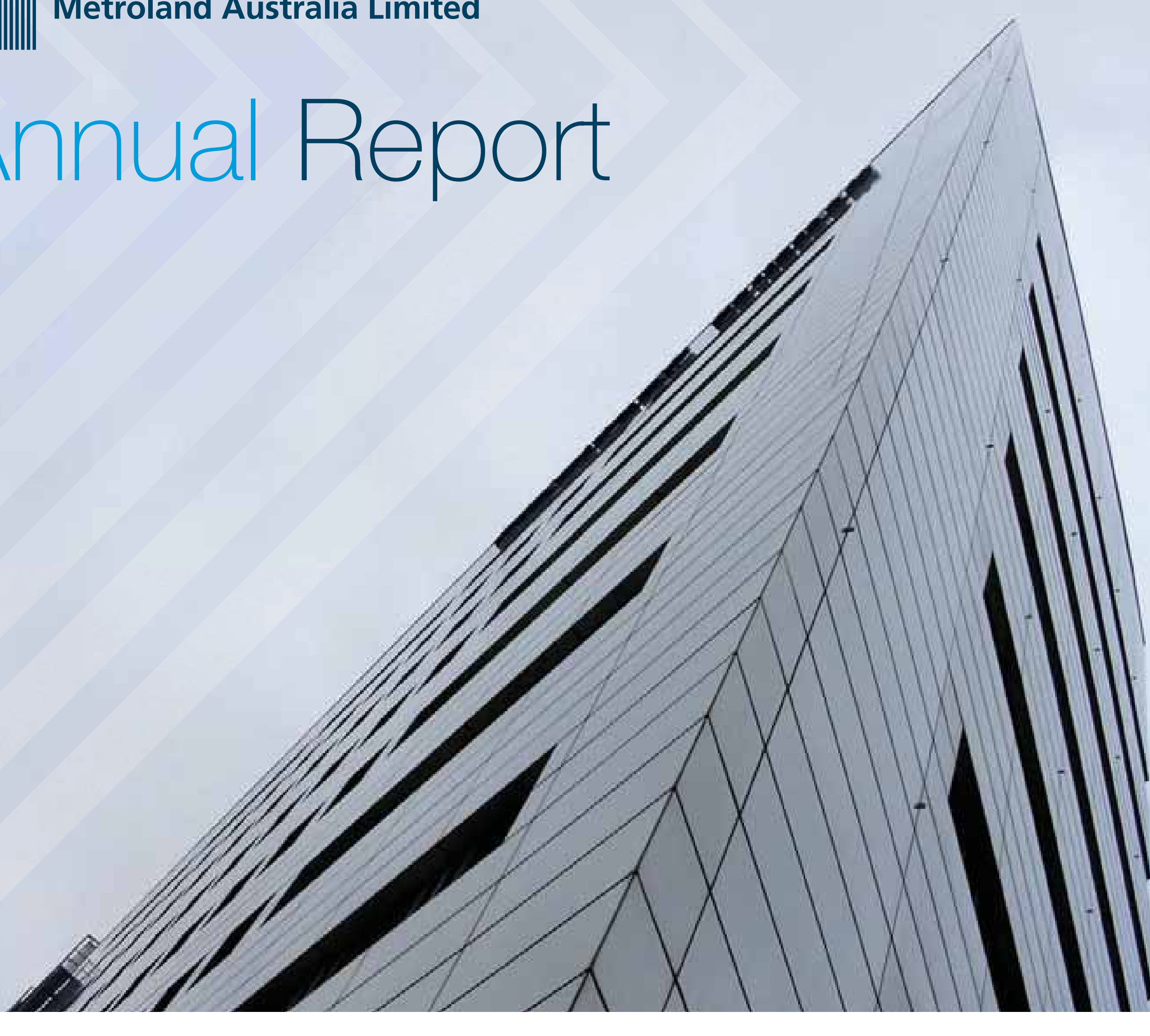
Metroland Australia Limited

Annual Report

2008



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Chairman's address

Dear shareholders,

Last financial year the Company generated a net profit after tax of $1.61 million under challenging economic conditions in Australia and globally. The previous year's net profit after tax was $3 million.

The Company's profit was derived mainly from property related activities, rental and management services and not from any asset sales.

The refurbishment works for Building X in Ultimo was completed and handed over to the purchaser during the year. The construction work being carried out by Metroland Constructions Pty Limited at the Greenway SupaCenta is expected to be completed in January 2009. It is now in the final stage of construction as the main building works have all been completed. The Greenway SupaCenta has signed up Officeworks as one of the tenants. Officeworks is taking up 2,000 sqm of space for a ten-year lease. Other tenants that have pre-committed include Fernwood Gym, building materials suppliers and some furniture outlets.

The Company's other two main shopping centres, The Wenthworthville Mall and The Campbelltown Shopping Square, are performing well.

The Campbelltown Shopping Square was purchased in May 2007 with the then vendor providing the Company with a 12-month rental guarantee in respect of any rental shortfall. Since its purchase, the Company has managed to lease most of the available space. There have also been a number of changes in the tenants. The National Australia Bank has vacated its premises and these premises were subsequently leased to the Department of Corrective Services for a 5-year lease with option. The Campbelltown Shopping Square is currently fully leased except for the area previously occupied by Paul's Warehouse.

The Wentworthville Mall was inflicted by a fire incident in July 2008. The fire was set upon by 2 youngsters in the Go-Lo's store and completely gutted the store. It took approximately 8 hours for fire services to contain the fire and the incident was recorded in the close circuit television which subsequently led to the arrest of the perpetrators who were later jailed. The Wentworthville Mall was insured for fire and rental losses. The shops facing the street returned to business in September 2008 and the main part of the internal Mall will be opened for business in November 2008 except for the area occupied by Go-Lo, the food court and Franklin's supermarket which will be ready for trading in March 2009. The Company is confident that the Mall will return to its full trading condition in no time and the fire has not caused any financial losses to the Company.

The Company had intended, as indicated in last year's report, to commence a property funds management business and had subsequently invested in the appropriate human resources. This exercise, however, had to be aborted due to the adverse global financial and economic conditions. In terms of the overall spending on human resources, it reached $1.9m for the last financial year. The Company has now substantially reduced such expenses.

With so much uncertainty in the global and local economies, the impact of the sub-prime crisis leading to a credit crunch as well as the huge fluctuations in the Australian currency, the Company has decided to temporarily reduce its activities in the import of building materials but continue to expand its marketing contacts and network during this period so as to re-position itself for future expansion and opportunities. The subsidiary company that is affected by this is Metro Associates Pty Limited, which is now known as MetroBuild Associates Pty Limited.

The Company has re-structured its operations to ensure a leaner cost base and now has a clear strategy and direction for the Company to excel in shopping centre management and expanding its other property services being strata management and building works contracting and construction. It is further anticipated that the Company will seek joint venture partners for its property development business given the substantially more difficult financial environment. The Company is of the opinion that demand for residential properties will be strong and substantial in the years to come given the current housing shortage and minimal building activities.

The Company has decided not to declare any dividend this year so as to preserve its cash resources in this very difficult and challenging business environment and would appreciate the understanding of all shareholders. The Company would like to thank all shareholders for their continuing support.

Frank Shien
Chairman

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 2008 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 61

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 Gullewa Limited, a company 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 56

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 thirteen years has been successfully developing commercial and residential property in Sydney.

Director since 1997.

John Wardman (Independent Non-Executive Director) Aged 48

B.Econ, FAICD

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 49

LREA

Mr Leung has 19 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 54

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. Mr Zhang is also the vice-principal of the Harbin Institute of Technology in Harbin, PRC.

Director since February 2000.

Ray Kellerman (Independent Non-Executive Director) Aged 44

Appointed in July 2007 and resigned in April 2008.

Andrew Tooch (Independent Non-Executive Director) Aged 50

Appointed in July 2007 and resigned in April 2008.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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, construction and sales; property rental and residential strata management; and investment and financial services.

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

OPERATING RESULTS

The consolidated profit of the group after providing for income tax and eliminating minority interest amounted to $1,612,000.

REVIEW OF OPERATIONS

Review of Financial Results

The consolidated entity is continuing its strategic direction in property development, management and related property management services. The profit before tax for the 2008 financial year is $2.74 million, compared to the previous year's profit of $4.56 million. Profit after tax and minority interest is $1.61 million.

The main activities of the Group for the financial year have been the improvement of the management of the shopping centers, the construction of the joint venture Greenway SupaCenta and the completion of the refurbishment of Building X at 16-20 Mountain Street, Ultimo following the sale of the building to the Australian Performing Rights Association Limited in 2007. The revenue from the Company's core activities, i.e. property rental and management, has increased by 42.5% from $3.3 million to $4.7 million.

Due to various negative economic factors, in particular the global credit tightening and the downturn of the property and financial market, the Company has carried out a cost reduction program. Additionally, the Company has sought to fully utilize its unique position in terms of the close relationship with and the understanding of business in China. As the result, the Company has restructured and redirected the focus of its property management service activities which has led to some positions being made redundant. The total employee expense of $1.97 million for the year which includes a one-off redundancy cost is expected to decrease by approximately $800,000 in the 2009 year.

As part of the restructuring, the Company has acquired full ownership in Metro Facilities Management Pty Limited and MetroBuild Associates Pty Limited. A new wholly owned subsidiary, DK Engineering Pty Limited, was set up to further provide property and building related services and products to the industries.

Through this restructuring and better utilisation of its human resources, the Company is confident that it will produce a better result in the year to come.

The Greenway Supacenta

The construction of the Greenway Supacenta, an amalgamation of three properties: Greenway Plaza, the Glendale Chemical Factory and the Abruzzi Sports Club sites is actively underway.

It is anticipated that construction will be completed in January 2009 and the hand over of the premises will commence in October 2008 to the first incoming tenant – OfficeWorks, who has committed to lease 2,000sq.m for a 10 year period. The Company is also in the advanced stage of negotiating with the RTA, a tenant in the existing Greenway Plaza to relocate to larger space in the new Supacenta. Leasing activities are continuing and it is the intention of the Company to have as much pre-committed tenants as possible. Currently, approximately 50% of the lettable area have been pre-committed for lease. Other pre-committed tenants include Fernwood, a gym for ladies, and Furniture wholesalers.

