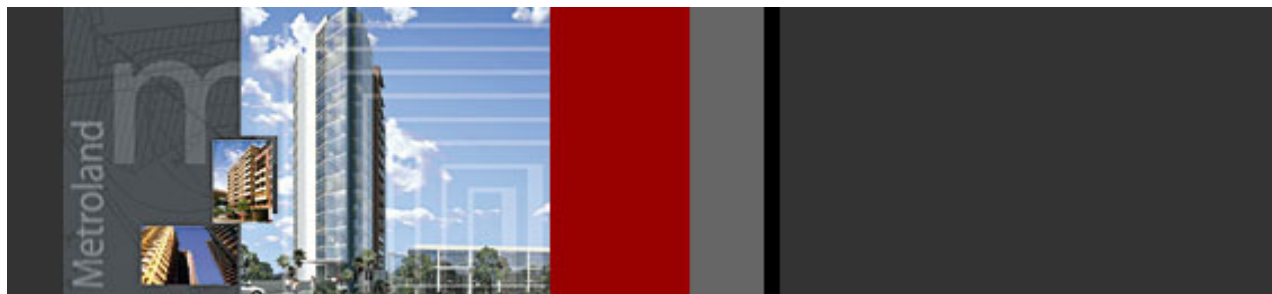


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**METROLAND AUSTRALIA LIMITED**

ABN 81 009 138 149



**Annual Financial Report**

**for the year ended 30 June 2012**

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ACN 009 138 149

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## COMPANY INFORMATION

### *Directors*

Frank Shien (Chairman)  
Da Cheng Zhang (Non-Executive Director)  
Shuqing Wang ( Non-Executive Director)  
Michael Wong (Non-Executive Director)

### *Company Secretary*

Frank Shien

### *Registered Office*

Level 4, 45 Murray Street  
PYRMONT NSW 2009  
Telephone: (02) 9395 8888  
Facsimilie: (02) 9692 0084

### *Share Registry*

Gould Ralph Pty Limited  
Level 42, 259 George Street  
SYDNEY NSW 2000  
Telephone: (02) 9032 3000  
Facsimilie: (02) 9032 3088

### *Bankers*

Australia and New Zealand Banking Group Limited  
Chinatown Branch  
665-669 George Street  
HAYMARKET NSW 2000

### *Solicitors*

DLA Piper Australia 201 Elizabeth Street SYDNEY NSW 2000	MJF Legal Pty Limited Level 8, 65 York Street SYDNEY NSW 2000
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### *Auditors*

Gould Ralph Assurance  
Level 42, 259 George Street  
SYDNEY NSW 2000

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

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The directors present their report together with the financial statements of Metroland Australia Limited and its controlled entities for the year ended 30 June 2012 and the independent audit report thereon.

### DIRECTORS

The names and details of the company's directors in office during the year and until the date of this report are as follows:

**Frank Shien (Chairman and Chief Executive Officer) Aged 60**  
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 16 years has been successfully developing commercial and residential property in Sydney.

Director since 1997.

**Da Cheng Zhang (Independent Non-Executive Director) Aged 58**

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 2000.

**Shuqing Wang (Independent Non-Executive Director) Aged 59**

Mr Wang has 14 years experience in property development in China. He is involved in several property related companies in Shanghai, China, including Shanghai Forest Manor Real Estate Development Co., Ltd and Shanghai Manor Assets Management Co., Ltd. Mr Wang has extensive experience in real estate development; hotel and property management and in engineering.

Director since 2009.

**John Wardman (Independent Non-Executive Director) Aged 52**

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. Resigned on 30 August 2012.

**Steam Leung (Independent Non-Executive Director) Aged 53**

LREA

Mr Leung has 22 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 the Colliers Jardine's International team.

Member of Audit Committee. Director since 1997. Resigned on 29 November 2011.

**Henry Tsang (Independent Non-Executive Director) Aged 70**

B Architecture

OAM

The Honourable Henry Tsang OAM has recently retired after serving a long period in the NSW Parliament. He is now Chairman of NSW-Asia Business Council and continues to have strong ties with Asia Pacific countries including China. The Honourable Henry Tsang has extensive and strong relationship with the local communities and organizations and is also widely known internationally.

Director since 2010. Member of Audit Committee. Resigned on 9 July 2012.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

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### **Wei Li (Executive Director) Aged 39**

MBA

Ms Li holds a Masters degree of Business Administration. She has held the position of Director of Corporate Communication of Lenovo Group Limited in Beijing, China. Part of her role as the director involved the planning, execution and consultancy in Olympic-related marketing activities including public relations, and contact relations with the various Governmental Institutions.

Director since 2011. Resigned on 13 December 2012.

### **Wilson Hao Ran Shen (Independent Non-Executive Director) Aged 54**

Appointed 31 October 2012. Resigned 13 December 2012.

### **Michael Wong (Independent Non-Executive Director) Aged 54**

B.Econ, ACA

Michael has an economics degree from Sydney University and qualified as a chartered accountant with Coopers & Lybrand. He has been an investment banker for over 27 years working for some of the world's premier investment banks such as Bain & Co (now Deutsche Bank), CIBC Wood Gundy, Standard Chartered and Merrill Lynch. Michael specialises in merger and acquisitions and raising equity. In 1999, he established his own boutique investment bank, Southland Group of Companies, specialising in the small to medium cap listed companies and large private enterprises.

Michael is well placed to assist his fellow directors in seeking a solid future for Metroland shareholders. He has executed transactions in the property, financial, industrial, resource and agricultural industries, both here and internationally and will assist in introducing new opportunities for the Board to consider.

Appointed 29 January 2013.

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

## COMPANY SECRETARY

Mr Frank Shien, who is also Chairman of the Board of Directors and Chief Executive Officer.

## PRINCIPAL ACTIVITIES

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

There were no significant changes in the nature of the activities, however the level of those activities reduced significantly during the year. Refer also to Significant Changes in the State of Affairs of the Directors' Report on page 7.

## CONSOLIDATED RESULTS

The consolidated loss after income tax attributable to members of Metroland Australia Limited was \$11,049,110 (2011: loss of \$1,086,827).

## REVIEW OF OPERATIONS

### **Review of Financial Results**

It is with great regret that we advise that the consolidated entity was put into voluntary administration in August 2012. The effect of the global financial crisis which saw the withdrawal of lending that led to the substantial devaluation of values has taken its full effect on the Company's assets.

The Company went into a 50/50 joint venture in acquiring the Greenway Plaza in 2003 and made further investments to create a large bulky goods retailing centre in Wetherill Park. It acquired 2 additional pieces of land, both adjacent to each other, amalgamating the site into a 60,000 sq.m of land holding. A development approval was obtained to expand the then existing property of 7,500sq.m to a bulky goods centre of 30,000sq.m. The valuation carried out by CBRE was \$75million upon the completion of the development. An investment and construction loan with Suncorp was put into place for \$49million.

When the Centre was completed in the middle of the financial crisis, it was subsequently valued at \$55million as against a loan of \$52million which resulted in default of the loan. There was a \$20million drop in the value of the asset.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

A similar scenario affected the Company's other two shopping centres: the Wentworthville Shopping Mall and Campbelltown Shopping Square whose values dropped from \$23.5million to \$18.6million; and \$15million to \$9million respectively. Both loans on the 2 centres expired in 2010 and 2011. The lender withdrew from the market and the Company was not able to extend the loan or to borrow from other institutions due to the deflated value of the assets.

The consolidated entity has, as a result of the depletion of the values of its assets, virtually lost all its capital. In order to preserve the shareholders' value, the Board decided to put the Company into voluntary administration and entered into a Deed of Company Arrangement with its creditors.

There is one creditor that does not agree to the decision of the creditor majority and is embarking upon a legal action against the Administrator and the Company. The Company is vigorously defending this action.

Subject to the outcome of the legal proceedings, the Company wishes to move forward by re-capitalising the Company with the intention of restoring shareholders' value.

