Segment liabilities	8,643	149	29,182	7,859	4,287	9,713	42,112	17,721
Unallocated corporate liabilities							648	4,597
Consolidated total liabilities							**42,760**	**22,318**
Acquisition of non-current assets	8,974	–	17,029	8,625	236	7,466	26,239	16,091

Secondary Reporting

Geographical Segments

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

Notes to the financial statements

for the Year Ended 30 June 2005

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 2005:

		Primary Wages & Salary		Post-employment superannuation benefits	
		2005 $	2004 $	2005 $	2004 $
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	120,000	120,000	10,800	10,800
	Tjing Hong Ong, Property Investment Manager, Metroland Australia Limited	90,000	90,000	8,100	7,988
		210,000	**210,000**	**18,900**	**18,788**

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 2004	Purchases	Sales	Held at 30 June 2005
Specified directors	Frank Shien	11,256,745	263,746	1,525,000	9,995,491
	Steam Leung	1,189,310	250,000	–	1,439,310
	Eddie Lee	527,500	–	–	527,500
	John Wardman	1,200,000	110,333	–	1,310,333
	Da Cheng Zhang	9,600,000	–	–	9,600,000

NOTE 30 – DIRECTORS' AND EXECUTIVES DISCLOSURES (CONT'D)

		Held at 1 July 2004	Purchases	Sales	Held at 30 June 2005
Specified executives	Anthony Maroon	–	–	–	–
	Tjing Hong Ong	740,000	400,000	–	1,140,000

Options and Rights Over Equity Instruments

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

		Held at 1 July 2004	Granted	Sold/ Exercises	Held at 30 June 2005
Directors	Frank Shien	–	1,665,912	–	1,665,912
	Steam Leung	–	223,214	–	223,214
	Eddie Lee	–	87,916	–	87,916
	John Wardman	–	218,388	–	218,388
	Da Cheng Zhang	–	1,600,000	–	1,600,000
Specified Executives	Anthony Maroon	–	–	–	–
	Tjing Hong Ong	–	189,998	–	189,998

All options were allotted on 22 October 2004 and have an expiration date of 28 May 2009, and an exercise price of $0.26 per share. No options have been granted since the end of the financial year. The options were granted for no consideration, with the first exercise date of 8 March 2006.

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 $106,672. Details of the transactions are as follows:

	Transaction	Note	2005 $	2004 $
Specified directors				
Frank Shien	Office rental and administration	(i)	36,200	36,200
	Property management	(ii)	34,716	25,056
	Property sale commissions		–	110,563
	Interest	(iii)	35,756	1,184
Steam Leung	Property sale commissions		–	242,325
			106,672	**415,328**

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for the Year Ended 30 June 2005

NOTE 30 – DIRECTORS' AND EXECUTIVES DISCLOSURES (CONT'D)

(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, NX Holdings Pty Ltd and Tanesia Holdings Pty Ltd, companies of which Frank Shien is a director, loaned funds totalling $2,461,000 to the company. The loans bear interest at 9.0%, is unsecured and $1,790,000 was repaid during the year with a balance of $671,000 owing at year end of which $550,000 was repaid in July 2005.

(vi) 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 $30,779, and is interest-free and unsecured.

Assets and liabilities ensuing from the above transactions:

		30 June 2005 $	30 June 2004 $
Current Liabilities	Trade creditors	–	2,200
	Interest payable	1,301	–
	Owing to related entity	30,779	126,204
	Loan from related entity	550,000	1,800,000
Non-current Liabilities	Loan from related entity	121,000	–

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 2005 $'000	The Company 2004 $'000
Receivables		
Current		
Joint venture entity	207	78
Non-current		
Wholly-owned controlled entities	21,358	11,715
Partly-owned controlled entities	218	192
Joint venture entities	4,255	7,661
	25,833	**19,568**

NOTE 31 – NON-DIRECTOR RELATED PARTIES (CONT'D)