Greenway Plaza, the existing bulky and retail shopping centre is trading well and the gross rental is currently at $2.2 million per annum (2007: $1.75 million per annum).

Wentworthville Mall, Wentworthville

The Mall was acquired in September 2004 and is currently generating annual gross rental of $2.35 million (2007: $1.63 million). The development application for the extension of the retail area by 500 sqm and the construction of 109 residential units above the shopping centre with additional parking, lodged with Council in July 2006 is still under consideration by Council. The Council has undertaken a detailed study of the application and has requested certain amendments to be made to the Company's proposal and these are being attended to by the Company for submission to Council.

Building X, Ultimo

Building X at Ultimo was acquired in June 2005 for $8.45 million. In June 2006, a conditional contract was entered into for the sale and refurbishment of Building X to the Australian Performing Rights Association Limited for a total consideration of $19.62 million. This comprises $11 million for the sale of the building and $8.62 million for the cost of the refurbishment.

The Company has sub-contracted the building refurbishment works to One Build Pty Ltd. The development application was lodged in July 2006 and approved in November 2006. Settlement of the sale of the building was completed in March 2007, following the granting of the Construction Certificate. Building works commenced in March 2007. The work was completed in August 2008 and the building has been handed over to the Australian Performing Rights Association Limited.

Campbelltown Square Shopping Centre

Upon the vendor satisfying various conditions in the contract for the purchase entered into in August 2006, settlement of the purchase, for a consideration of $14.8 million, was completed in May 2007.

The Company is actively managing the property following the vacating of a number of monthly tenancies. Negotiation with a Government authority has resulted in the authority entering into a 5-year lease of the premises previously occupied by NAB. The centre is all leased, except for two shops. Campbelltown Square Shopping Centre is currently generating annual net rental of $1.247 million.

Global Real Estate Assets Trust & Global Real Estate Assets Corporation Pty Ltd

During the year, the Company established a real estate investment trust known as the Global Real Estate Assets Trust (the "Trust"). The trustee for the Trust is Global Real Estate Assets Corporation Pty Ltd. Both the Trust and the trustee are 100% owned by the Company.

The Company has transferred two shopping centres – the Wentworthville Mall and Campbelltown Square into the Trust. The Company is now in an advanced stage of implementing the proposal to transfer its half of the ownership in The Greenway Supacenta into the Trust.

It is anticipated that with the completion of the development of the Greenway Supacenta, the Trust will own all the shopping centres in the Group, with an estimated total asset value of approximately $110million. It is also proposed to increase the capital of the Trust for the acquisition of further suitable asset investments.

Stratawide Management Pty Limited

Stratawide, of which Metroland has a 55% interest, has entered into its sixth year of operations. It has now secured services as a strata manager for 48 blocks of residential/commercial buildings, and has produced a healthy profit for the 2008 financial year which has contributed to the performance of the Group.

MetroBuild Associates Pty Limited

During the financial year, MetroBuild Associates Pty Limited, which is 95% owned by Metroland, commenced operations. The main business activity of the entity is the importation and trading of goods imported from overseas. Initially, it will concentrate on the import and trading of a wide range of building materials. This will later extend to building and household appliances. The Company sees great synergies in the businesses of MetroBuild Associates, Stratawide and the property development and management business of the Group.

MetroBuild Associates is actively engaged with and is in constant discussions with a wide range of quality and well-known Chinese manufacturers to pursue common commercial goals for mutual medium and long-term benefits.

Metroland Constructions Pty Limited

Metroland Constructions Pty Limited is currently undertaking the construction of the Greenway Supacenta under a building and management contract. Metroland Constructions has been able to obtain the services of experienced industry executives and personnel for the successful implementation of the project.

Future Opportunities

Metroland is continuing to seek opportunities to further strengthen its revenue base and to achieve further growth.

Review of Financial Condition

FINANCIAL HIGHLIGHTS

RESULTS	**2008 $'000**	**2007 $'000**	**2006 $'000**	**2005 $'000**	**2004 $'000**
Revenue from sale of property & construction services	17,111	24,053	5,009	1,203	8,935
Rental and management revenue	4,766	3,344	3,654	3,092	883
Other revenue	217	87	35	169	602
Group Turnover	**22,094**	**27,484**	**8,698**	**4,464**	**10,420**
Net profit after tax and minority interests	**1,612**	**3,006**	**734**	**493**	**2,833**
Total assets	65,672	56,563	54,397	55,981	32,334
Total liabilities	46,040	38,416	40,761	42,760	22,318
Contributed equity	13,379	13,197	11,692	11,532	8,362
Retained profit	6,029	4,950	1,944	1,689	1,654
Minority interests	224	-	-	-	-
Total equity	**19,632**	**18,147**	**13,636**	**13,221**	**10,016**
Dividend paid	533	-	479	473	3,452
Income tax expense/(benefit)	903	1,553	282	(177)	1,240
PER SHARE					
Earning (cents)	1.50	3.08	0.77	0.54	3.6
Dividend (cents) -fully franked	-	0.5	0.5	0.5	2.0
Net tangible assets per share (cents)	18.2	17.00	14.2	13.9	12.7
STATISTICS					
Return on equity	8.21%	16.56%	5.38%	3.73%	28.28%
Net tangible assets per share (cents)	18.2	17.00	14.2	13.9	12.7
Number of shareholders	688	725	785	841	889
Employees	20	18	6	5	5
Group turnover per employee	1,104,700	1,526,888	1,449,667	892,800	2,084,000
SHARE PRICE (cents)					
Last done	7	14.5	15	15.5	23
High	16.5	18.5	15.5	23.0	25.9
Low	7	12.0	10.0	14.0	19.2
Volume	7,709,952	9,034,990	9,941,784	7,888,516	8,829,689

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– 2007 ordinary	0.5	533	26/11/2007	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 $9.11 million to $65.67 million (2007: $56.56 million) over the year. The increase in total assets principally comprised:-

- Increase in properties held for development by $3.85 million.
- Increase in trade and other receivables by $2.92 million.
- Increase in cash at bank by $1.17 million.

Total liabilities of the consolidated entity have increased by $7.62 million during the year to $46.04 million (2007: $38.42 million). This increase is principally due to:-

- Increase in borrowings by $3.43 million to finance the properties held for development.
- Increase in trade and other payables by $3.10 million as the result of construction activities.

The consolidated entity's equity increased by $1.48 million over the year which is mainly as the result of profit during the year but offset by dividends payment.

EVENTS SUBSEQUENT TO REPORTING DATE

On 21 July 2008, the Group's shopping complex, Wentworthville Mall suffered fire damage to some tenants' shops in two sections of the Mall. The loss due to property damage and lost rental income is fully covered by insurance. The company's insurance policy covers the risk of lost rental income of up to $7.8 million. The renovation work at the Mall is currently underway. One section is expected to be opened in November 2008 and the other section is in March 2009.

No other matters or circumstances have arisen since 30 June 2008 that have significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue to pursue opportunities in the rental and commercial property investment and development sectors, and to continue to pursue the company's policy of increasing revenue and profitability during the next financial year.

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

MEETINGS OF DIRECTORS

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

Director	Board Meetings Held	Board Meetings Attended	Audit Committee Held	Audit Committee Attended
Mr E Lee	4	4	2	2
Mr S Leung	4	4	-	-
Mr F Shien	4	4	-	-
Mr J Wardman	4	4	2	2
Mr D C Zhang	4	4	-	-
Mr R Kellerman	4	2	-	-
Mr A Tooch	4	2	-	-

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.

REMUNERATION REPORT (AUDITED)

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 five executive officers of the consolidated entity receiving the highest emoluments are as follows:-

Directors	Base Remuneration (salary & fees) $	Termination benefits $	Superannuation Contributions $	Total Remuneration $
Executive				
Frank Shien	123,147	-	-	123,147
Andrew Tooch – resigned 16/5/08	124,807	110,000	9,703	244,510
Non-executive				
Eddie Lee	12,000	-	-	12,000
John Wardman	10,920	-	1,080	12,000
Steam Leung	24,000	-	-	24,000
Ray Kellerman – resigned 23/4/08	51,667	-	-	51,667
Executive Officers (excluding directors)				
Tjin Hong Ong	130,000	-	10,050	140,050
Anthony Maroon	140,000	-	12,600	152,600
Lincoln Wong – resigned 30/4/08	178,333	5,769	2,250	186,352
George Daoud	129,136	-	11,264	140,400
Paul Wong	113,333	-	9,961	123,294
David Feldman – resigned May 08	80,769	90,000	5,829	176,598
	1,118,112	205,769	62,737	1,386,618

SHARE OPTIONS

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 (a)

(a) 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 205G(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	1,960,547	150,831
Mr. F Shien	12,619,610	1,665,912
Mr. J Wardman	1,436,033	218,388
Mr D C Zhang	9,600,000	1,600,000

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, Metroland Australia Limited paid a premium of $15,946 to insure the directors and officers of the company and its controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance for legal costs and those relating to other liabilities.

No indemnities have been given for the auditor of the company during or since the end of the financial year.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings.

NON-AUDIT SERVICES

During the year, Gould Ralph Assurance, 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, at page 10.

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

	Consolidated	
	2008	**2007**
	$	**$**
Statutory audit:		
- Audit and review of financial reports	**79,380**	64,360
Services other than statutory audit		
Other services:		
- Taxation compliance services	**6,152**	3,428
- Share registry	**13,724**	13,106
	19,876	16,534

ROUNDING OFF

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

Dated at Sydney this 30th day of September 2008.

Signed in accordance with a resolution of the directors.

Frank Shien
Director

GouldRalph
ASSURANCE

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The Board of Directors
Metroland Australia Limited
Level 4, 45 Murray Street
PYRMONT NSW 2009

30 September 2008

Dear Members of the Board

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

As lead auditor for the audit of Metroland Australia Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Metroland Australia Limited and any entities it controlled during the year.