### Review of Financial Condition

#### FINANCIAL HIGHLIGHTS

RESULTS	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from sale of property & construction services	-	144	1,683	7,546	17,111
Rental and management revenue	3,811	5,583	6,495	5,785	4,766
Other revenue	284	365	50	134	217
Group Turnover	4,095	6,092	8,228	13,465	22,094
Net profit /(loss) after tax and minority interests	(11,049)	(1,087)	(11,956)	539	1,612
Total assets	9,588	56,962	76,923	85,843	65,672
Total liabilities	12,092	48,417	67,291	64,159	46,040
Contributed equity	15,113	15,113	15,113	14,966	13,379
Retained profit/(losses)	(17,617)	(6,568)	(5,481)	6,475	6,029
Minority interests	-	-	-	243	224
Total equity	(2,504)	8,545	9,632	21,684	19,632
Dividend paid	-	-	-	-	553
Income tax expense/(benefit)	710	(313)	(1,182)	(745)	903
PER SHARE					
Earning (cents)	(8.7)	(0.86)	(9.5)	.47	1.50
Dividend (cents) -fully franked	-	-	-	-	-
Net tangible assets per share (cents)	(2.0)	6.0	7.6	19.0	18.2
STATISTICS					
Return on equity	-	(12.7%)	(123%)	2.5%	8.21%
Net tangible assets per share (cents)	(2.0)	6.0	7.6	19.0	18.2
Number of shareholders	615	644	666	677	688
Employees	9	16	16	16	20
Group turnover per employee	455,000	380,750	514,285	841,563	1,104,700

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

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### SHARE PRICE (cents)

Last sale	0.7	2.0	3.5	7	14.5
High for year	2.0	5.0	5.5	16.5	18.5
Low for year	0.5	1.8	3.5	7	12.0

### DIVIDENDS

There were no dividends paid or declared by the company to members since the end of the previous financial year.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:-

The consolidated entity's assets decreased by \$47.4 million to \$9.5 million (2011: \$56.9 million). The decrease in total assets principally comprised:-

- The sale of the Group's remaining 25.05% joint venture interest in the Greenway Supacenta and Greenway Plaza related joint venture entities, a decrease of \$15 million
- The sale of the Wentworthville Mall investment property, a decrease of \$17.3 million.
- The assignment of the Company's Greenway Supacenta Joint Venture loans receivable, in consideration for the assignee acquiring the equivalent value of the Company's loan liabilities, a decrease of \$5.4 million.
- Write-downs in investment properties to fair values of \$3.8 million
- Decrease in financial assets of \$1.6 million following the sale of the Company's investment in MetroPlaza Central Unit Trust following the decision by all unit-holders to sell the underlying property of the Trust at 61-79 Quay Street, Haymarket.
- Impairment of \$5.4 million against the Group's joint venture loans to the entities in the Greenway Supacenta Joint Venture entities, reflecting the significant impairment of the Joint Venture's underlying investment property following independent valuation.

The consolidated entity's liabilities decreased by \$36.4 million during the year to \$12.0 million (2011: \$48.4 million). The decrease in liabilities was principally due to:-

- Decrease in liabilities of \$13.9 million resulting from the sale of the Group's remaining 25.05% joint venture interest in the Greenway Supacenta and Greenway Plaza related joint venture entities.
- Decrease in loans from other entities of \$5.4 million following their assignment to the external entity as consideration for the Company's assignment of their Supacenta Joint Venture entity loans receivable, sale of the 25.05% interest in the Supacenta entities.
- Reduction in bank loans of \$16.5 million repaid from the sale proceeds of the Wentworthville Mall investment property.

### EVENTS SUBSEQUENT TO REPORTING DATE

- (a) In August 2012, a conditional contract was exchanged for the sale of the Company's 55% interest in subsidiary, Stratawide Management Pty Limited. The sale consideration of \$770,000 was based on an independent valuation of the entity.
- (b) On 31 August 2012, the Board of Directors of the Company placed Metroland Australia Limited (MTD) in voluntary administration and appointed a voluntary administrator to the Company. The securities of MTD were consequently suspended from quotation. The administrator of MTD convened a Decision Meeting of Creditors on 5 October 2012, at which the resolution was declared that MTD enter into a Deed of Company Arrangement (DOCA) pursuant to Deed Proposal 2, as set out in the Administrator's Report dated 26 September 2012. The DOCA was wholly effectuated by its terms on 5 October 2012, whereby MTD was brought out of administration and the control of the Company reverted back to its Directors. On 13 November 2012, one of the disputed creditors involved in the Company's voluntary administration, Austino, commenced proceedings against the Administrator and MTD appealing the decision made at the Decision Meeting of Creditors, and requesting that MTD's voluntary administration be "resumed". The Company intends to vigorously defend these proceedings. It is anticipated that the matter will be heard in Court in February 2013.
- (c) On 26 October 2012, the Company's wholly-owned subsidiary, Global Real Estate Assets Corporation Pty Ltd (GREAT) was placed in receivership by its financier, Perpetual Nominees Limited (as custodian for Colonial First State Wholesale Pooled Mortgage Fund). GREAT owns the Group's investment property at Campbelltown Shopping Square, which is financed by a loan facility from Perpetual Nominees Limited.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2012**

- (d) In October 2012, a claim for a potential income shortfall of \$2.8 million was received from Austino Wentworthville Pty Ltd ("Austino"), as purchaser, based on an alleged income guarantee condition included in the sale of the Wentworthville Mall property in 2011. The claim covers a period of 4 years from the date of sale as an extrapolation of the advised performance of the Wentworthville Mall for the six month period ended 2 March 2012.

The Company has received legal advice that the alleged income guarantee is invalid. Pursuant to that advice, the Company's directors do not believe that a legally valid income guarantee is provided in the Contract of Sale. The claim is against GREAT, the wholly-owned subsidiary of the Group which has been placed into receivership by its financier pursuant to its power of mortgage over the investment property and company as security for its loan facility. Metroland Australia Limited is a guarantor to the Contract of Sale. Metroland Australia Limited entered into voluntary administration on 31 August 2012, pursuant to which a Deed of Company Arrangement was entered into on 5 October 2012 with approval of the majority of creditors accepting an interest in a Creditors Trust and extinguishing all other claims.

Austino has commenced an action against the Administrator (for failing to recognise their full \$2.8m extrapolated claim) and Metroland Australia Limited, seeking orders that it be returned to External Administration. The Company has received legal advice that the orders are inappropriate and beyond the power of the Court and that it has good prospects to defend the claim. Accordingly, the Company intends to strenuously defend these proceedings. The matter is expected to be tried during February 2013. Should the Company be unsuccessful, the Company may ultimately be placed in liquidation.

Apart from the issues discussed above, no matters or circumstances have arisen since 30 June 2012 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 plans to raise equity funding to pursue new property investment opportunities 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 were:

Director	Board Meetings		Audit Committee	
	Held	Attended	Held	Attended
Mr F Shien	1	1	-	-
Mr S Leung (resigned 29/11/2011)	-	-	-	-
Mr J Wardman	1	1	2	2
Mr D C Zhang	1	1	-	-
Mr S Wang	1	1	-	-
Mr H Tsang	1	1	2	2
Ms W Li	1	1	-	-

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

### AUDIT COMMITTEE

The members of the audit committee during the year comprised independent non-executive directors, Mr Steam Leung (resigned 29/11/2011), Mr John Wardman (resigned 30/8/2012), and Mr Henry Tsang (resigned 9/7/2012). Due to the limitation of size, the Directors do not propose a separately constituted Audit Committee.

### 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 key management personnel of the consolidated entity are as follows:-

	<i>Short-term benefits</i> Base Remuneration (salary & fees) \$		<i>Post-employment benefits</i> Superannuation Contributions \$		Total Remuneration \$	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
<b>Directors</b>						
<i>Executive</i>						
Frank Shien	90,000	113,794	-	-	90,000	113,794
<i>Non-executive</i>						
John Wardman – resigned August 2012	10,920	10,920	1,080	1,080	12,000	12,000
Steam Leung – resigned November 2011	2,000	24,000	-	-	2,000	24,000
Da Cheng Zhang	-	-	-	-	-	-
Shuqing Wang	-	-	-	-	-	-
Henry Tsang – resigned July 2012	20,000	20,000	-	-	20,000	20,000
Wei Li – resigned December 2012	97,640	-	1,857	-	99,497	-
<b>Executive Officers (excluding directors)</b>						
Tjing Hong Ong	88,269	120,000	8,034	10,800	96,303	130,800
Anthony Maroon	197,000	165,000	21,980	14,850	218,980	179,850
Xavier Chen	80,000	66,667	7,200	6,000	87,200	72,667
	<b>585,829</b>	<b>520,381</b>	<b>40,151</b>	<b>32,730</b>	<b>625,980</b>	<b>553,111</b>



# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012**

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### **SHARE OPTIONS**

#### *Unissued shares under Option*

At the date of this report, there are no unissued ordinary shares of the company under option.

### **DIRECTORS' INTERESTS**

The relevant interest of each director in the shares of the company, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:-

	<b>METROLAND AUSTRALIA LIMITED</b>	
	<b>Ordinary Shares</b>	<b>Options over Ordinary Shares</b>
Mr. F Shien	8,220,000	-
Mr D C Zhang	9,600,000	-
Mr S Wang	1,500,000	-

### **INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

Since the end of the previous financial year, Metroland Australia Limited did not hold insurance for the directors and officers of the company and its controlled entities.

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 an associate of Gould Ralph Assurance, the company's auditor, 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 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 APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, 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 follows the Directors' Report, at page 11.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

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

	Consolidated	
	2012	2011
	\$	\$
<i>Services other than statutory audit</i>		
Other services:		
- Taxation compliance services	-	691
- Share registry	9,641	8,587
- Due diligence	-	8,000
	<u>9,641</u>	<u>17,278</u>

Signed in accordance with a resolution of the directors.

Dated at Sydney this 6<sup>th</sup> day of February 2013.



Frank Shien  
Director

6 February 2013

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

**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 2012, 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 the 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.