	The Company 2005 $'000	The Company 2004 $'000
Payables		
Current		
Joint venture entity	**615**	**–**

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

	2005 $'000	2004 $'000
Interest revenue		
Wholly – owned controlled entities	1,383	700
Partly – owned controlled entities	18	15
Joint venture entity	156	226
Trust distribution – Joint venture entity	127	78
Property management fees – Wholly owned controlled entity	36	–
Property management fees – Joint Venture Entity	15	–
Loan to partly-owned controlled entity forgiven	(7)	–

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 $'000	Fixed Interest Rate Maturing 1 Year or Less $'000	Fixed Interest Rate Maturing 1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Interest Rate %
2005						
(i) Financial Assets						
Cash assets	1,365	–	–	–	1,365	4.3
Receivables	–	–	–	1,713	1,713	–
Other financial assets	–	–	–	242	242	–
Total Financial Assets	**1,365**	**–**	**–**	**1,955**	**3,320**	
(ii) Financial Liabilities						
Payables	–	–	–	1,748	1,748	–
Bank loans	31,358	56	5,000	–	36,414	8.1
Loans from related entities	–	550	121	–	671	9.0
Loans from other entities	–	3,026	182	–	3,208	9.5
Hire purchase liabilities	–	3	–	–	3	7.0
Dividends payable	–	–	–	473	473	–
Employee benefits	–	–	–	30	30	–
Total Financial Liabilities	**31,358**	**3,635**	**5,303**	**2,251**	**42,547**	

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for the Year Ended 30 June 2005

NOTE 32 – ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (CONT'D)

	Floating Interest Rate $'000	Fixed Interest Rate Maturing 1 Year or Less $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Interest Rate %
2004						
(i) *Financial Assets*						
Cash assets	3,137	–	–	–	3,137	4.60
Receivables – Other	–	–	–	770	770	–
Other financial assets	–	–	–	6	6	–
Total Financial Assets	**3,137**	**–**	**–**	**776**	**3,913**	
(ii) *Financial Liabilities*						
Payables	–	–	–	667	667	–
Bank loans	7,404	36	5,000	–	12,440	6.98
Loans from other entities	–	–	2,883	–	2,883	9.55
Loan from related entities	–	1,800	–	–	1,800	9.5
Dividends payable	–	–		1,912	1,912	–
Employee benefits	–	–	–	23	23	–
Hire purchase liabilities	–	5	3	–	8	7.0
Total Financial Liabilities	**7,404**	**1,841**	**7,886**	**2,602**	**19,933**	

(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.

(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.

NOTE 32 – ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (CONT'D)

(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:

	2005		2004	
	Carrying Amount $'000	**Net Fair Value $'000**	**Carrying Amount $'000**	**Net Fair Value $'000**
Financial Assets				
Cash assets	1,365	1,365	3,137	3,137
Receivables	1,713	1,713	770	770
Properties held for development	46,871	53,466	18,489	22,028
Investments – other	242	242	6	6
Financial liabilities				
Payables	1,748	1,748	699	699
Bank loans	36,414	36,414	12,477	12,477
Loans from related and other entities	3,879	3,879	4,683	4,683
Employee benefits	30	30	23	23
Dividends payable	473	473	1,894	1,894

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

- In July 2005, a wholly-owned subsidiary, Metroland Homes Pty Limited entered into a contract for the sale of it's commercial property at 265 Victoria Road, Gladesville for $3.2million, with settlement to take place in November 2005.
- In September 2005, a wholly-owned subsidiary, Metroland Properties Pty Limited entered into a Deed of Put & Call Option for the sale of it's Neutral Bay property at 199-207 Military Road, and 4 Rangers Road for $12.2million. Under the Deed of Put & Call Option, the purchaser may exercise it's call option at any time within the 260-day period commencing from 9 September 2005; and the Put Option may be exercised by Metroland Properties Pty Limited at any time during a 60-day period from the date which is 261-days from 9 September 2005.
- In July 2005, the company repaid borrowings of $550,000 from a director-related entity; and $845,000 of bank loans.
- For reporting periods beginning on or after 1 July 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 34 to the financial statements.