Yours faithfully
GOULD RALPH ASSURANCE
Chartered Accountants

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

Financial Statements

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		The Company	
	Note	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Continuing operations:					
Revenue from sales	2	**17,111**	24,053	**1,500**	-
Rental and management revenue	2	**4,766**	3,344	**136**	78
Other revenues from ordinary activities	2	**217**	87	**4,334**	1,452
Total Revenue	2	**22,094**	27,484	**5,970**	1,530
Cost of sales		**(14,556)**	(20,485)	**-**	-
Borrowing costs	3(b)	**(2,321)**	(1,721)	**(212)**	(439)
Property expenses		**(1,533)**	(723)	**-**	-
Directors fees		**(202)**	(119)	**(202)**	(119)
Employee benefits expenses		**(1,971)**	(657)	**(797)**	(206)
Professional and consultancy fees		**(565)**	(524)	**(168)**	(75)
Impairment of receivables	3(b)	**(157)**	(243)	**(1,362)**	(228)
Other expenses from ordinary activities		**(608)**	(519)	**(298)**	(181)
Net gain/(loss) from changes in the fair value of investment properties		**(422)**	1,973	**-**	-
Share of net profit of joint venture entities accounted for using the equity method	25	**2,980**	93	**-**	-
Profit before income tax		**2,739**	4,559	**2,931**	282
Income tax (expense)	4(a)	**(903)**	(1,553)	**(861)**	(56)
Profit for the year		**1,836**	3,006	**2,070**	226
Profit attributable to minority interests		**(224)**	-	**-**	-
Net profit attributable to equity holders of Metroland Australia Limited		**1,612**	3,006	**2,070**	226
Overall and Continuing Operations:					
Ordinary Shares:					
Basic earnings per share	5	**$0.015**	$0.0308		
Diluted earnings per share	5	**$0.014**	$0.0280		

The income statements are to be read in conjunction with the accompanying notes.

BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
CURRENT ASSETS					
Cash and cash equivalents	8	**2,955**	1,776	**2,466**	1,396
Trade and other receivables	9	**3,680**	1,211	**1,629**	455
Inventories	10	**68**	2	**-**	-
Other current assets	12	**86**	234	**23**	-
Total Current Assets		**6,789**	3,223	**4,118**	1,851
NON-CURRENT ASSETS					
Trade and other receivables	9	**401**	370	**15,076**	17,045
Investment property under development	13	**12,938**	9,302	**-**	-
Investment property	14	**37,935**	37,763	**-**	-
Investments accounted for using the equity method	11	**6,780**	5,489	**-**	-
Financial assets	15	**36**	183	**50**	197
Property, plant & equipment	16	**355**	181	**285**	20
Deferred tax assets	4(d)	**438**	52	**754**	26
Total Non-Current Assets		**58,883**	53,340	**16,165**	17,288
TOTAL ASSETS		**65,672**	56,563	**20,283**	19,139
CURRENT LIABILITIES					
Trade and other payables	17	**3,586**	992	**423**	170
Financial liabilities	18	**1,408**	6,293	**1,325**	1,514
Current tax liabilities	4(b)	**227**	309	**-**	294
Short-term provisions	20	**124**	67	**15**	16
Total Current Liabilities		**5,345**	7,661	**1,763**	1,994
NON-CURRENT LIABILITIES					
Trade and other payables	17	**705**	203	**-**	-
Financial liabilities	18	**37,712**	29,392	**400**	1,625
Deferred tax liabilities	4(c)	**2,234**	1,132	**950**	56
Long-term provisions	20	**44**	28	**10**	23
Total Non-Current Liabilities		**40,695**	30,755	**1,360**	1,704
TOTAL LIABILITIES		**46,040**	38,416	**3,123**	3,698
NET ASSETS		**19,632**	18,147	**17,160**	15,441
EQUITY					
Contributed equity	21	**13,379**	13,197	**13,379**	13,197
Retained earnings		**6,029**	4,950	**3,781**	2,244
Minority equity interests		**224**	-	**-**	-
TOTAL EQUITY		**19,632**	18,147	**17,160**	15,441

The balance sheets are to be read in conjunction with the accompanying notes

STATEMENT OF CHANGE IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	Share capital ordinary $'000	Retained earnings $'000	Minority equity $'000	Total equity $'000
CONSOLIDATED				
Balance at 1 July 2006	**11,692**	**1,944**	**-**	**13,636**
Shares issued pursuant to dividend reinvestment plan	183	-	-	183
Shares issued – private placements	1,322	-	-	1,322
Profit attributable to members of the parent entity	-	3,006	-	3,006
Balance at 30 June 2007	**13,197**	**4,950**	**-**	**18,147**
Profit attributable to members of parent entity	-	1,612	-	1,612
Profit attributable to minority shareholders	-	-	224	224
Shares issued pursuant to dividend reinvestment plan	182	-	-	182
Dividends paid or provided for	-	(533)	-	(533)
Balance at 30 June 2008	**13,379**	**6,029**	**224**	**19,632**

	Share capital ordinary $'000	Retained earnings $'000	Total equity $'000
THE COMPANY			
Balance at 1 July 2006	**11,692**	**2,018**	**13,710**
Shares issued pursuant to dividend reinvestment plan	183	-	183
Shares issued – Private placements	1,322	-	1,322
Profit for the year	-	226	226
Balance at 30 June 2007	**13,197**	**2,244**	**15,441**
Shares issued pursuant to dividend reinvestment plan	182	-	182
Profit for the year		2,070	2,070
Dividends paid or provided for	-	(533)	(533)
Balance at 30 June 2008	**13,379**	**3,781**	**17,160**

The statements of change in equity are to be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		**18,556**	27,175	**227**	94
Cash payments in the course of operations		**(16,122)**	(5,569)	**(1,318)**	(726)
Interest received		**184**	87	**170**	203
Borrowing costs paid		**(2,985)**	(1,976)	**(221)**	(451)
Dividends and distributions received		**33**	-	**66**	-
Income taxes (paid)/refunded		**(269)**	145	**(212)**	145
Net cash provided by/(used in) operating activities	7(a)	**(603)**	19,862	**(1,288)**	(735)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(315)**	(166)	**(294)**	(6)
Proceeds from sale of plant and equipment		**61**	-	**-**	-
Proceeds from investment redemptions and loan repayments		**377**	265	**378**	265
Proceeds from sale of investments		**-**	-	**-**	(2)
Acquisition of investment property		**(542)**	(15,815)	**-**	-
Payments for investment property under development		**(3,059)**	(252)	**-**	-
Proceeds from/(payments to) joint ventures		**1,689**	(104)	**1,964**	(104)
Loans (to)/repayments from other entities		**1**	-	**-**	(20)
Net cash provided by/(used in) investing activities		**(1,788)**	(16,072)	**2,048**	133
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans (to)/from related entities		**489**	(2,687)	**2,078**	9,232
Proceeds from borrowings		**9,579**	15,606	**-**	1,255
Repayment of borrowings		**(6,151)**	(16,208)	**(1,414)**	(9,660)
Dividends paid		**(354)**	(426)	**(354)**	(412)
Proceeds from issue of shares		**-**	1,511	**-**	1,511
Net cash provided by/(used in) financing activities		**3,563**	(2,204)	**310**	1,926
Net increase/(decrease) in cash held		**1,172**	1,586	**1,070**	1,324
Cash at beginning of the financial year		**1,775**	189	**1,396**	72
Cash at the end of the financial year	7(b)	**2,947**	1,775	**2,466**	1,396

The balance sheets are to be read in conjunction with the accompanying notes

Notes to the Financial Statements

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

Reporting Basis and Conventions

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Metroland Australia Limited and controlled entities, and Metroland Australia Limited as an individual parent entity. Metroland Australia Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Metroland Australia Limited and controlled entities, and Metroland Australia Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated

(b) Principles of Consolidation

Controlled Entities

A controlled entity is any entity Metroland Australia Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

The consolidated financial statements are those of the consolidated entity, comprising Metroland Australia Limited (the parent entity) and the entities which Metroland Australia Limited controlled from time to time during the year. A list of controlled entities is contained in Note 24 to the financial statements.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interest held by persons outside the group, are shown separately within the equity section of the consolidated balance sheet and the consolidated income statement.

Joint Ventures

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

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated entity's interests are shown at Note 23.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The economic entity's interests in joint ventures entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method. Details of the consolidated entity's interests are shown at Note 25.

Changes in Ownership Interest

Loss of control, joint control or significant influence retained

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

(c) Taxation

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

Tax Consolidation

Metroland Australia Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(d) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(e) Investment in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Investment Property

Investment property comprising freehold shopping complexes, is held to generate long-term rental yields and for capital appreciation. All tenant leases are on an arms length basis. Investment properties are carried at fair value determined annually by independent valuers. Change to fair value is recorded in the income statement.

(g) Inventories

Inventories, and properties under development are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition and for property under development 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 or use. Borrowing costs and other holding costs incurred after completion of development are expensed. Profits are only brought to account upon the completion of the development project, when the unconditional contracts of sale is settled, with the substantial risk and rewards being passed to the purchaser.

(h) Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

(i) Plant and Equipment

Plant and equipment are measured on the cost basis.

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:

	2008	2007
Leasehold Improvements	**20%**	-
Plant and Equipment	**17 – 40%**	17 – 40%

The asset's residual values and useful lives are reviewed and adjusted if applicable, at each balance sheet date. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(j) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indicate exists, the recoverable amount of those assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 90 days.

(l) 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".

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(o) Financial Liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

(p) Revenue Recognition

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

Sale of Property

Revenue from the sale of property is only recognised upon the completion of the project, when the unconditional contracts of sale is settled, and the substantial risks and rewards is passed to the purchaser of the property.

Rendering of Services

Revenue from the rendering of property management and facilitation services is recognised when the service is rendered and the revenue is receivable.

Investment Property Rental Revenue

Rental revenue comprises rent received from entities outside the consolidated entity. Rental income is accounted for on a straight line basis over the term of the leases.

Construction Activities

Revenue recognition in relation to construction activities is detailed in Note 1(h).

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.