GOULD RALPH ASSURANCE  
Chartered Accountants



GREGORY RALPH M.Com., F.C.A.  
Partner

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# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS AT 30 JUNE 2012

	Note	Consolidated	
		2012 \$	2011 \$
<b>Continuing operations:</b>			
Revenue from sales	2	-	144,207
Property rental and management revenue	2	3,810,817	5,583,309
Fund management revenue	2	100,967	-
Gain from loan forgiven		-	4,985,039
Consultancy revenue	2	155,648	322,731
Other revenues	2	27,633	41,811
<b>Total Revenue</b>	2	<b>4,095,065</b>	<b>11,077,097</b>
Cost of sales		-	(20,691)
Borrowing costs	3(b)	(1,794,175)	(5,084,129)
Property expenses		(809,568)	(1,536,941)
Directors fees		(202,440)	(125,730)
Employee benefits expenses		(923,492)	(1,220,147)
Professional and consultancy fees		(463,867)	(323,234)
Profit/(loss) on sale of investment property & income guarantee	3(a)	1,240,242	(2,931,092)
Gain on dilution of interest in joint venture entities	3(a)	-	1,490,230
Gain on de-consolidation of partially-owned entities sold	3(a)	1,722,950	-
Loss on disposal of fixed assets		(3,362)	(517)
Impairment of investment & trade and related receivables	3(a)	(5,758,556)	(451,792)
Other expenses from ordinary activities		(454,778)	(564,835)
Diminution in fair value of investment properties	3(a)	(6,371,221)	(1,590,896)
Share of net profit/(loss) of joint venture entities accounted for using the equity method	24	-	(18,226)
<b>(Loss) before income tax</b>		<b>(9,723,202)</b>	<b>(1,300,903)</b>
Income tax (expense)/benefit	4(a)	(1,155,921)	312,595
<b>(Loss) for the year</b>		<b>(10,879,123)</b>	<b>(988,308)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(10,879,123)</b>	<b>(988,308)</b>
<b>Total comprehensive (loss) attributable to:</b>			
Owners of the company		(11,049,110)	(1,086,826)
Non-controlling interest		169,987	98,518
<b>Total comprehensive (loss) for the year</b>		<b>(10,879,123)</b>	<b>(988,308)</b>
Earnings per share attributable to the ordinary equity holders of the company:			
Basic (loss) per share	5	(8.75)cents	(0.86)cents
Diluted (loss) per share	5	(8.75)cents	(0.86)cents

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2012**

		Consolidated	
	Note	<u>2012</u> \$	<u>2011</u> \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	200,520	202,385
Trade and other receivables	9	102,430	17,754,138
Financial assets	13	-	1,625,526
Other current assets	11	115,045	266,368
Asset classified as held for sale	14	9,025,000	-
Total Current Assets		<u>9,442,995</u>	<u>19,848,417</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	-	8,475,380
Investment property	12	-	27,290,484
Investments accounted for using the equity method	10	-	34,102
Financial assets	13	-	36,000
Property, plant & equipment	15	137,022	203,807
Deferred tax assets	4(d)	8,143	1,073,193
Total Non-Current Assets		<u>145,165</u>	<u>37,112,966</u>
<b>TOTAL ASSETS</b>		<u>9,588,160</u>	<u>56,961,383</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	1,155,856	3,131,204
Financial liabilities	17	10,833,429	36,545,126
Current tax liabilities	4(b)	61,933	34,837
Short-term provisions	19	41,522	464,605
Total Current Liabilities		<u>12,092,740</u>	<u>40,175,772</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	16	-	1,007,250
Financial liabilities	17	-	6,262,300
Long-term provisions	19	-	899,829
Deferred tax liabilities	4(c)	-	71,702
Total Non-Current Liabilities		<u>-</u>	<u>8,241,081</u>
<b>TOTAL LIABILITIES</b>		<u>12,092,740</u>	<u>48,416,853</u>
<b>NET ASSETS (DEFICIENCY)</b>		<u>(2,504,580)</u>	<u>8,544,530</u>
<b>EQUITY</b>			
Contributed equity	20	15,112,773	15,112,773
Retained earnings		(17,617,353)	(6,568,243)
Minority equity interests		-	-
<b>TOTAL EQUITY (DEFICIENCY)</b>		<u>(2,504,580)</u>	<u>8,544,530</u>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2012**

	<b>Contributed equity \$</b>	<b>Retained earnings \$</b>	<b>Minority equity interests \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2010</b>	<u>15,112,773</u>	<u>(5,481,417)</u>	<u>-</u>	<u>9,631,356</u>
<b>Comprehensive income for the year</b>				
Profit/(loss) for the year	-	(1,086,826)	98,518	(988,308)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(1,086,826)</u>	<u>98,518</u>	<u>(988,308)</u>
<b>Transactions with owners in their capacity as owners:-</b>				
Dividends paid to equity-holders	-	-	(98,518)	(98,518)
<b>Balance at 30 June 2011</b>	<u>15,112,773</u>	<u>(6,568,243)</u>	<u>-</u>	<u>8,544,530</u>
<b>Balance at 1 July 2011</b>	<u>15,112,773</u>	<u>(6,568,243)</u>	<u>-</u>	<u>8,544,530</u>
<b>Comprehensive income for the year</b>				
Profit/(loss) for the year	-	(11,049,110)	169,987	(10,879,123)
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(11,049,110)</u>	<u>169,987</u>	<u>(10,879,123)</u>
<b>Transactions with owners in their capacity as owners:-</b>				
Dividends paid to equity-holders	-	-	(169,987)	(169,987)
<b>Balance at 30 June 2012</b>	<u>15,112,773</u>	<u>(17,617,353)</u>	<u>-</u>	<u>(2,504,580)</u>

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

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2012**

		Consolidated	
	Note	<u>2012</u>	<u>2011</u>
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		4,214,955	6,034,145
Cash payments in the course of operations		(3,236,417)	(3,941,431)
Interest received		12,924	41,811
Borrowing costs paid		(1,723,550)	(3,354,970)
Income taxes (paid)/refunded		(112,544)	(109,416)
Net cash (used in) operating activities	7(a)	<u>(844,632)</u>	<u>(1,329,861)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment properties		16,896,059	1,515,000
Sale/(purchase) of property, plant and equipment		12,899	(57,020)
Proceeds from sale of investment		1,754,247	-
Payments for additions to property investments		(761,929)	(890,657)
Loans (to)/repayments from other entities		-	(24,602)
Net cash provided by/(used in) investing activities		<u>17,901,276</u>	<u>542,721</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans (to)/from related entities		(16,758)	(67,508)
Proceeds from borrowings		4,353,246	1,070,800
Repayment of borrowings		(21,204,381)	(525,396)
Dividends paid		(178,991)	(107,256)
Net cash provided by financing activities		<u>(17,046,884)</u>	<u>370,640</u>
<b>Net increase/(decrease) in cash held</b>		<b>9,760</b>	<b>(416,500)</b>
Cash at beginning of the financial year		<u>186,026</u>	<u>602,526</u>
<b>Cash at the end of the financial year</b>	7(b)	<u><u>195,786</u></u>	<u><u>186,026</u></u>

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

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**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant policies which have been adopted in the preparation of these financial statements are:

**(a) Going Concern**

The consolidated entity incurred a loss before tax for the year ended 30 June 2012 of \$10.9 million and at that date had a net asset deficiency of \$2.5 million. Its current liabilities also exceeded its current assets by \$2.6 million.

The loss for the year resulted from the continuation of the depressed property market and its effects on the consolidated entity's investment properties and related receivables.

During the year a \$6.4 million impairment of investment properties was incurred resulting from:-

- \$2.6 million from a 31 December 2011 independent valuation of the Greenway Plaza and Greenway Supacenta properties. The Group's remaining 25.05% interest in the Greenway Supacenta Joint Venture was disposed of on 31 March 2012.
- \$3.8 million to reflect the conditional exchange of sale contracts for the Campbelltown Square property at less than its book value. The contracts were exchanged subsequent to 30 June 2012 in order to meet the property financier's repayment demand on the bank loan which is secured over the Campbelltown property.

In addition, an impairment of \$5.4 million was made against the Company's joint venture loans to the entities in the Greenway Supacenta Joint Venture, reflecting the significant impairment of the Joint Venture's underlying investment properties following property valuation.

The Groups excess of current liabilities over its current assets is due principally to a \$1.4 million deficiency in the sale consideration of contracts exchanged on the Campbelltown Square property with the book value of the bank loan facility secured over the property. Subsequent to balance date, the bank financier placed the Company's wholly-owned subsidiary which holds the property asset into receivership under the power of its mortgage securing the loan finance.

Subsequent to balance date, the Board of Directors of Metroland Australia Limited placed the Company in voluntary administration. Refer Note 33: Events Subsequent to Balance Date and Note 36: Pro-forma Statement of Financial Position following Deed of Company Arrangement. The administration concluded by Deed of Company Arrangement and a release from administration on 5 October 2012.

The ongoing operation of the consolidated entity is dependent upon the ability of the Directors to raise further capital and to generate positive cash flows from the Company's operations.

These conditions give rise to significant uncertainty which may cast doubt upon the consolidated entity's ability to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities, which might be necessary should the consolidated entity not be able to continue as a going concern.

**(b) Basis of Preparation**

***Reporting Basis and Conventions***

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements.