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.

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 34 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) 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) applicable for reporting periods ended 30 June 2005.

Transition Management

The board, with the assistance of the company's auditors has assessed the impact of transitions to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The assessment included:

- identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS, on the preparation of the consolidated entity's financial reports.
- identification of potential financial impacts as at the transition date and for subsequent reporting periods to the adoption of AIFRS.
- development of applicable revised AIFRS disclosures, and the
- identification of required changes to financial reporting.

The assessment is substantially complete as at 30 June 2005, and has not identified any significant impacts on the consolidated entity financial reports of the transition to AIFRS.

Impact of Transitions to AIFRS

The impact of transitions to AIFRS, including the transitional arrangements disclosed are based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report, being the half-year ending 31 December 2005. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. The note provides only a summary. Further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIRFS.

There is a significant amount of judgement involved in the preparation of the reconciliation from current Australian GAAP to AIFRS, consequently the final reconciliation presented in the first financial report in accordance with AIFRS may vary materially from the reconciliation provided in this Note.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- changes in financial reporting requirements that are relevant to the company's and consolidated entity's first complete AIFRS financial reports arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report;
- additional guidance on the application of AIFRS in a particular industry or to a particular transaction;
- any changes to the company's and consolidated entity's operations.

Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations. The uncertainty relating to the accounting guidance is disclosed in the relevant accounting policy note and where applicable, the expected impact of the alternative interpretation is also disclosed.

The rules for first time adoption of AIFRS are set out in AASB1: First Time Adoption of Australian Equivalents to IFRS. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. The accounting policy note includes details of the AASB1 elections adopted.

NOTE 34 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB1 are set out below.

(a) Impairment

Calculation of recoverable amount

Under current Australian GAAP, the recoverable amount of non-current assets was assessed at an entity level using undiscounted cash flows.

Under AIFRS the recoverable amount of the consolidated entity's non-current securities and receivables carried at amortised cost will be calculated as the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition of these financial assets. Receivables with a short duration are not discounted.

The recoverable amount of other assets will be the greater of the fair value less costs to sell and the value-in-use. In assessing value-in-use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the risks specific to the asset or cash generating unit. Cash flows will be estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the assets performance or expected to arise from future restructuring not yet committed to at testing date.

There is no expected impact of this change in treatment on transition.

(b) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary difference will not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantially enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

The expected impact on the consolidated entity at 1 July 2004, of the change in basis and the transition adjustments on the deferred tax balance and the previously reported tax expense is an increase in deferred tax assets of $15,906, and an increase in retained earnings of $15,906. No adjustment is expected for the company.

The expected impact of the change in basis on the tax expense for the financial year ended 30 June 2005 is a decrease in tax expense by $174,974 for the consolidated entity and $171,126 for the company. Deferred tax assets is expected to increase by $190,880 and retained earnings increase by $15,906 for the consolidated entity; and for the company, deferred tax assets to increase by $171,176 at 30 June 2005.

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 34 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

(c) Borrowing Costs

Current Australian GAAP requires borrowing costs relating to qualifying assets to be capitalised as part of the cost of the asset.

Under AIFRS borrowing costs may either be recognised as an expense in the period in which they are incurred, or where they are directly attributable to the acquisition , construction or production of a qualifying asset they may be capitalised as part of the cost of the asset.

Metroland Australia Limited expects to apply the allowed alternative treatment under AASB123 and therefore will continue to capitalise borrowing costs where they are directly attributable to the acquisition, construction or production of a qualifying asset.

There is not expected to be any impact on either the company or the consolidated entity in relation to this choice of AIFRS accounting policy as there is not expected change from the current policy under Australian GAAP.

(d) Earnings per Share

Under AIFRS basic and diluted earnings per share are calculated using the profit and loss from continuing operations attributable to the ordinary equityholders of the parent entity. The basic and diluted earnings per share for the discontinued operations is calculated and disclosed separately.