(q) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) 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 ordinary shares adjusted for any bonus issue.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(t) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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.

(u) Receivables

The collectability of debts is assessed at reporting date and specific provision is made for any impairment.

Trade Debtors

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

(v) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(w) 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.

(x) Rounding of amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $'000.

The financial report was authorised for issue on 30 September 2008 by the board of directors.

NOTE 2 - REVENUE

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Rental revenue from investment properties	**3,601**	2,585	**-**	-
Property management and facilitation revenue	**1,165**	759	**136**	78
	4,766	3,344	**136**	78
Revenue from sale of:				
- Property	**-**	22,290	**-**	-
- Construction services	**16,785**	1,405	**1,500**	-
- Other	**326**	358	**-**	-
	17,111	24,053	**1,500**	-
Other revenues:-				
From operating activities				
Interest – other parties	**184**	87	**162**	38
– related parties	**-**	-	**1,082**	1,303
Dividends – other parties	**33**	-	**33**	-
– partly owned subsidiary	**-**	-	**77**	16
Trust distribution – joint venture entities	**-**	-	**2,980**	95
Total Other Revenues	**217**	87	**4,334**	1,452
Total Revenue	**22,094**	27,484	**5,970**	1,530

NOTE 3 - PROFIT BEFORE INCOME TAX

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

Proceeds from sale of property	**-**	(23,695)	**-**	-
Cost of property sold	**-**	20,188	**-**	-
Net (gain)/loss	-	(3,507)	**-**	-
Impairment of controlled entity receivables	**-**	-	**1,243**	-
Trust distribution from joint venture entities	**(2,980)**	(95)	**(2,980)**	(95)
Interest income on loans to wholly-owned subsidiaries	**-**	-	**(1,083)**	(1,303)

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

Borrowing Costs:				
-Other parties	**2,985**	2,438	**212**	439
Less: Capitalised borrowing costs	**(664)**	(717)	**-**	-
	2,321	1,721	**212**	439

Borrowing costs were capitalised to property inventories and qualifying assets at a weighted average annual rate of 9.09% (2007:9.02%).

NOTE 3 - PROFIT BEFORE INCOME TAX (cont'd)

	Consolidated		The Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Amortisation and depreciation of:				
Plant and equipment	**55**	28	**26**	6
Net expense from movements in provisions for:				
- Employee entitlement	**73**	45	**(2)**	24
- Impairment	**25**	15	**1,242**	-
Investment loan written-off	**132**	228	**120**	228
Minimum operating lease payments	**49**	36	**49**	36

NOTE 4 - TAXATION

(a) Income Tax Expense

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Prima facie tax payable on profit before income tax at 30% (2007– 30%)	**822**	1,368	**880**	84
Increase/(decrease) in income tax expense due to:				
- Division 43 capital allowance	**-**	(7)	**-**	-
- Other	**5**	(15)	**(19)**	(28)
Over provision of income tax in the prior year	**(82)**	-	**-**	-
Recoupment of prior year tax losses of partly owned subsidiary not previously brought to account	**(63)**	-	**-**	-
Tax losses of partially owned subsidiaries not recognised in the accounts	**221**	207	**-**	-
Income tax expense attributable to operating profit	**903**	1,553	**861**	56
Income tax expense comprises:				
- current tax	**111**	309	**336**	294
- deferred tax	**716**	704	**525**	(348)
- overprovision in respect of prior year	**(82)**	-	**-**	-
- recoupment of prior year tax losses not previously brought to account	**(63)**	333	**-**	110
- tax losses not recognised	**221**	207	**-**	-
	903	1,553	**861**	56

(b) Current Tax Liabilities

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Provision for Current Income Tax	**227**	309	**-**	294

NOTE 4 - TAXATION (cont'd)

	Consolidated		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
(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% (2007: 30%) on the following items:				
Fair value gain adjustments	**465**	592	**-**	-
Tax allowances relating to properties	**325**	243	**-**	56
Income not currently assessable for tax	**950**	56	**950**	-
Expenditure currently deductible for tax but deferred for accounting purposes	**494**	241	**-**	-
	2,234	1,132	**950**	56
(d) Deferred tax assets	**438**	52	**754**	26
Deferred tax assets Deferred tax assets have been recognised in respect of the following items:				
Deductible temporary differences	**79**	52	**395**	26
Tax losses carried forward	**359**	-	**359**	-
	438	52	**754**	26
Income tax losses: The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from the deferred tax assets.	**365**	207	**-**	-

NOTE 5 – EARNINGS PER SHARE

Earnings reconciliation		
Basic earnings	**1,612**	3,006
Diluted earnings	**1,807**	3,172
Weighted average number of shares used as the denominator	**Number**	**Number**
Number for basic earnings per share: Ordinary Shares	**107,537,820**	97,679,370
Number for diluted earnings per share: Ordinary shares	**123,282,594**	113,424,144

NOTE 6 - AUDITORS REMUNERATION

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Auditors of the Company:				
Audit services				
– Audit and review of financial reports	**79,380**	64,360	**79,380**	64,360
Other services				
– Taxation compliance services	**6,152**	3,428	**6,152**	3,428
– Share registry services	**13,724**	13,106	**13,724**	13,106
	19,876	16,534	**19,876**	16,534
	99,256	80,894	**99,256**	80,894

NOTE 7 – NOTES TO THE CASH FLOW STATEMENT

	$'000	$'000	$'000	$'000
(A) OPERATING PROFIT AFTER INCOME TAX	**1,836**	3,006	**2,070**	226
Add/(less) items classified as investing/financing activities:				
Interest paid capitalised in loans and property	**(664)**	(941)	**-**	-
Fair value adjustment to investment property	**422**	(1,973)	**-**	-
Non-cash items				
Interest income capitalised	**-**	-	**(1,075)**	(1,175)
Investment loan written-off	**132**	228	**120**	228
Depreciation	**55**	28	**26**	6
Loss on disposal of fixed assets	**26**	2	**3**	2
Amounts set aside to provisions	**98**	60	**1,229**	24
Dividend from associate equity-accounted	**-**	-	**-**	-
Equity accounted share of joint venture entities' results	**(2,980)**	(93)	**-**	-
Changes in assets and liabilities:				
(Increase)/decrease in property inventories	**(66)**	17,575	**-**	-
(Increase)/decrease in receivables	**(2,838)**	(366)	**(4,449)**	(172)
Increase/(decrease) in payables	**2,594**	343	**163**	(108)
Increase/(decrease) in tax balances	**634**	2,005	**648**	1,704
(Increase)/decrease in prepayments	**148**	(12)	**(23)**	-
Net cash provided by / (used in) operating activities	**(603)**	19,862	**(1,288)**	(735)
(B) RECONCILIATION OF CASH				
Cash	**192**	151	**20**	24
Short term deposits	**2,763**	1,625	**2,446**	1,372
Bank overdraft	**(8)**	(1)	**-**	-
	2,947	1,775	**2,466**	1,396

NOTE 8 – CASH AND CASH EQUIVALENT ASSETS

Current				
Cash at bank and in hand	**192**	151	**20**	24
Bank short term deposits	**2,763**	1,625	**2,446**	1,372
	2,955	1,776	**2,466**	1,396

The effective interest rate on short-term bank deposits was 7.06% (2007:5.53%).

NOTE 9 - TRADE AND OTHER RECEIVABLES

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current					
Trade receivables		**122**	136	**-**	-
Less: Impairment of receivables		**(40)**	(15)	**-**	-
		82	121	**-**	-
Amount due from customers for construction contracts	9(a)	**2,529**	532	**-**	-
Dividends receivable – partly owned subsidiary		**-**	-	**44**	-
Rent receivable		**41**	82	**-**	-
Project management fee receivable – joint venture		**750**	-	**1,500**	-
GST receivable		**-**	-	**13**	5
Other receivables		**266**	126	**60**	100
Loan to other entity		**12**	350	12	350
		3,680	1,211	**1,629**	455
Non-Current					
Loans to joint venture entities		**394**	339	**4,079**	5,886
Loans to controlled entities		**-**	-	**8,801**	10,686
Less: Provision for impairment		**-**	-	**(1,243)**	-
		-	-	**7,558**	-
Distributions receivable – related joint venture entity		**-**	-	**3,432**	453
Other receivables		**7**	31	**7**	20
		401	370	**15,076**	17,045

The weighted average effective interest rate on loans to all controlled entities is 9% (2007: 9%). All loans are repayable at call. The loans are not repayable within the next twelve months.

(a) *Construction Contracts*

	2008 $'000	2007 $'000
Contracted costs incurred	**14,270**	1,631
Recognised profit	**1,765**	193
	16,035	1,824
Progress billings	**(16,035)**	(1,405)
	-	419
Amounts due from customers for contract work	**2,529**	532
Retentions on construction contracts in progress	**771**	113
Progress billings received and receivable on construction contracts in progress	**15,264**	1,292

NOTE 10 - INVENTORIES

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current				
Finished goods held for resale, at lower of cost and net realisable value	**46**	2	**-**	-
Development properties, at lower of cost and net realisable value	**22**	-	**-**	-
	68	2	**-**	-
Development properties held for sale comprises:				
Cost of acquisition	**-**	-	**-**	-
Development Work-In-Progress	**22**	2	**-**	-
	22	2	**-**	-

NOTE 11 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Non-current					
Joint venture entities	25	**6,780**	5,489	**-**	-

NOTE 12 - OTHER CURRENT ASSETS

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current				
Prepayments	**86**	234	**23**	-

NOTE 13 - INVESTMENT PROPERTY UNDER DEVELOPMENT

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Non-Current				
Cost of acquisition	**7,749**	7,765	**-**	-
Development costs capitalised	**3,470**	365	**-**	-
Interest capitalised	**1,719**	1,172	**-**	-
	12,938	9,302	**-**	-

Borrowing costs were capitalised at a weighted average rate of 9.09% (2007: 8.09%)

Properties held for development at 30 June 2008 comprise the consolidated entity's share of property at 11-15 Elizabeth Street, Wetherill Park and adjoining land at 1187 The Horsely Drive, Wetherill Park forming the Greenway Supacenta Development, undertaken in joint-venture with Gaintak Investments Pty Limited.