The consolidated financial statements of the company comprise the parent entity, Metroland Australia Limited and its controlled entities, and interests in associates and joint ventures. Metroland Australia Limited is a listed (but currently suspended) public company, incorporated and domiciled in Australia.

The financial statements of Metroland Australia Limited comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

The financial statements were authorised for issue on 6 February 2013 by the board of directors.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

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

**(c) Principles of Consolidation**

***Controlled Entities***

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 23 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.

***Joint Venture Operations***

The consolidated entity has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The consolidated entity recognises its interest in jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The consolidated entity also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

***Interests in Joint Ventures***

The consolidated group's share of the assets, liabilities, revenue and expenses of jointly controlled entities has been included in the appropriate line items of the consolidated financial statements. The consolidated group's interest in joint venture entities are brought to account using the proportionate consolidation method of accounting in the consolidated financial statements. Where the group contributes assets to the joint venture or if the group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the group's share of the joint venture is recognised. The group however will recognise the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

Details of the consolidated entity's interests are shown at Note 22.

***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.

**(d) 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 statement of comprehensive income 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

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

***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.

**(e) 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 profit or loss in the period in which they are incurred.

**(f) Investment in Associates**

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. An associate is an entity in which the consolidated entity has significant influence and which is neither a subsidiary nor a joint venture operation.

The financial statements of each associate, which are adjusted to re-align the results to coincide with the consolidated entity reporting date, are used by the consolidated entity to apply the equity method.

The investment in associates are carried in the financial statements at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate, less any impairment in value. The statement of comprehensive income reflects the consolidated entity's share of the results of operations of the associates.

**(g) Investment Property**

Investment properties, comprising freehold shopping complexes, are 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 using both independent and directors valuations. Changes to fair value are recorded in the statement of comprehensive income.

**(h) Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amounts and fair value less costs to sell. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

**(i) Plant and Equipment**

Plant and equipment are measured on the cost basis, less accumulated depreciation.

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:

	<b>2012</b>	<b>2011</b>
Leasehold Improvements	20%	20%
Plant and Equipment	17 – 40%	17 – 40%

The asset's residual values and useful lives are reviewed and adjusted if applicable, at each financial position 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

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

**(j) Impairment of Assets**

At each reporting date, the Group assesses 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 indication 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 statement of comprehensive income.

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) Trade and Other Payables**

Trade and other payables are carried at amortised cost using the effective interest rate method. Payables 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**

Interest bearing bank loans and borrowings are non-derivative financial liabilities and are initially recognised at the fair value of the consideration received. After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Interest expense is accrued at the contracted rate and is included in "Other creditors and accruals".

**(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 statement of financial position.

**(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. Such assets are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

**(o) 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. The following specific recognition criteria must be met before revenue is recognised:-

***Sale of Properties and Goods***

Revenue from the sale of property inventory is only recognised upon the completion of the project, when the unconditional contracts of sale are settled, and the substantial risks and rewards are passed to the buyer. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer for property sales and at the time the purchaser has control of the asset for other specific transactions.

***Rendering of Services***

Revenue from the rendering of property management and project 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***

Construction revenue is recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract. Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to actual costs. Where losses are anticipated they are provided for in full.

***Interest Income***

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

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

**(p) 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 statement of financial position are shown inclusive of GST.

The net amount of GST receivable from or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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.

**(q) Earnings per share**

Basic earnings per share ("EPS") is calculated as net profit, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, 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.

**(r) 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.

***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 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.

***Income Guarantee***

In 2011, provision was made for the consolidated entity's potential liability, under the terms of a 4 year rental income guarantee as part of the sale of the Wentworthville Mall property. The liability was determined based on the net property income, adjusted for related potential property costs over the term of the guarantee. The liability, then expected to be paid at the end of the 12 months had been measured at amounts to be paid when the liability was to be settled. Any liabilities payable later than 12 months had been measured at the present value of the estimated future cash outflows to be made for those liabilities. Subsequently the Company received legal advice that the income guarantee was invalid and the provision was reversed. Refer also Note 1(v)(iv).

**(s) Trade and Other 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.

**(t) Operating Segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- . nature of the products and services,
- . type or class of customer for the products and services.

**(u) Comparative Figures**

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

**(v) Significant Accounting Judgement, Estimates and Assumptions**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key Estimates**

**(i) Fair valuation of investment properties** – refer Note 12

The directors assess the valuation of the investment properties based on valuations obtained annually by independent valuers or for properties held for sale at their fair value less costs to sell. These valuations are based on expected rental yields and outgoings using current and historical evidence as well as current market expectations.

**(ii) Recovery of deferred tax assets**

Deferred tax assets from deductible temporary differences are recognised where management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

**(iii) Estimation of useful lives of assets**

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover polices (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

**(iv) Income guarantee provisions**

In 2011, in determining the level of provision required for income guarantee, as part of the sale of the Wentworthville Mall property, the Group made judgements in respect of the expected future rental income and property costs from the property over the 4 year term of a guarantee. Historical experience and current knowledge of the rental income based on existing leases, and the related property costs had been used in determining the provision. Any actual variations in those judgements may have resulted in any future expenditures differing from the amounts provided. Subsequently the Company obtained legal advice that the guarantee was invalid. The provisions recorded were reviewed and updated based on the facts and circumstances available, resulting in the provision being reversed in the 2012 year.

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 2 REVENUE</b>		
Revenue from sale of:		
- Construction services and goods	-	134,149
- Building accessories	-	10,058
	<u>-</u>	<u>144,207</u>
Rental revenue from investment properties	<b>2,665,928</b>	4,706,484
Property management and facilitation revenue	<b>1,144,889</b>	876,825
	<u><b>3,810,817</b></u>	<u>5,583,309</u>
Gain from loans forgiven	-	4,985,039
Fund management revenue	<b>100,967</b>	-
Consultancy revenue	<b>155,648</b>	322,731
Other revenues:-		
<i>From operating activities</i>		
Interest – other parties	<b>12,923</b>	41,811
Other	<b>14,710</b>	-
<b>Total Other Revenues</b>	<u><b>27,633</b></u>	<u>41,811</u>
<b>Total Revenue</b>	<u><b>4,095,065</b></u>	<u>11,077,097</u>

**NOTE 3 PROFIT BEFORE INCOME TAX**

(a) Individually significant (expense)/revenue included in profit before income tax:		
Net proceeds from sale of investment property	-	17,949,460
Cost of property sold	<b>49,002</b>	(19,689,312)
Reversal of/(provision) for income guarantee	<b>1,191,240</b>	(1,191,240)
	<u><b>1,240,242</b></u>	<u>(2,931,092)</u>
Gain on loans forgiven	-	4,985,039
Gain on dilution of interest in joint venture entities	-	1,490,230
Adjustment on de-consolidation of partially-owned entities sold	<b>1,722,950</b>	-
Share of net profit/(loss) of associates	-	(18,226)
Impairment of joint venture receivables	<b>(5,626,216)</b>	-
Impairment of trade receivables	<b>(90,959)</b>	(113,792)
Impairment of investments	<b>(41,381)</b>	(338,000)
	<u><b>5,758,556</b></u>	<u>451,792</u>
Diminution in fair value of investment properties	<u><b>(6,371,220)</b></u>	<u>(1,590,896)</u>
(b) Profit/(loss) before income tax has been arrived at after charging/(crediting) the following items:		
Borrowing Costs:		
-Other parties	<b>1,794,175</b>	5,319,248
Less: Capitalised borrowing costs	-	(235,119)
	<u><b>1,794,175</b></u>	<u>5,084,129</u>

Borrowing costs were capitalised to property inventories and qualifying assets at a weighted average annual rate of 0 % (2011: 12%).

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 3 PROFIT BEFORE INCOME TAX (Cont'd)</b>		
Amortisation and depreciation of: Plant and equipment	<u>46,461</u>	<u>42,504</u>
Net expense from movements in provisions for:		
- Employee entitlements expense	(91,519)	5,418
- Impairment of trade receivables	90,959	113,792
- Impairment of investments	36,000	338,000
- Rental income guarantee	(1,191,240)	1,191,240
Operating lease payments	<u>176,289</u>	<u>204,082</u>
<b>NOTE 4- TAXATION</b>		
(a) Income Tax Expense		
Prima facie tax payable on profit/(loss) before income tax at 30% (2011- 30%)	(2,916,961)	(390,271)
Increase/(decrease) in income tax expense due to:		
- Prior year fair value adjustment to investment property, now recognised for tax	-	(1,038,572)
- Capital loss on sale of property	-	14,538
- Deferred tax assets de-recognised	993,348	1,573,100
- Utilisation of tax loss of partially owned entities not previously recognised	-	(213,090)
- Gain on dilution/de-consolidation of interest in joint venture entities	(516,885)	(447,069)
- Adjustments to deferred tax balances on dilution of interest in joint venture entities	-	(793,250)
- Other	-	1,423
Deferred tax assets not recognised	<u>3,596,419</u>	<u>980,596</u>
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	<u>1,155,921</u>	<u>(312,595)</u>
The major components of income tax expense/( benefit) comprises:		
- current tax	162,573	99,629
- deferred tax assets de-recognised	993,348	(945,751)
- gain on disposal/de-consolidation of interest in joint venture entities	-	(447,069)
-tax losses not recognised	-	980,596
	<u>1,155,921</u>	<u>(312,595)</u>
(b) Current Tax Asset/(Liabilities)		
Opening balance	(34,837)	(44,624)
Income tax paid	112,544	109,416
Provision for Current Income Tax	(139,640)	(99,629)
	<u>(61,933)</u>	<u>(34,837)</u>