The earnings per share for the financial year ending 30 June 2005 calculated on the AIFRS adjusted results are expected to be:

Basic EPS from continuing operations:	$0.05
Diluted EPS from continuing operations:	$0.05

(e) Financial Instruments

Metroland Australia Limited expects to take advantage of the election in AASB1 to not restate comparatives for AASB132: Financial Instruments – Disclosure and Presentation, and AASB139: Financial Instruments – Recognition and Measurement. There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

(f) Revenue

Under AASB 118: Revenue, the criteria for the recognition of revenue is different to that required by AGAAP which may result in a change in the recognition of revenue of certain transactions of the consolidated entity. Revenue and profits on the development of highrise residential apartments were recognised on the percentage of completion basis under UIG53: Pre-Completion Contracts for the Sale of Residential Properties. Under AIFRS, recognition of revenue on property sold will be deferred until the completion of the projects.

There is no expected impact of this change in treatment on transition, and will only affect the recognition of profits of property developments which may be undertaken by the company and consolidated entity in future financial years.

NOTE 34 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

Summary of Transitional Adjustments

The following sets out the expected adjustments to the statement of financial position of the company and the consolidated entity at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative period balance sheet as at 30 June 2005.

		Consolidated 1 July 2004 $'000			Consolidated 30 June 2005 $'000			The Company 1 July 2004 $'000			The Company 30 June 2005 $'000		
	Note	AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS	AGAAP	Transition Impact	AIFRS
Assets													
Total Current assets		5,829		5,829	6,622		6,622	5,245		5,245	2,967		2,967
Non-Current Assets													
Receivables		129		129	–		–	19,568		19,568	25,816		25,816
Properties held for development		18,489		18,489	43,536		43,536	–		–	–		–
Investments accounted for using equity method		7,387		7,387	4,764		4,764	–		–	–		–
Other financial assets		6		6	242		242	17		17	253		253
Property, plant & equipment		48		48	41		41	28		28	24		24
Deferred total assets	(b)	446	16	462	620	191	811	443		443	615	171	786
Total non-current assets		26,505		26,521	49,203		49,394	20,056		20,056	26,708		26,879
TOTAL ASSETS		**32,334**		**32,350**	**55,825**		**56,016**	**25,301**		**25,301**	**29,675**		**29,846**
Liabilities													
Total Current liabilities		6,979		6,979	17,855		17,855	6,524		6,524	5,213		5,213
Total Non-Current liabilities		15,339		15,339	24,905		24,905	7,935		7,935	11,143		11,143
TOTAL LIABILITIES		**22,318**		**22,318**	**42,760**		**42,760**	**14,459**		**14,459**	**16,356**		**16,356**
NET ASSETS		**10,016**		**10,032**	**13,065**		**13,256**	**10,842**		**10,842**	**13,319**		**13,490**
Equity													
Contributed equity		8,362		8,362	11,532		11,532	8,362		8,362	11,532		11,532
Retained profits	(b)	1,654	16	1,670	1,533	191	1,724	2,480		2,480	1,787	171	1,958
TOTAL EQUITY		**10,016**		**10,032**	**13,065**		**13,256**	**10,842**		**10,842**	**13,319**		**13,490**

Notes to the financial statements

for the Year Ended 30 June 2005

NOTE 34 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT'D)

Reconciliation of profit for the financial year ended 30 June 2005

The following sets out the expected adjustments to the statement of financial position of the company and the consolidated entity for the year ended 30 June 2005.