NOTE 14 – INVESTMENT PROPERTY

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Non-Current				
Balance at beginning of year	**37,763**	-	**-**	-
Acquisitions	**-**	15,656	**-**	-
Transfer from Properties Held for Development	**-**	20,026	**-**	-
Expenditures capitalised	**594**	108	**-**	-
Fair value adjustment	**(422)**	1,973	**-**	-
	37,935	37,763	**-**	-

Investment properties comprise:

- A shopping complex, Campbelltown Square at 218-240 Queens Street, Campbelltown which was acquired in May 2007.
- The Wenthworthville Mall, a shopping complex at 42-44 Dunmore Street, Wentworthville, purchased in September 2004.

The fair value model is applied to all investment properties. Investment properties are independently valued at least annually. The independent valuations at 30 June 2008 were assessed using the capitalisation of potential rental method, based on an active liquid market and were performed by a registered independent valuer.

NOTE 15 - FINANCIAL ASSETS

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Non-Current					
Investments in controlled entities					
Unlisted shares at cost		**-**	-	**3**	3
Investments in other entities					
Units in unlisted unit trust		**-**	147	**-**	147
Joint venture entity		**36**	36	**36**	36
		36	183	**36**	183
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
		36	183	**50**	197

NOTE 16 - PROPERTY, PLANT & EQUIPMENT

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Plant and equipment – at cost	**423**	227	**317**	39
Accumulated depreciation	**(68)**	(46)	**(32)**	(19)
	355	181	**285**	20

Movements in Carrying Amounts

Movements in the carrying amount for each class of property, plant and equipment are set out below:-

Plant and equipment

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Carrying amount at beginning of year	**181**	41	**20**	21
Additions	**324**	172	**294**	9
Disposals	**(95)**	(4)	**(3)**	(4)
Depreciation	**(55)**	(28)	**(26)**	(6)
Carrying amount at end of year	**355**	181	**285**	20

NOTE 17 – TRADE AND OTHER PAYABLES

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current				
Trade creditors	**2,352**	380	**-**	-
Other creditors and accruals	**1,211**	541	**423**	170
GST payable	**23**	71	**-**	-
	3,586	992	**423**	170
Non-current				
Owing to related entities	**705**	203	**-**	-

NOTE 18 – FINANCIAL LIABILITIES

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current					
Bank overdraft		**8**	1	**-**	-
Bank loans –secured	18(a)	**64**	4,759	**-**	-
Loans from other entities-unsecured	18(b)	**1,325**	1,513	**1,325**	1,514
Hire purchase liabilities - secured	18(c)	**11**	20	**-**	-
		1,408	6,293	**1,325**	1,514
Non-current					
Bank loans-secured	18(a)	**37,285**	27,656	**-**	-
Loan from other entities-unsecured	18(b)	**400**	1,625	**400**	1,625
Hire purchase liabilities - secured	18(c)	**27**	111	**-**	-
		37,712	29,392	**400**	1,625

(a) The bank loans are secured by registered first mortgages over properties of the controlled entities. The covenants within the bank loans require minimum interest cover ratios of between 1 to 1.25 times on the net passing rental of the mortgaged property and loan to valuation ratios (LVR) of between 70% to 75% of the fair valuation of mortgaged investment property. The non-current portion of the bank loans of $441,000 is due for repayment by November 2015; $14,140,000 is repayable by May 2012; $13,125,000 is repayable by 1 November 2010 and the balance of $9,578,000 is repayable by 30 November 2009

The weighted average interest rate on these loans at 30 June 2008 is 7.98% (2007: 7.64%).

(b) Loans from other entities are unsecured. The current portion is repayable at call, and the non-current portion is not due within the next 12 months. The weighted average interest rate on these loans at 30 June 2008 is 9.77% (2007: 9.0%).

(c) Hire purchase liabilities are secured over the assets being financed. The non-current portion of $27,000 is due for repayment progressively until 2011. The weighted average interest rate of hire purchase liabilities at 30 June 2008 was 8.36% (2007:8.36%).

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

Properties held for development	**12,939**	4,507	**-**	-
Investment properties	**37,935**	37,815	**-**	-
Fixed assets	**43**	121	**-**	-
	50,917	42,443	**-**	-

NOTE 19 - FINANCING ARRANGEMENTS

	Consolidated		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank loans	**44,171**	32,415	**-**	-
Other entity loans	**1,763**	3,139	**1,725**	3,139
	45,934	35,554	**1,725**	3,139
Facilities utilised at balance date:				
Bank loans	**37,349**	32,415	**-**	-
Other entity loans	**1,763**	3,139	**1,725**	3,139
	39,112	35,554	**1,725**	3,139
Facilities not utilised at balance date:				
Bank loans	**6,822**	-	**-**	-
Other entity loans	**-**	-	**-**	-
	6,822	-	**-**	-

The major finance facilities are for the acquisition of the Group's investment properties and for the construction of the Group's joint venture Greenway Supacenta development. The facility available at year end represents the balance remaining of the Group's share of the construction loan facility. Finance is expected to continue to be available provided the Company and the Group have not breached any borrowing requirements and the required financial ratios are met.

NOTE 20 – SHORT-TERM AND LONG-TERM PROVISIONS

Current				
Employee benefits	**124**	67	**15**	16
Non-current				
Employee benefits	**44**	28	**10**	23
Number of employees at year end	**16**	11	**5**	3

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	**-**	479	**-**	479
Provisions made during the year:				
- Final dividend 2007	**532**	-	**532**	-
Payments made during the year	**(532)**	(479)	**(532)**	(479)
Carrying amount at year end	**-**	-	**-**	-

NOTE 21 – CONTRIBUTED EQUITY

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
(a) *Share capital*				
108,031,973 (2007: 106,779,433) ordinary shares fully paid	**13,379**	13,197	**13,379**	13,197
Movements during the year:				
Balance at beginning of year: 106,779,433 shares (2007: 95,772,914 shares)	**13,197**	11,692	**13,197**	11,692
Shares issued:				
- 1,252,540 (2007: 1,565,519) Pursuant to the company dividend reinvestment plan	**182**	183	**182**	183
- Nil (2007: 9,441,000 for cash pursuant to a share placement	**-**	1,322	**-**	1,322
Balance at end of the year: 108,031,973 shares (2007: 106,779,433 shares)	**13,379**	13,197	**13,379**	13,197

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.

(b) *Options*
At year end, the company had unissued ordinary shares of 15,744,774 under option. These options are exercisable by option holders at any time prior to the expiry date of 29 May 2009, at an exercise price of $0.26. During or since the end of the financial year, the company did not issue any ordinary shares by virtue of the exercise of any option.

For information relating to share options issued to and held by directors and by key management personnel during and at the end of the financial year, refer to Note 29.

(c) *Capital Management*
Management's control over the capital of the group is to procure a level of capital in order to maintain a good debt to equity ratio; provide the shareholders with adequate returns and to ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

In managing the group's capital, management assess the group's financial risks to determine the requirement of adjusting its capital structure in response to changes in these risks and in the market. The group's attempts to raise additional capital in the current market is not readily available, and management is conscious of the need to closely monitor and manage the group's debt levels, and distributions to shareholders.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains below the minimum loan covenanted Loan to Valuation ratio of 70%. The gearing ratio for the year ended 30 June 2008 and 30 June 2007 are as follows:-

Total borrowings	17,18	**43,411**	36,880	**2,148**	3,309
Less: cash and cash equivalents	8	**(2,955)**	(1,776)	**(2,466)**	(1,396)
Net Debt		**40,456**	35,104	**(318)**	1,913
Total Equity		**19,632**	18,147	**17,160**	15,441
Total Capital		**60,088**	53,251	**16,842**	17,354
Gearing Ratio		**67%**	66%	**-**	11%

NOTE 22 – DIVIDENDS

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000

No dividends were declared and recognised in the current year by the company. On 26 November 2007, the Company paid a fully franked dividend of 0.5cents per share with respect to the 2007 financial year of $533,773.

Dividend Franking Account				
30% franking credits available to shareholders of Metroland Australia Limited for subsequent financial years			**1,332**	1,642

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 23 – INTEREST IN JOINT VENTURE OPERATION

The consolidated entity holds a 50% interest in the Greenway Supacenta Joint Venture whose principle activity is the development of the bulky goods supacenta at Elizabeth Street, Wetherill Park. For the year ended 30 June 2008 the contribution of the joint ventures to the operating result before tax of the company and consolidated entity was a loss of $6,982 (2007: a loss of $1,916).

Included in the assets and liabilities of the consolidated entity are the following items which represent the company's and consolidated entity's interests in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in Note 1 (b)

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
CURRENT ASSETS				
Cash	**-**	1	**-**	-
Property held for development	**12,402**	7,305	**-**	-
Receivables	**262**	15	**-**	-
Total Current Assets	**12,664**	7,321	**-**	-
Total Assets	**12,664**	7,321	**-**	-
CURRENT LIABILITIES				
Bank overdraft	**8**	-	**-**	-
Trade and other creditors	**2,033**	553	**-**	-
Total Current Liabilities	**2,041**	553	**-**	-
Non-Current Liabilities				
Interest bearing liabilities	**5,085**	-	**-**	-
Other creditors	**678**	-	**-**	-
Total Non-Current Liabilities	**5,763**	-	**-**	-
Total Liabilities	**7,804**	553	**-**	-

Refer Note 27 for details of contingent liabilities.

NOTE 24 – CONTROLLED ENTITIES

NAME	Ordinary Share Percentage Owned 2008 %	2007 %
(a) Particulars in relation to controlled entities		
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
Metroland Homes Pty Limited	**100**	100
Stratawide Management Pty Limited	**55**	55
Goldwest Metro Pty Limited	**100**	100
MetroBuild Associates Pty Limited (formerly Metro Associates Pty Ltd)	**95**	95
Metro Facilities Management Pty Limited	**100**	51
MetroC Pty Limited (formerly Home at Metro Pty Ltd)	**100**	60
Altitute Design & Construction Pty Limited	**100**	100
Campbelltown Metro Pty Limited	**100**	100
Metroland Constructions Pty Limited	**60**	60
Global Real Estate Assets Corporation Pty Limited	**100**	100
DK Engineering Pty Limited	**100**	-

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

(b) *Acquisition of controlled entities*
The Company has increased its ownership in Metro Facilities Management Pty Limited and MetroC Pty Limited from 51% and 60%, respectively to 100%. A new wholly owned subsidiary, DK Engineering Pty Limited was set up to further provide property and building related services and products to the industries.