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 4– TAXATION (Cont'd)</b>		
(c) Deferred Income Tax Liabilities		
Deferred income tax liabilities comprise the estimated expense at the applicable rate of 30% (2011: 30%) on the following items:		
Fair value gain adjustments	-	331,923
Losses applied	-	(255,871)
Offset against deferred tax assets	-	(4,350)
	<u>-</u>	<u>71,702</u>
(d) Deferred tax assets		
Deferred tax assets have been recognised in respect of the following items:		
Deductible temporary differences	8,143	502,289
Tax losses carried forward	-	570,904
	<u>8,143</u>	<u>1,073,193</u>
Deferred tax assets not brought to account, the benefits of which will only be realised if the relevant taxpayers continue to comply with the deductibility under the income tax law:		
Temporary differences	2,278,278	1,573,670
Revenue tax losses (i)	2,549,659	980,596
Capital tax losses	<u>2,061,105</u>	<u>505,788</u>
(i) Following Deed of Company Arrangement on 5 October 2012, revenue tax losses of approximately \$263,264 will be unavailable to the Group.		

### NOTE 5– EARNINGS PER SHARE

#### Earnings reconciliation

Net (loss) for basic and diluted earnings	<u>(11,049,110)</u>	<u>(1,086,826)</u>
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Weighted average number of shares used as the denominator for the Calculation of basic and diluted earnings per share:

	Number	Number
Ordinary shares	<u>126,283,244</u>	<u>126,283,244</u>

### NOTE 6 – AUDITORS REMUNERATION

#### Auditors of the Company:

	\$	\$
Audit services		
Audit and review of financial statements	<u>66,137</u>	<u>81,002</u>
Other services		
Taxation compliance services	-	691
Share registry services	9,641	8,587
Due diligence	-	8,000
	<u>9,641</u>	<u>17,278</u>
	<u>75,778</u>	<u>98,280</u>



**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 7 – NOTES TO THE CASH FLOW STATEMENT</b>		
Operating profit/(loss) after income tax	(10,879,123)	(988,308)
Add/(less) items classified as investing/financing activities:		
Interest paid capitalised in property and investments	-	28,743
Fair value adjustment to investment property	6,371,221	1,590,896
Non-cash items		
Impairment of investment	36,000	338,000
Impairment of joint venture loans	5,626,217	-
Gain on loan forgiven	-	(3,485,085)
Gain on dilution/de-consolidation of joint venture interests	(1,722,950)	(1,490,230)
Depreciation	46,461	42,504
Loss on disposal of fixed assets	3,362	-
Loss on sale of investment property	5,381	1,739,852
Amounts set aside to provisions	(1,376,872)	1,310,450
Equity accounted share of joint venture entities' results	-	72,287
Changes in assets and liabilities:		
(Increase)/decrease in property inventories	-	17,486
(Increase)/decrease in receivables	480,705	133,004
Increase/(decrease) in payables	(628,375)	(163,224)
(Increase)/decrease in tax balances	1,042,376	(407,423)
(Increase)/decrease in prepayments	150,965	(68,813)
Net cash provided by / (used in) operating activities	<u>(844,632)</u>	<u>(1,329,861)</u>
(b) Reconciliation of Cash		
Cash	144,237	175,210
Short term deposits	56,283	27,175
Bank overdraft	(4,734)	(16,359)
	<u>195,786</u>	<u>186,026</u>

**NOTE 8 – CASH AND CASH EQUIVALENT ASSETS**

*Current*

Cash at bank and in hand	144,237	175,210
Bank short term deposits	56,283	27,175
	<u>200,520</u>	<u>202,385</u>

The effective interest rate on short-term bank deposits was 1.8% (2011: 1.6%)

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

		Consolidated	
		<u>2012</u>	<u>2011</u>
		\$	\$
<b>NOTE 9 – TRADE AND OTHER RECEIVABLES</b>			
<i>Current</i>			
Trade receivables		92,209	261,190
Less: Impairment of receivables		<u>(65,900)</u>	<u>(119,858)</u>
		<u>26,309</u>	<u>141,332</u>
Amount due from customers for construction contracts	9(a)	-	138,382
Receivable from sale of investment property		-	17,385,000
Other receivables		26,505	11,566
Loans to other entities		<u>49,616</u>	<u>77,858</u>
		<u>102,430</u>	<u>17,754,138</u>
<i>Non-Current</i>			
Loans to joint venture entities		-	8,386,250
Other receivables		-	<u>89,130</u>
		-	<u>8,475,380</u>

At 30 June, the aging analysis of trade receivables was as follows:

	<i>0 – 30 days</i>	<i>31 – 60 days</i>	<i>61 – 90 days</i>	<i>90+ days</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
2012	20,328	5,981	-	-	26,309
2011	92,196	31,374	16,789	973	141,332

Trade receivables past due date but not considered impaired are \$5,000 (2011: \$18,000). Current trade receivables are non-interest bearing and are generally on 60 day terms. An allowance for doubtful debts is made where there is evidence that a trade receivable is impaired.

The receivable from the sale of investment property was received on 2 September 2011, the date of settlement.

(a) **Construction Contracts**

Amounts due for construction contracts are receivable from joint venture partners of a joint venture operation. During the year, the Group completed operations.

Amounts due from customers for contract work	-	138,382
Retentions on construction contracts in progress	-	-
Progress billings received and receivable on completed construction contracts	-	<u>12,021,000</u>

**NOTE 10 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

<i>Non-current</i>			
Associated entities	24	-	<u>34,102</u>

**NOTE 11 – OTHER CURRENT ASSETS**

<i>Current</i>			
Prepayments		<u>115,045</u>	<u>266,368</u>

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 12 – INVESTMENT PROPERTY</b>		
<i>Non-Current</i>		
Balance at beginning of the year	27,290,484	43,450,392
Transfer to assets currently held for sale (ii)	(9,025,000)	-
Decrease due to the dilution of interest in joint venture entities (i)	(12,656,192)	(15,459,669)
Expenditures capitalised	761,929	890,657
Fair value adjustment	(6,371,221)	(1,590,896)
	<u>-</u>	<u>27,290,484</u>

- (i) The assets are held by Gaintak Investments Pty Ltd and Greenway Australia Properties Pty Ltd, joint venture entities in which the Group's remaining 25.05% interest was disposed during the year. The Group's interest in these entities were accounted for under the proportionate consolidation method.
- (ii) At 30 June 2012, the Group's investment property at 218-240 Queens Street, Campbelltown was placed on the market for sale, to meet the repayment demands of the property's financiers. Refer Note 17.

### NOTE 13 – FINANCIAL ASSETS

#### *Current*

#### *Unlisted Investments in other entities*

Property trust	-	1,625,526
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#### *Non-current*

#### *Unlisted Investments in other entities*

Joint venture entity	-	36,000
	<u>-</u>	<u>36,000</u>

#### *Investments in Associates*

Unlisted shares at cost	-	101,106
Provision for diminution	-	(101,106)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>36,000</u>

### NOTE 14 – ASSETS HELD FOR SALE

#### *Current*

Investment property	9,025,000	-
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At balance date, the Campbelltown Square investment property at 218-240 Queens Street, Campbelltown was placed on the market for sale to meet the demand of the property's financier for repayment of the loan which is secured over the property. The carrying value of property reflects the conditional exchange of sale contracts for the property subsequent to balance date. Refer Note 33 for events subsequent to balance date concerning the property.

### NOTE 15 – PROPERTY, PLANT & EQUIPMENT

Plant and equipment – at cost	307,919	377,527
Accumulated depreciation	(170,897)	(173,720)
	<u>137,022</u>	<u>203,807</u>

#### *Movements in Carrying Amounts*

#### *Plant and equipment*

Carrying amount at beginning of year	203,807	189,291
Additions	16,131	57,021
Disposals	(36,454)	-
Depreciation	(46,462)	(42,505)
	<u>137,022</u>	<u>203,807</u>

**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 16 – TRADE AND OTHER PAYABLES</b>		
<i>Current</i>		
Trade creditors	434,961	641,916
Other creditors and accruals	675,277	2,343,993
GST payable	45,618	50,505
Deferred income	-	94,790
	<u>1,155,856</u>	<u>3,131,204</u>
<i>Non-current</i>		
Owing to joint venture participants	-	751,500
Deferred income	-	255,750
	<u>-</u>	<u>1,007,250</u>

**NOTE 17 – FINANCIAL LIABILITIES**

<i>Current</i>		
Bank overdraft		16,360
Bank loans –secured	17(a)	27,309,761
Loans from other entities-unsecured	17(b)	9,213,563
Hire purchase liabilities - secured	17(c)	5,442
		<u>36,545,126</u>
<i>Non-current</i>		
Loans from other entities-unsecured	17(b)	6,262,300
		<u>6,262,300</u>

(a) Included in current bank loans is the loan facility of \$10,340,506 secured by a registered first mortgage over the Campbelltown Square property. The loan was due for repayment by 31 May 2012. The loan did not comply with the financier's 70% loan-to-valuation (LVR) ratio condition, and the term of the loan was unable to be extended. The Directors of the Company were unable to obtain alternative refinance for the facility, and consequently placed the secured Campbelltown property on the market for sale. On 26 October 2012, the wholly-owned subsidiary which holds the secured investment property and the related loan facility was placed into receivership by the financier under the power of its mortgage over the subsidiary.