		Consolidated Year ended 30 June 2005 $'000			Company Year ended 30 June 2005 $'000		
	Note	**AGAAP**	**Tran. Impact**	**AIFRS**	**AGAAP**	**Tran. Impact**	**AIFRS**
Total revenue		4,464		4,464	2,939		2,939
Total expenses		(5,065)		(5,065)	(3,159)		(3,159)
Share of net profit of joint venture entities using equity method		952		952	–		–
Profit/(loss) from ordinary activities before income tax		351		351	(220)		(220)
Income tax benefit/(expense) relating to ordinary activities	(b)	1	175	176	–	171	171
Net profit attributable to members of parent entity		**352**		**527**	**(220)**		**(49)**

Summary of impact of transition to AIFRS on retained earnings

The impact of the transition to AIFRS on retained earnings as at 1 July 2004 is summarised below:

	Note	**Consolidated $'000**	**Company $'000**
Retained earnings at 1 July 2004 under AGAAP		1,654	2,480
AIFRS Reconciliation:			
Impact of taxation	(b)	16	–
Retained earnings at 1 July 2004 under AIFRS		**1,670**	**2,480**

Director's declaration

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

1. the financial statements and notes, set out on pages 10 to 44 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 2005 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.
3. the directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the chief executive officer for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the directors:

FRANK SHIEN
Director

Dated at Sydney this 30th day of September 2005

Independent Audit Report to the Members of Metroland Australia Limited

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 10 to 44, 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 2005. 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.

Independent Audit Report to the Members of Metroland Australia Limited

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the additional disclosures, we were engaged to undertake the services disclosed in the notes to the financial statement. The provision of these services has not impaired our independence.

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 2005, 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

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

Dated at Sydney this 30th day of September 2005

Liability limited by a scheme approved under Professional Legislation

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 12 September 2005)

Category	**Number of Security Holders**	
	Ordinary	*Options*
1 – 1,000	36	188
1,001 – 5,000	165	315
5,001 – 10,000	123	133
10,001 – 100,000	405	162
100,001 – over	112	35
	841	**833**

(b) The number of shareholdings less than a marketable parcel at 12 September 2005 was 90.

(c) The number of shares held by the substantial shareholders at 12 September 2005 were:

Shareholder	Number of Ordinary Shares
Da Cheng Zhang	9,600,000
Formbell Pty Limited	5,306,364
Tanesia Holdings Pty Ltd	4,915,000

(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 12 September 2005.

Shareholders	Number of Ordinary Fully Paid Shares	% Held of Total Issued
1. Da Cheng Zhang	9,600,000	10.14
2. Formbell Pty Limited	5,306,364	5.60
3. Tanesia Holdings Pty Limited	4,915,000	5.19
4. LJL Capital Pty Limited	3,266,009	3.45
5. Wincute International Development Limited	3,025,000	3.19
6. Cheptsow Properties Limited	2,820,000	2.98
7. NX Holdings Pty Limited	2,149,495	2.27
8. Comm-Asia Limited	1,975,000	2.09
9. MDM Holdings Pty Limited	1,853,750	1.96
10. G H Kluge & Sons Limited	1,375,000	1.45
11. John Wardman & Associates Pty Ltd (Superannuation Fund)	1,310,333	1.38
12. Dawes Investment Group Ltd	1,300,000	1.37
13. Dr Frederick Chen	1,260,000	1.33
14. MDM Thie Tjie Hoa	1,208,000	1.28
15. Seow Hwee Tan	1,134,000	1.20
16 Janie Teo	1,110,000	1.17
17. Bee Eng Hoon	1,035,500	1.09
18. Sabastian Chen	993,298	1.05
19. Gary Leon & Shirley Ann Lewis (Lewis Superannuation Fund)	975,000	1.03
20. Hsue Ying Chen	945,893	1.00
	47,557,642	**50.22**

(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 the 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;

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.

Corporate governance statement

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

The members of the Audit Committee are:

- John Wardman, B.Ecom, FAIC,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.

Details of the progress of the implementation and the expected impact of transition to AIFRS on the financial report for the year ended 30 June 2005 are included in Note 34. The consolidated entity is expected to be in a position to fully comply with the reporting requirements of AIFRS for the 30 June 2006 financial year.

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

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Tel (02) 9032 3000
Fax (02) 9032 3088

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

Home Stock Exchange
Australian Stock Exchange Ltd
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ASX Code: MTD

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