(c) *Disposal of controlled entities*
No controlled entities were disposed of during the current year or previous financial year.

NOTE 25 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Share of net profit accounted for using the equity method included in the income statement:				
- Joint venture entities	2,980	93	-	-

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		The Company	
			2008 %	2007 %	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Metroland Investments P/L	Investment in property development entity	30 June	**50**	50	**-**	-	**10**	10
Gaintak Investments P/L ATF Gaintak Investment Unit Trust	Property investment and development	30 June	**50**	50	**6,780**	5,489	**1**	1
					6,780	5,489	**11**	11

	Consolidated	
	2008 $'000	2007 $'000
Results of joint venture		
Revenue from ordinary activities	**1,100**	1,005
Expenses from ordinary activities	**(786)**	(912)
Profit from ordinary activities before income tax	**314**	93
Net gain from changes in fair value of investment property	**2,666**	-
Income tax expenses relating to ordinary activities	**-**	-
	2,980	93
Balance Sheet		
The consolidated entity's share of the joint venture entities assets and liabilities consists of:-		
Current assets	**521**	139
Non-current assets	**24,211**	14,152
Total assets	**24,732**	14,291
Current liabilities	**(232)**	(8,802)
Non-current liabilities	**(17,720)**	-
Total liabilities	**(17,952)**	(8,802)
Net assets – accounted for using the equity method	**6,780**	5,489

Refer to notes 26 and 27 for details of commitments and contingencies

NOTE 25 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

	Consolidated	
	2008 $'000	2007 $'000
Share of post-acquisition profit attributable to joint venture entities		
Share of joint venture entities' retained profit at beginning of year	**716**	623
Share of joint venture entities' net profit	**2,980**	93
Share of joint venture entities' retained profit at end of year	**3,696**	716

	Consolidated	
	2008 $'000	2007 $'000
Movements in carrying amount of joint venture entities		
Carrying amount at beginning of year	**5,489**	5,292
Cash contributions to joint venture entities during the year	**-**	104
Share of joint venture entities' net profit	**2,980**	93
Repayment of contributions by the joint venture entity	**(1,689)**	-
Carrying amount at end of year	**6,780**	5,489

NOTE 26 – CAPITAL AND LEASING COMMITMENTS

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Capital Expenditure Commitments				
Controlled entities have entered into capital expenditure contracts for property refurbishment and construction contracts. The balance of the capital expenditure commitments contracted for and outstanding at 30 June 2008, payable not later than 12 months:	**6,906**	6,558	**-**	-
Operating Lease Commitments				
Non-cancellable operating lease contracted for but not capitalised in the financial statements:-				
Payable – minimum lease payments				
- not later than 12 months	**146**	-	**146**	-
- between 12 months and 5 years	**219**	-	**219**	-
	365	-	**365**	-
The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the 5 year term for an additional 3 years. The lease is subject to a CPI rental review at the end of the initial 5 year term.				
Finance Lease Commitments				
Payable – minimum lease payments				
- not later than 12 months	**13**	-	**-**	-
- between 12 months and 5 years	**34**	-	**-**	-
	47	-	**-**	-
Less: future finance charges	**(9)**	-	**-**	-
Present value of minimum lease payments	**38**	-	**-**	-
Total Commitments	**7,309**	6,558	**365**	-

NOTE 27 – CONTINGENT LIABILITIES

	Consolidated		The Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Estimates of the potential financial effects of contingent liabilities that may become payable:-				
Share of Associates' Contingent Liabilities				
- Guarantee of associates loan facilities	**33,401**	11,710	**33,401**	11,710
Share of Joint Venture Contingent Liabilities				
A controlled entity as a venturer in the Greenway Supacenta 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:	**7,804**	162	**-**	-
	41,205	11,872	**33,401**	11,710

NOTE 28 – 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 construction, development and sale:	For property construction and refurbishment contracts for external and other related entities, and investment property under development.
Property rentals and management:	Investment properties held for the generation of rental income and capital appreciation; and residential property management and facilities management services.
Investment and financial services:	Investments in joint venture entities; cash investments and general loan borrowings

NOTE 28 – SEGMENT REPORTING (cont'd)

	Property Construction, Development & Sales		Property rental & management		Investment & Financial Services		Import Sales		Consolidation	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
External segment revenue	**16,785**	23,695	**4,766**	3,344	**217**	87	**326**	358	**22,094**	27,484
Segment result	**1,257**	3,766	**893**	67	**3,174**	(97)	**(367)**	(297)	**4,957**	3,439
Gain from change in the fair value of investment properties									**(422)**	1,973
Unallocated corporate expenses									**(1,796)**	(853)
Profit from ordinary activities before tax									**2,739**	4,559
Income tax expense									**(903)**	(1,553)
Minority interest									**(224)**	-
Net profit									**1,612**	3,006
Depreciation	**14**	7	**4**	8	**26**	6	**11**	7	**55**	28
Individually significant items:										
Proceeds on sale of property	**-**	23,695	**-**	-	**-**	-	**-**	-	**-**	23,695
Costs of property sold	**-**	(20,188)	**-**	-	**-**	-	**-**	-	**-**	(20,188)
	-	3,507	**-**	-	**-**	-	**-**	-	**-**	3,507
Assets										
Segment assets	**15,836**	9,612	**38,801**	38,543	**9,261**	7,575	**179**	90	**64,077**	55,820
Unallocated corporate assets									**1,595**	743
Consolidated total assets									**65,672**	56,563
Liabilities										
Segment liabilities	**12,577**	4,932	**28,971**	28,318	**1,767**	3,139	**85**	119	**43,400**	36,508
Unallocated corporate liabilities									**2,640**	1,908
Consolidated total liabilities									**46,040**	38,416
Acquisition of non-current assets	**2,732**	69	**627**	15,764	**-**	-	**-**	90	**3,359**	15,923

Secondary Reporting

Geographical Segments

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

NOTE 29 – KEY MANAGEMENT PERSONNEL 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 during the year were between $12,000 and $50,000 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 key management personnel of the consolidated entity in office at any time during the financial year with the greatest authority, and the nature and amount of the elements of their remuneration for the year ended 30 June 2008:-

	Primary salary & fees		**Termination benefits**		**Post-employment superannuation & benefits**	
	2008 $	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Specified directors						
Non-executive						
Steam Leung	**24,000**	24,000	**-**	-	**-**	-
Eddie Lee	**12,000**	12,000	**-**	-	**-**	-
John Wardman	**10,920**	10,920	**-**	-	**1,080**	1,080
Da Cheng Zhang	**-**	-	**-**	-	**-**	-
Ray Kellerman – resigned 23 April 2008	**51,667**	-	**-**	-	**-**	-
Executive						
Frank Shien	**123,147**	87,609	**-**	-	**-**	-
Andrew Tooch – resigned 16 May 2008	**124,807**	-	**110,000**	-	**9,703**	-
Total, all specified directors	**346,541**	134,529	**110,000**	-	**10,783**	1,080
Specified executives						
Anthony Maroon, CEO, Stratawide Management Pty Ltd	**140,000**	120,000	**-**	-	**12,600**	10,800
Tjing Hong Ong, CEO, Metroland Constructions Pty Ltd	**130,000**	116,262	**-**	-	**10,050**	10,350
Lincoln Wong, CEO, Home at Metro Pty Ltd (resigned 30 April 2008)	**178,333**	135,772	**-**	-	**8,019**	-
George Daoud, Construction Manager, Metroland Constructions Pty Ltd	**129,136**	61,162	**-**	-	**11,264**	5,505
Paul Wong, Investment Manager, Metroland Australia Ltd	**113,333**	30,000	**-**	-	**9,961**	2,700
David Feldman, CFO, Metroland Australia Ltd (resigned May 2008)	**80,769**	-	**90,000**	-	**5,829**	-
	771,571	463,196	**90,000**	-	**57,723**	29,355

NOTE 29 – KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

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 2007	Purchases	Sales	Held at 30 June 2008
Specified directors				
Frank Shien	11,482,282	1,137,328	-	12,619,610
Steam Leung	2,073,199	96,658	(209,310)	1,960,547
Eddie Lee	527,500	-	-	527,500
John Wardman	1,388,165	47,868	-	1,436,033
Da Cheng Zhang	9,600,000	-	-	9,600,000
Specified executives				
Tjing Hong Ong	1,277,302	26,115	-	1,303,417
David Feldman – resigned May 2008	-	192,903	-	192,903

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 2007	Granted	Sold/ Exercised	Held at 30 June 2008
Specified directors				
Frank Shien	1,665,912	-	-	1,665,912
Steam Leung	150,831	-	-	150,831
Eddie Lee	87,916	-	-	87,916
John Wardman	218,388	-	-	218,388
Da Cheng Zhang	1,600,000	-	-	1,600,000
Specified executives				
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. 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 than those available, or which might reasonably be expected to be available in similar transactions to unrelated entities on an arm's length basis.

NOTE 29 – KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

The aggregate amounts recognised during the year relating to specified directors, specified executives and their personally-related entities, were total revenue of $2,172,560 (2007: $470,670) and total expenses of $113,029 (2007: $143,024). Details of the transactions are as follows:

	Transaction	**Note**	**2008 $**	**2007 $**
Specified directors				
Frank Shien	Office rental and administration	(i)	100,509	49,243
	Property management	(ii)	12,520	12,720
	Interest expense	(iii)	-	78,864
	Sales revenue	(iv)	(2,172,560)	(470,670)
Steam Leung	Interest expense	(v)	-	2,197
			(2,059,531)	(327,646)

(i) The consolidated entity paid office rental to Tanesia Holdings Pty Ltd and NX Holdings Pty Limited, 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 NX 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 2007 year, NX Holdings Pty Ltd, Tanesia Holdings Pty Ltd, and MLD Holdings Pty Ltd, entities of which Frank Shien is a director, loaned funds totalling $3,232,000 to the company. The loans were at a 9.0% interest, was unsecured, and was fully repaid in March 2007.