The weighted average interest rate on these loans at 30 June 2012 is 6.7% (2011: 7.8%), and is paid monthly.

(b) Loans from other entities are unsecured and due for repayment within the next 12 months. The weighted average interest rate on these loans at 30 June 2012 is 9.4% (2011: 6.79%).

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

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
Investment properties	-	12,000,000
Investment property held for sale	9,025,000	-
Property settlement receivables	-	17,385,000
Fixed assets	-	5,489
	<u>9,025,000</u>	<u>29,390,489</u>

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 18 - FINANCING ARRANGEMENTS</b>		
The consolidated entity has access to the following lines of credit:		
<i>Total facilities available:</i>		
Bank loans	10,379,971	27,309,761
Other entity loans	448,723	15,475,863
	<u>10,828,694</u>	<u>42,785,624</u>
<i>Facilities utilised at balance date:</i>		
Bank loans	10,379,971	27,309,761
Other entity loans	448,723	15,475,863
	<u>10,828,694</u>	<u>42,785,624</u>
<i>Facilities not utilised at balance date:</i>		
Bank loans	-	-
Other entity loans	-	-
	<u>-</u>	<u>-</u>
<b>NOTE 19 – SHORT-TERM AND LONG-TERM PROVISIONS</b>		
<i>Current</i>		
Employee benefits	41,522	146,746
Rental income guarantee	-	317,859
	<u>41,522</u>	<u>464,605</u>
<i>Non-current</i>		
Employee benefits	-	25,934
Rental income guarantee	-	873,895
	<u>-</u>	<u>899,829</u>
Number of employees at year end	<u>9</u>	<u>16</u>
<i>Movements in provisions</i>		
Movements in each class of provision during the current financial year are set out below:		
	<i>Employee benefits</i>	<i>Rental Income Guarantee</i>
<i>Current</i>		
Carrying amount at the start of the year	146,746	317,344
Amounts transferred from non-current	25,935	-
Provision reversed	-	(317,344)
Additional provisions recognised	10,008	-
Amounts paid during the year	(141,167)	-
Carrying amount at the end of the year	<u>41,522</u>	<u>-</u>
<i>Non-current</i>		
Carrying amount at the start of the year	25,934	873,895
Amounts transferred to current	(25,934)	-
Provision reversed	-	(873,895)
Carrying amount at the end of the year	<u>-</u>	<u>-</u>

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 20 – CONTRIBUTED EQUITY</b>		
(a) <i>Share capital</i>		
126,283,244 (2011: 126,283,244) ordinary shares fully paid	<u>15,112,773</u>	<u>15,112,773</u>

There were no movements in share capital during the year.

The Company does not have authorised capital nor par value in respect of its issued shares.

### *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, rank after creditors and are fully entitled to any proceeds of liquidation.

### (b) *Options*

All options expired in the previous financial year. The company has no options over unissued shares at year end.

### (c) *Capital Management*

Management's control over the capital of the group is to procure a level of capital in order to maintain an adequate debt to equity ratio; provide the shareholders with satisfactory 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. 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. The Group's strategy has been to continue reducing the group's gearing ratio to a level below the minimum loan covenanted Loan to Valuation Ratio of 70%. However, this has proved difficult in view of the continuing depressed investment property market which has resulted in significant reductions in the value of the Group's assets, with the consequent total capital of the Group being less than its borrowings. The gearing ratio for the years ended 30 June 2012 and 30 June 2011 are as follows:-

	Note	Consolidated	
		<u>2012</u>	<u>2011</u>
		\$	\$
Total borrowings	17,18	<b>11,989,285</b>	46,945,880
Less: cash and cash equivalents	8	<b>(200,520)</b>	(202,385)
Net Debt		<b>11,788,765</b>	46,743,495
Total Equity		<b>(2,504,580)</b>	8,544,530
Total Capital		<b>9,284,185</b>	55,288,025
Gearing Ratio		129%	84%

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 \$	Consolidated 2011 \$
<b>NOTE 21 – DIVIDENDS</b>			
No dividends were declared by the company in the current year.			
<b>Dividend Franking Account</b>			
30% franking credits available to shareholders of Metroland Australia Limited for subsequent financial years			
		<u>1,515,587</u>	<u>1,484,582</u>
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 credits that will arise from the receipt of dividends recognised as receivables by the tax-consolidated entity at year-end;			
(c) franking credits that the entity may be prevented from distributing in subsequent years.			
The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.			
<b>NOTE 22 – INTEREST IN JOINT VENTURES</b>			
The consolidated entity holds a Nil% (2011: 25.05%) interest in the Greenway Supacenta Joint Venture whose principal activity is the rental of the SupaCenta investment property at Elizabeth Street, Wetherill Park, and a Nil% (2011: 25.05%) interest in both Gaintak Investment Unit Trust and Greenway Australia Properties Pty Limited. The remaining 25.05% interest of the Group was disposed on 31 March 2012. For the year ended 30 June 2012, the contribution of the joint ventures before tax to the consolidated entity was a loss of \$2,615,016, (2011: a profit of \$2,790,119).			
Included in the assets and liabilities of the consolidated entity are the following items which represent the consolidated entity's interest in the assets and liabilities employed in the joint ventures, recorded in accordance with the accounting policies described in Note 1(c).			
Current Assets			
Cash		-	39,282
Receivables		-	165,332
Total Current Assets		<u>-</u>	<u>204,614</u>
Non Current Assets			
Investment Property		-	15,342,621
Deferred Tax		-	122,074
Total Non –Current Assets		<u>-</u>	<u>15,464,695</u>
Total Assets		<u>-</u>	<u>15,669,309</u>
Current Liabilities			
Trade and other creditors		-	355,770
Total Current Liabilities		<u>-</u>	<u>355,770</u>
Non-Current Liabilities			
Interest bearing liabilities		-	12,802,895
Other creditors		-	751,500
Total Non-Current Liabilities		<u>-</u>	<u>13,554,395</u>
Total Liabilities		<u>-</u>	<u>13,910,165</u>
Net Assets		<u>-</u>	<u>1,759,144</u>

Refer Note 26 for details of contingent liabilities.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### NOTE 23 – CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

NAME	EQUITY INTEREST	
	2012 %	2011 %
<i>Parent entity</i>		
Metroland Australia Limited		
<i>Controlled entities</i>		
Metroland Properties Pty Limited	-	100
Kings Properties (Australia) Pty Limited	100	100
Greenway Australia Properties Pty Limited *	-	25.05
Metroland Homes Pty Limited	-	100
Stratawide Management Pty Limited	55	55
Goldwest Metro Pty Limited	-	100
MetroBuild Associates Pty Limited	-	100
Metro Facilities Management Pty Limited	-	100
Home at Metro Pty Limited	-	100
Gaintak Note Company Pty Limited	-	100
Campbelltown Metro Pty Limited	-	100
Metroland Constructions Pty Limited	-	100
Global Real Estate Assets Corporation Pty Limited	100	100
DK Metro Engineering Pty Limited	-	100
Gaintak Investments Pty Limited *	-	25.05
Metroland Management Services Pty Limited	100	100
Metroland Funds Management Limited	100	100
Metroland Investments Limited	-	100

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

\* Jointly controlled entity accounted for on a proportionate consolidation method. These were disposed of on 31 March 2012 at their nominal net asset values.

(b) *Acquisition and Disposal of controlled entities*

No controlled entities were acquired in the current or previous financial year. All controlled entities disposed of during the year were voluntarily de-registered with the Australian Securities & Investment Commission.

### NOTE 24- INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2012 \$	2011 \$
Share of net profit accounted for using the equity method included in the income statement:		
- Associates	-	34,102

#### *Interest in Associates*

Details of interests in associates are as follows:

Name	Principal Activities	Associate Reporting Date	Ownership Interest Held		Carrying Amount of Investment	
			2012 %	2011 %	2012 \$	2011 \$
Ausbao (NSW) Management Pty Ltd	Construction project management	31 Dec	-	49	-	21,295
Metro Plaza Chinatown JV	Investment in property development entity	30 June	-	20	-	12,807
					-	34,102



**METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012****NOTE 24-INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)**

	Consolidated	
	2012 \$	2011 \$
<b>Results of Associates</b>		
Revenue from ordinary activities	-	137,304
Expenses from ordinary activities	-	(155,530)
Profit/(loss) from ordinary activities before income tax	-	(18,226)
Income tax (expense)/benefit relating to ordinary activities	-	19,208
	-	982
<b>Statement of Financial Position</b>		
The consolidated entity's share of the joint venture entities assets and liabilities consists of:-		
Current assets	-	24,663
Non-current assets	-	399,088
Total assets	-	423,751
Current liabilities	-	32,235
Total liabilities	-	32,235
Net assets – accounted for using the equity method	-	391,516
Less: Provision for impairment	-	(357,203)
Net assets	-	34,313
Refer to notes 25 and 26 for details of commitments and contingencies.		
<b>Share of post-acquisition profit attributable to associates equity accounted</b>		
Share of associates' retained profit at beginning of year	(6,954)	46,125
Share of associates net profit after tax	-	982
Realisation of investment	6,954	-
Elimination of unrealised profits on services provided to associates	-	(54,061)
Share of associates retained profit at end of year	-	(6,954)
<b>Movements in carrying amount of associates and joint venture entities</b>		
Carrying amount at beginning of the year	34,102	359,265
Transfer to investments in other entities	-	(4,900)
Cash contributions to associates during the year	-	90,519
Share of associates' net profit, after tax	-	982
Realisation of investment	(34,102)	(500)
Elimination of unrealised profits on services provided to associates	-	(54,061)
Provision for impairment	-	(357,203)
Carrying amount at end of year	-	34,102

The consolidated entity's interest in the associated entities were disposed of during the year together with realisation of the Group's investment in MetroPlaza Central Unit Trust following the decision by all unitholders to sell the underlying property of the Trust at 61-79 Quay Street, Haymarket.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
<b>NOTE 25 CAPITAL AND LEASING COMMITMENTS</b>		
<b>Capital Expenditure Commitments</b>		
Capital expenditure commitments for tenancy lease agreement fit-outs at Greenway SupaCenta, payable not later than 12 months	-	1,150,000
<b>Operating Lease Commitments</b>		
Non-cancellable operating lease contracted for but not capitalised in the financial statements:-		
Payable – minimum lease payments		
- not later than 12 months	78,849	157,697
- between 12 months and 5 years	-	78,849
	<u>78,849</u>	<u>236,546</u>
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.		
<b>Finance Lease Commitments</b>		
Payable – minimum lease payments		
- not later than 12 months	-	6,370
- between 12 months and 5 years	-	-
	-	6,370
Less: future finance charges	-	(928)
Present value of minimum lease payments	-	5,442
Total Commitments	<u>78,849</u>	<u>1,391,988</u>

### NOTE 26 CONTINGENT LIABILITIES

#### Share of Joint Venture Contingent Liabilities

- Guarantee of joint venture loan facilities		-
- 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:	-	2,824,500
	-	<u>2,824,500</u>

In October 2012, a claim for a potential income shortfall of \$2.8 million was received from Austino Wentworthville Pty Ltd (“Austino”), as purchaser, based on an alleged income guarantee condition included in the sale of the Wentworthville Mall property in 2011. The claim covers a period of 4 years from the date of sale as an extrapolation of the advised performance of the Wentworthville Mall for the six month period ended 2 March 2012.

The Company has received legal advice that the alleged income guarantee is invalid. Pursuant to that advice, the Company’s directors do not believe that a legally valid income guarantee is provided in the Contract of Sale. The claim is against GREAT, the wholly-owned subsidiary of the Group which has been placed into receivership by its financier pursuant to its power of mortgage over the investment property and company as security for its loan facility. Metroland Australia Limited is a guarantor to the Contract of Sale. Metroland Australia Limited entered into voluntary administration on 31 August 2012, pursuant to which a Deed of Company Arrangement was entered into on 5 October 2012 with approval of the majority of creditors accepting an interest in a Creditors Trust and extinguishing all other claims.

Austino has commenced an action against the Administrator (for failing to recognise their full \$2.8m extrapolated claim) and Metroland Australia Limited, seeking orders that it be returned to External Administration. The Company has received legal advice that the orders are inappropriate and beyond the power of the Court and that it has good prospects to defend the claim. Accordingly, the Company intends to strenuously defend these proceedings. The matter is expected to be tried during February 2013. Should the Company be unsuccessful, the Company may ultimately be placed in liquidation.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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### NOTE 27 SEGMENT REPORTING

The Group has identified operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided and the origin and manner in which products sold are used. Financial information about each of these operating business segments is reported to the executive management team on at least a quarterly basis.

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 management:	For property under construction and constructions under management for external and other related entities.
Property rental and management:	Investment properties held for the generation of rental income and capital appreciation; and residential property management and facilitation management services.
Investment and financial services:	Investments in associate entities; funds management; cash investments and general loan borrowings.
Import and wholesaling:	Wholesale and sourcing of imported products.

# METROLAND AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

ABN 81 009 138 149

## NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

### NOTE 27 SEGMENT REPORTING (cont)

	Property Construction, Development & Management		Property rental & management		Investment & Financial Services		Import Sales		Consolidation	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
External segment revenue	<b>19,986</b>	226,823	<b>3,963,176</b>	5,825,266	<b>111,903</b>	29,911	-	10,058	<b>4,095,065</b>	6,092,058
Segment result before finance costs and impairment	<b>152,413</b>	(95,287)	<b>3,588,729</b>	3,271,595	<b>(386,589)</b>	(126,966)	-	(22,127)	<b>3,354,553</b>	3,027,215
Finance costs after capitalised interest	<b>(1,389)</b>	(3,315)	<b>(1,479,831)</b>	(4,775,779)	<b>(312,956)</b>	(305,035)	-	-	<b>(1,794,176)</b>	(5,084,129)
Impairment of receivables & investments	-	-	<b>(45,067)</b>	(95,792)	<b>(5,672,108)</b>	(356,000)	-	-	<b>(5,717,175)</b>	(451,792)
Segment result after finance costs and impairment	<b>151,024</b>	(98,602)	<b>2,063,831</b>	(1,599,976)	<b>(6,371,653)</b>	(788,001)	-	(22,127)	<b>(4,156,798)</b>	(2,508,706)
(Loss) from diminution in value of investment properties	-	-	<b>(6,371,221)</b>	(1,590,896)	-	-	-	-	<b>(6,371,221)</b>	(1,590,896)
Gain from dilution of interest in joint venture entities and loans forgiven	-	-	-	4,985,039	<b>1,722,950</b>	1,490,230	-	-	<b>1,722,950</b>	6,475,269
Loss on disposal of plant and equipment	-	-	-	-	<b>(3,362)</b>	-	-	-	<b>(3,362)</b>	-
Loss on sale of investments	-	-	-	(2,931,092)	<b>(5,378)</b>	-	-	-	<b>(5,378)</b>	(2,931,092)
Interest revenue	-	-	<b>12,923</b>	11,901	-	29,910	-	-	<b>12,923</b>	41,811
Unallocated corporate expenses	-	-	-	-	-	-	-	-	<b>(922,316)</b>	(787,289)
(Loss) from ordinary activities before tax	-	-	-	-	-	-	-	-	<b>(9,723,202)</b>	(1,300,903)
Income tax (expense)/benefit	-	-	-	-	-	-	-	-	<b>(1,155,921)</b>	312,595
Minority interest	-	-	-	-	-	-	-	-	<b>(169,987)</b>	(98,518)
<b>Net profit/(loss) for the year</b>	-	-	-	-	-	-	-	-	<b>(11,049,110)</b>	(1,086,826)
Depreciation	<b>4,115</b>	11,314	<b>2,050</b>	2,309	<b>40,296</b>	28,256	-	625	<b>46,461</b>	42,504
<b>Assets</b>										
Segment assets	-	3,059,583	<b>9,326,292</b>	44,294,268	<b>125,303</b>	9,144,591	-	20,265	<b>9,451,595</b>	56,518,707
Unallocated corporate assets	-	-	-	-	-	-	-	-	<b>136,565</b>	442,676
<b>Consolidated total assets</b>	-	-	-	-	-	-	-	-	<b>9,588,160</b>	56,961,383
<b>Liabilities</b>										
Segment liabilities	-	473,084	<b>10,893,634</b>	42,074,917	<b>636,292</b>	2,311,865	-	-	<b>11,529,926</b>	44,859,866
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	<b>562,814</b>	3,556,987
<b>Consolidated total liabilities</b>	-	-	-	-	-	-	-	-	<b>12,092,740</b>	48,416,853
Acquisition of non-current assets	-	-	-	-	-	-	-	-	-	-

### Secondary Reporting Geographical Segments

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

**METROLAND AUSTRALIA LIMITED**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012****NOTE 28 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 \$20,000 per annum. Director's 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 2012:-