(iv) A controlled entity has contracted to construct property owned by NX Holdings Pty Ltd. Frank Shien is a director of NX Holdings Pty Ltd. The construction contract is on a cost plus 10% margin basis. The construction was completed in January 2008.

(v) During the 2007 year, Steam Leung, a director of the Company loaned funds totalling $100,000 to the Company. The loan was at 9%, was unsecured, and was fully repaid in March 2007.

Assets and liabilities ensuing from the above transactions:

	30 June 2008 $	**30 June 2007 $**
Current Assets:		
Trade debtors	210,160	150,167
Retentions receivable	61,840	20,598

NOTE 30-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, are 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	
	2008 $'000	**2007 $'000**
Receivables		
Current		
Partly owned controlled entities	**44**	-
Joint venture entities	**1,500**	453
	1,544	453
Non-current		
Wholly- owned controlled entities	**7,743**	9,890
Partly-owned controlled entities	**-**	796
Joint venture entities	**7,511**	5,886
	15,254	16,572

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

Interest revenue		
Wholly – owned controlled entities	**1,012**	1,265
Partly – owned controlled entities	**70**	38
Dividends received/receivable – Partly-owned controlled entity	**76**	16
Trust distribution – Joint venture entity	**2,980**	95
Project management fee – Joint venture entity	**1,500**	-
Property management fees – Wholly owned controlled entities	**78**	78
Administration fees – Wholly owned controlled entities	**16**	-
– Partly owned controlled entities	**35**	-
– Joint venture entity	**7**	-

Percentage of equity interest
Details of equity interests held in controlled entities are set out in Note 24; and in joint venture entities are set out in Note 25.

NOTE 31 – FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management

The Group's financial instruments consists mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, mortgage loans, other loans and leases.

The main purpose of non-derivative financial instruments is to fund the Group's acquisition of investment property and for the Group's property development operations.

The Group does not utilise derivatives for any hedging purposes.

(i) Treasury Risk Management

The Board of Directors meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts and operational results; and the impact these may have on the Group's operations in the light of the debt levels within the Group. The overall risk management strategy seeks to assist the consolidated group in meeting its financial target, whilst minimising potential adverse effect on financial performance. The risk management policies include credit risk policies and future cash flow requirements.

(ii) Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is interest rate risk, liquidity risk and credit risk.

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and variable rate debt. At 30 June 2008, approximately 73% of group debt is fixed. It is the policy of the group to keep between 70% and 100% of debt on fixed interest rates. For further details on interest rate risk, refer Note 31(b)(i) and (iii).

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained, and refinance options are negotiated and available at least 3 months prior to the maturity of any borrowings.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. At balance date, $1.53m included in receivables is due from a related joint venture for construction contract services. The construction is funded by a bank construction loan facility.

Credit risk is managed on a group basis and is reviewed regularly by the Board. It arises from exposures to customers, both external and related and deposits with financial institutions.

The Board monitors credit risk by assessing the rating quality and liquidity of counterparties, where only banks with an 'A' rating are utilised; and all potential external customers are rated for credit worthiness taking into account their size, market position and financial standing. The Group's investment in other entities are not rated by external credit agencies. The amount of investments in these entities is limited by the Board to an acceptable amount based on the Board's assessment of the projected return of the investment and the size and financial standing of the investee.

NOTE 31 – FINANCIAL RISK MANAGEMENT (cont'd)

The credit risk for counterparties included in trade and other receivables at 30 June 2008 is detailed below:-

	Consolidated		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other receivables				
Counterparties not rated	**4,081**	1,581	**16,692**	17,495
AA rated counterparties	**-**	-	**13**	5
	4,081	1,581	**16,705**	17,500

The consolidated group has material exposure to the following group of receivables:

- Related joint venture entities and associates	59%
- External contracted construction customer	24%
- Director related entity	7%

(b) Financial Instruments

(i) Financial Instrument Composition and Maturity Analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Consolidated Group	**Floating Interest Rate**	**Fixed Interest Rate Maturing**		**Non-Interest Bearing**	**Total**	**Weighted Average Interest Rate**
			1 Year or Less	**1 to 5 years**			
	2008	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**%**
(i)	**Financial Assets**						
	Cash assets	2,955	-	-	-	2,955	7.06
	Receivables	-	-	-	4,081	4,081	-
	Financial assets	-	-	-	36	36	-
	Total Financial Assets	2,955	-	-	4,117	7,072	
(ii)	**Financial Liabilities**						
	Trade and other payables	-	-	-	3,586	3,586	-
	Amounts payable – related parties	-	-	-	705	705	-
	Bank loans and overdraft	10,023	80	27,292	-	37,395	7.98
	Loans from other entities	-	1,325	400	-	1,725	9.77
	Total Financial Liabilities	10,023	1,405	27,692	4,291	43,411	

NOTE 31 – FINANCIAL RISK MANAGEMENT (cont'd)

	Consolidated Group	Floating Interest Rate	Fixed Interest Rate Maturing 1 Year or Less	Fixed Interest Rate Maturing 1 to 5 years	Non-Interest Bearing	Total	Weighted Average Interest Rate
	2007	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**%**
(i)	**Financial Assets**						
	Cash assets	1,776	-	-	-	1,776	5.53
	Receivables	-	-	-	1,162	1,162	-
	Financial assets	-	-	-	183	183	-
	Total Financial Assets	1,776	-	-	1,345	3,121	
(ii)	**Financial Liabilities**						
	Trade and other payables	-	-	-	1,195	1,195	-
	Bank loans and overdraft	18,196	79	14,140	-	32,415	7.64
	Loans from other entities	-	1,534	1,736	-	3,270	8.97
	Total Financial Liabilities	18,196	1,613	15,876	1,195	36,880	
	2008						
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**%**
(i)	**Financial Assets**						
	Cash assets	2,466	-	-	-	2,466	7.20
	Receivables						
	– related entities	-	-	7,558	9,062	16,620	9.0
	- Other entities	-	-	-	85	85	-
	Financial assets	-	-	-	50	50	-
	Total Financial Assets	2,466	-	7,558	9,197	19,221	
(ii)	**Financial Liabilities**						
	Trade and other payables	-	-	-	423	423	-
	Loans from other entities	-	1,325	400	-	1,725	9.77
	Total Financial Liabilities	-	1,325	400	423	2,148	
	2007						
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**%**
	Financial Assets						
	Cash assets	1,396	-	-	-	1,396	6.0
	Receivables						
	– related entities	-	-	10,686	6,359	17,045	9.0
	- Other entities	-	-	-	455	455	-
	Financial assets	-	-	-	197	197	-
	Total Financial Assets	1,396	-	10,686	7,011	19,093	
	Financial Liabilities						
	Trade and other payables	-	-	-	170	170	-
	Loans from other entities	-	1,514	1,625	-	3,139	9.0
	Total Financial Liabilities	-	1,514	1,625	170	3,309	

NOTE 31 – FINANCIAL RISK MANAGEMENT (cont'd)

Trade and other payables are expected to be paid as follows:-

	Consolidated		The Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Less than 6 months	**3,586**	992	**423**	170
1 to 5 years	**705**	203	**-**	-
	4,291	1,195	**423**	170

(ii) 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

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

	2008		2007	
	Carrying Amount $'000	**Net Fair Value $'000**	**Carrying Amount $'000**	**Net Fair Value $'000**
Financial Assets				
Cash assets	2,955	2,955	1,776	1,776
Receivables	4,081	4,081	1,162	1,162
Investment property	37,935	37,935	37,763	37,763
Investments – other	36	36	183	183
Financial liabilities				
Payables	4,291	4,291	1,195	1,195
Bank loans	37,357	37,357	32,415	32,415
Loans from related and other entities	1,763	1,763	3,270	3,270

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 31 – FINANCIAL RISK MANAGEMENT (cont'd)

(iii) Sensitivity Analysis

Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:-

	Consolidated		The Company	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Change in Profit				
- Increase in interest rate by 1%	**(90)**	**(64)**	**7**	**(18)**
- Decrease in interest rate by 1%	**90**	**64**	**(7)**	**18**
Change in Equity				
- Increase in interest rate by 1%	**(90)**	**(64)**	**7**	**(18)**
- Decrease in interest rate by 1%	**90**	**64**	**(7)**	**18**

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTE 32 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods and have not been adopted in preparing the financial statements at reporting date. The consolidated entity's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

The revised AASB 101 that was issued in September 2007 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

(ii) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report. However, it will not affect any of the amounts recognised in the financial statements.

(iii) *Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The consolidated entity has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the consolidated entity will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

(iv) *AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The new rules will apply to financial reporting periods commencing on or after 1 January 2009. The consolidated entity will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

(v) *AASB Interpretation 15 Agreements for the Construction of Real Estate*

AASB-I 15 was issued in July 2008 and applies to reporting periods commencing on or after 1 January 2009. The interpretation provides guidance on determining whether an agreement is a construction contract, an agreement for the rendering of services or for the sale of goods. The consolidated entity intends to apply the interpretation from 1 July 2009. Application of the interpretation will have no significant impact on the consolidated entity's or the parent entity's financial statements.

NOTE 33 – ECONOMIC DEPENDENCY

During the year, a significant portion of the Group's operations resulted from construction contracts with two parties: an external entity where the construction was completed in August 2008; and a related joint venture entity in relation to the entity's Greenway Supacenta development which is expected for completion in early 2009.

NOTE 34 – EVENTS SUBSEQUENT TO BALANCE DATE

On 21 July 2008, the Group's shopping complex, Wentworthville Mall sustained fire damage to some tenants' shops in two sections of the Mall. Property damage to the Mall, and loss of rental income from tenants as a result of this, is fully covered by insurance. The company's insurance policy covers material damage to property up to $12.3m and the loss of rent from business interruption of up to $7.8m. Renovation work is currently being underway, with one section expected to re-open in November 2008, and the remaining section in March 2009.

No other matters or circumstances have arisen since 30 June 2008 that have significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

NOTE 35 – COMPANY DETAILS

The registered office of the company is:
Metroland Australia Limited
Level 4, 45 Murray Street
Pyrmont NSW 2009

The principal place of the business is:
Metroland Australia Limited
Level 4, 45 Murray Street
Pyrmont NSW 2009

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 11 to 44 are in accordance with the Corporations Act 2001, and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company and consolidated entity;

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Managing Director and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors:

Frank Shien
Managing Director

Dated at Sydney this 30th day of September 2008

GouldRalph
ASSURANCE

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Metroland Australia Limited (the Company) and the consolidated entity, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state in accordance with AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalent to International Financial Reporting Standards (IFRS) ensure that the financial report, comprising the financial statements and notes, comply with IFRS.

The directors also are responsible for preparing and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks and material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

GouldRalph
ASSURANCE

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AUDIT OPINION

1. In our opinion, the financial report of Metroland Australia Limited and Metroland Australia Limited and Controlled Entities 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 2008, and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON REMUNERATION REPORT

We have audited the Remuneration Report included in page 7 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion the Remuneration Report of Metroland Australia Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

GOULD RALPH ASSURANCE
Chartered Accountants

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

Dated at Sydney this 30th day of September 2008

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 15 September 2008)

CATEGORY	NUMBER OF SECURITY HOLDERS Shares Ordinary	Options
1 - 1,000	39	186
1,001 - 5,000	125	279
5,001 - 10,000	85	118
10,001 - 100,000	319	134
100,001 - Over	115	38
	683	755

(b) The number of shareholdings less than a marketable parcel at 15 September 2008 was 209.

(c) The number of shares held by the substantial shareholders at 15 September 2008 were:-

Shareholder	Number of Ordinary Shares
Da Cheng Zhang	9,500,000
Annie Duncan	8,220,000

(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 15 September 2008.

	Shareholders	Number of Ordinary Fully Paid Shares Held	% Held of Total Issued
1.	Da Cheng Zhang	9,600,000	8.89
2.	Annie Duncan	8,220,000	7.61
3.	Tanesia Holdings Pty Ltd	5,041,642	4.67
4.	Shirley Tan	4,300,006	3.98
5.	LJL Capital Pty Ltd	3,638,906	3.37
6.	Formbell Pty Ltd	3,156,364	2.92
7.	Wincute International Development Limited	3,025,000	2.80
8.	Cheptsow Properties Limited	2,820,000	2.61
9.	NX Holdings Pty Ltd	2,394,915	2.22
10.	Mr Peter Howells	2,194,087	2.03
11.	Comm-Asia Limited	1,975,000	1.83
12.	Ms Lee Eng Qua	1,753,856	1.62
13.	MLD Holdings Pty Limited <Superannuation Fund>	1,664,300	1.54
14.	CN Investments Pty Limited	1,511,024	1.40
15.	John Wardman & Associates Pty Ltd <Superannuation Account>	1,436,033	1.33
16.	Seow Hwee Tan	1,384,000	1.28
17.	G H Kluge & Sons Limited	1,375,000	1.27
18.	Frank Teck Lun Shien <Superannuation Account >	1,348,961	1.25
18.	Dawes Investment Group Ltd	1,300,000	1.20
20.	Trevor McNally & Lyndall McNally <The McNally Family Superannuation Fund>	1,148,316	1.06
		59,287,410	54.89

(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

Metroland Australia Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

A description of the company's main corporate governance practices is set out below. The company had adopted the best practice recommendations of the ASX Corporate Governance Council and all these practices were in place for the entire year, unless otherwise stated.

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 Managing Director 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.

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 company has not followed the best practice recommendations 2.4 and 9.2 of the ASX Corporate Governance Council which recommend that the board establish a Nomination and Remuneration Committee, respectively. 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 Managing Director, 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 held four meetings during the year. The number of meetings the company's board of directors and each board committee held during the year ended 30 June 2008, and the number of meetings attended by each director is disclosed on page 8.

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 3.

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;

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.

Chairman and Managing Director

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives.

The Managing Director is responsible for implementing Group strategies and policies.

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 Managing Director. 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.

Performance Assessment

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 Managing Director also conducts an annual review on the performance of the Managing Director, and the senior executives reporting directly to the Managing Director 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.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading ''Remuneration report".

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

Audit Committee

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 – Independent Non-Executive (Chairman)
- Eddie Lee, B.E.Civil B.Sc.Dip.Bldg.Sc – Independent Non-Executive

Given the size of the Group, the company has not applied the best practice recommendation 4.3 of the ASX Corporate Governance Council which recommends that the audit committee consist of at least 3 members. The board of directors is of the opinion that the audit committee can perform its function efficiently and effectively with the current number of members.

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on page 8.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The external auditors and the Managing Director 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.

External Auditors

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

An analysis of fees paid to the external auditors, including a break down of fees for non audit services, is provided in the directors' report and in Note 6 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

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 Managing Director 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 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 Managing Director has made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

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. The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

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 31.

Trading in Company Securities by Directors and Employees – Share Trading Policy

The following are key elements of the company's Share Trading 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; (known as the "trading window").
    - Except when trading outside the "trading window", they consulted with fellow directors and they were not in possession of information in respect of the Company that was not generally available and had otherwise been released to the market,
    - 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.

Continuous Disclosure and 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 Managing Director 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.

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Corporate Directory

Board of Directors

Frank Shien
Chairman & Managing Director
BA (Lon)

Eddie Lee
B.E.Civil B.Sc.Dip.Bldg.Sc. (Syd.)

Steam Leung LREA

Ray Kellerman

Andrew Tooch

John Howard Robert Wardman
B.Econ, FAICD

Mr Da Cheng Zhang

Company Secretary

Helen Lay

Registered Office

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Fax (02) 9032 3088

Auditors

Gould Ralph Assurance Charted Accountants
Level 42
Suncorp Place
259 George Street
Sydney NSW 2000

Home Stock Exchange

Australian Stock Exchange Ltd
Brisbane QLD 4000
ASX Code: MTD
ACN 009 138 149

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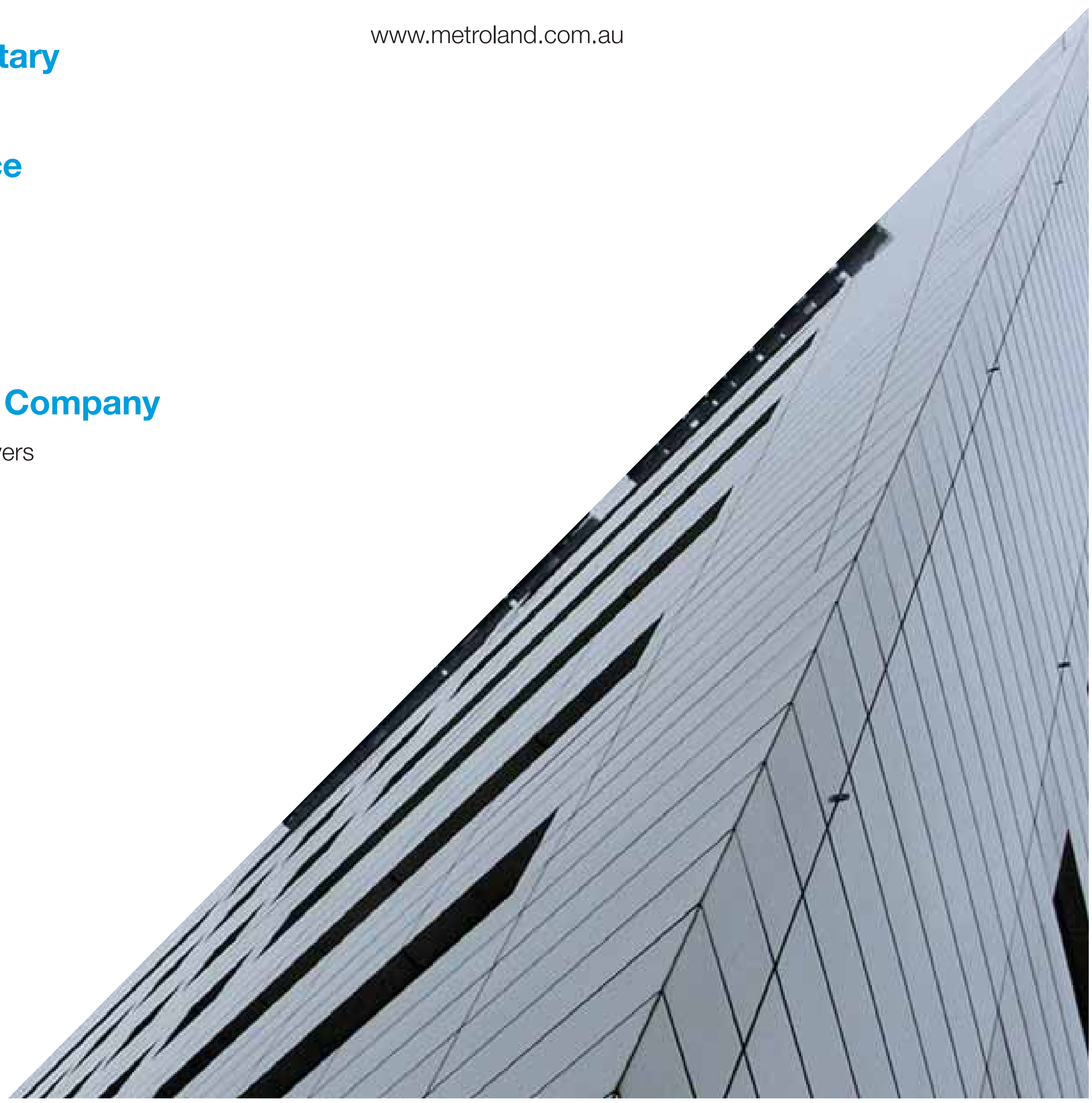
www.metroland.com.au



Metroland Australia Limited