	Primary salary & fees		Post-employment superannuation & benefits	
	<u>2012</u> \$	<u>2011</u> \$	<u>2012</u> \$	<u>2011</u> \$
<b><i>Specified directors</i></b>				
<i>Non-executive</i>				
Steam Leung – resigned 29 November 2011	2,000	24,000	-	-
John Wardman – resigned 30 August 2012	10,920	10,920	1,080	1,080
Da Cheng Zhang	-	-	-	-
Henry Tsang – resigned 9 July 2012	20,000	20,000	-	-
Shuqiang Wang	-	-	-	-
Wei Li – resigned 13 December 2012	97,640	-	1,857	-
<i>Executive</i>				
Frank Shien	90,000	113,794	-	-
Total, all specified directors	<u>220,560</u>	<u>168,714</u>	<u>2,937</u>	<u>1,080</u>
<b><i>Specified executives</i></b>				
Anthony Maroon, CEO, Stratawide Management Pty Ltd	197,000	165,000	21,980	14,850
Tjin Hong Ong, CEO, Metroland Constructions Pty Ltd – March 2012	88,269	120,000	8,034	10,800
Xavier Chen, General Counsel	80,000	66,667	7,200	6,000
	<u>365,269</u>	<u>351,667</u>	<u>37,214</u>	<u>31,650</u>

**METROLAND AUSTRALIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012****NOTE 28-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 2011	Purchases	Sales	Held at 30 June 2012
<b>Specified directors</b>				
Frank Shien	13,110,697	-	(4,399,610)	8,711,087
John Wardman	1,436,033	-	-	1,436,033
Da Cheng Zhang	9,600,000	-	-	9,600,000
Shuqiang Wang	1,500,000	-	-	1,500,000
Wei Li	15,000,000	-	-	15,000,000
<b>Specified executives</b>				
Tjin Hong Ong	783,417	-	-	783,417
Xavier Chen	983,114	-	-	983,114
	<u>42,413,261</u>	<u>-</u>	<u>(4,399,610)</u>	<u>38,013,651</u>

**Options and Rights Over Equity Instruments**

The company did not have any options over unissued shares at reporting date.

**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 consolidated entity 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.

The aggregate amounts recognised during the year relating to specified directors, specified executives and their personally-related entities, were total expenses of \$271,592 (2011: \$282,648). Details of the transactions are as follows:

	Transaction	Note	2012 \$	2011 \$
<b>Specified directors</b>				
Frank Shien	Office rental	(i)	176,289	204,082
	Property management	(ii)	4,339	16,512
	Loan interest expense	(iii)	90,964	19,554
			<u>271,592</u>	<u>240,148</u>
Steam Leung	Loan interest expense	(iv)	-	42,500
Wei Li	Consulting fee expense	(v)	200,000	-

- (i) The consolidated entity paid office rental to Tanesia Holdings Pty Ltd and NX Holdings Pty Limited. Frank Shien is a director of Tanesia Holdings Pty Limited and NX Holdings Pty Limited.
- (ii) During the year, Premier Realty Pty Ltd, a company controlled by a personally-related entity of Frank Shien, provided property management services, at normal market rates, for certain properties owned by the consolidated entity.
- (iii) During the year, unsecured loans totalling \$2,053,230 (2011: \$395,800) were made to the consolidated entity by entities related to Frank Shien. The weighted average interest rate on these loans was 8.5% (2011: 8.5%).
- (iv) Steam Leung advanced unsecured loans totalling \$Nil (2011: \$500,000) to the consolidated entity. The loan of \$500,000 was repaid in July 2011. The weighted average interest rate on these loans was Nil% (2011: 8.5%).
- (v) Consulting fees for the introduction to potential overseas investors for the Company's proposed capital raising was to Star Corporation Group Limited, an entity related to director Ms Wei Li.

**METROLAND AUSTRALIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012****NOTE 28-KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)***Assets and liabilities ensuing from the above transactions:*

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
<i>Assets/(Liabilities):</i>		
Loans from other entities	(27,000)	(830,800)
Interest payable	-	(19,554)
Trade debtors	-	28,342
Trade & other creditors	242,641	-
Retentions receivable	-	57,344
	<u>-</u>	<u>57,344</u>

**NOTE 29-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:

*Balances with non-director related entities*

The aggregate amount receivable from and payable to non-director related entities at reporting date:

Receivables		
Joint venture parties	-	2,248,500
	<u>-</u>	<u>2,248,500</u>
Payables		
Associates	-	(90,394)
Joint venture parties	-	(9,413,728)
	<u>-</u>	<u>(9,504,122)</u>

Balances outstanding at year end are unsecured and interest free.

*The total amount of transactions that were entered into with related parties for the relevant financial year:-*

Associates		
Management fees revenue	66,277	56,101
	<u>66,277</u>	<u>56,101</u>

Project management services are provided at arms length on normal commercial terms.

**NOTE 30-PARENT ENTITY INFORMATION***Information relating to Metroland Australia Limited:**Financial Position*

Current assets	279,830	1,802,619
Non-current assets	-	26,868,288
Total assets	<u>279,830</u>	<u>28,670,907</u>
Current liabilities	1,705,839	2,867,989
Non-current liabilities	-	3,005,800
Total liabilities	<u>1,705,839</u>	<u>5,873,789</u>
Issued capital	15,112,773	15,112,773
Retained earnings	<u>(16,452,251)</u>	<u>7,684,314</u>
Total shareholders' equity	<u>(1,339,478)</u>	<u>22,797,087</u>

*Financial Performance*

(Loss) of the parent entity	(24,227,862)	(347,617)
Total comprehensive income/(loss) of the parent entity	<u>(24,227,862)</u>	<u>(347,617)</u>

*Details of contingent liabilities of the parent entity:*

The Company has guaranteed the finance facilities of other wholly-owned subsidiaries.	<u>10,340,505</u>	<u>27,265,000</u>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

**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 and investment in investment property and property related investments.

The Group does not utilise derivatives for any hedging purposes.

**(i) Treasury Risk Management**

The Board of Directors meet as required 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 risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

*Interest Rate Risk*

Interest rate exposure is monitored, and the corresponding interest rate risk is managed with a mixture of fixed and variable rate debt. At 30 June 2012, 100% of group debt is fixed. It is the policy of the group to keep between 50% and 100% of debt on fixed interest rates. For further details on interest rate risk, refer Note 31(b)(i) and (iii).

*Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

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

*Credit Risk*

The Group's credit rate risk arises from the potential defaulting of the counter-party with the maximum exposure equal to the carrying amount of those assets, as disclosed in the Statement of financial position and notes to the financial statements.

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 investments 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.

The credit risk for counterparties included in trade and other receivables at 30 June 2012 is detailed below:-

	<b>Consolidated</b>	
	<u>2012</u>	<u>2011</u>
	\$	\$
Trade and other receivables		
Counterparties not rated	102,430	26,229,518
AA rated counterparties	-	-
	<u>102,430</u>	<u>26,229,518</u>



**METROLAND AUSTRALIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**
**NOTE 31 – FINANCIAL RISK MANAGEMENT (Cont'd)**
**(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 Statement of financial position.

Consolidated Group	Fixed Interest Rate Maturing			Non-Interest Bearing	Total	Weighted Average Interest Rate
	Floating Interest Rate	1 Year or Less	1 to 5 years			
	\$	\$	\$	\$	\$	%
<b>(i) Financial Assets</b>						
Cash assets	200,520	-	-	-	200,520	1.8
Receivables	-	-	-	102,430	102,430	-
Financial assets	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>200,520</b>	<b>-</b>	<b>-</b>	<b>102,430</b>	<b>302,950</b>	
<b>(ii) Financial Liabilities</b>						
Trade and other payables	-	-	-	1,155,856	1,155,856	
Amounts payable – related Parties	-	-	-	-	-	
Bank loans and overdraft	4,735	10,379,971	-	-	10,384,706	6.7
Loans from other entities	-	448,723	-	-	448,723	9.4
<b>Total Financial Liabilities</b>	<b>4,735</b>	<b>10,828,694</b>	<b>-</b>	<b>1,155,856</b>	<b>11,989,285</b>	
<b>Net exposure</b>	<b>195,785</b>	<b>(10,828,694)</b>	<b>-</b>	<b>(1,053,426)</b>	<b>(11,686,335)</b>	
	\$	\$	\$	\$	\$	%
<b>(i) Financial Assets</b>						
Cash assets	202,385	-	-	-	202,385	1.6
Receivables	-	-	-	26,229,518	26,229,518	-
Financial assets	-	-	-	1,661,526	1,661,526	-
<b>Total Financial Assets</b>	<b>202,385</b>	<b>-</b>	<b>-</b>	<b>27,891,044</b>	<b>28,093,429</b>	
<b>(ii) Financial Liabilities</b>						
Trade and other payables	-	94,790	255,750	3,036,414	3,386,954	5.5
Amounts payable – related parties	-	-	-	751,500	751,500	-
Bank loans and overdraft	16,360	27,309,761	-	-	27,326,121	7.8
Loans from other entities	-	9,213,563	3,011,242	3,256,500	15,481,305	6.8
<b>Total Financial Liabilities</b>	<b>16,360</b>	<b>36,618,114</b>	<b>3,266,992</b>	<b>7,044,414</b>	<b>46,945,880</b>	
<b>Net exposure</b>	<b>186,025</b>	<b>(36,618,114)</b>	<b>(3,266,992)</b>	<b>20,846,630</b>	<b>(18,852,451)</b>	

**METROLAND AUSTRALIA LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 31 – FINANCIAL RISK MANAGEMENT (Cont'd)**

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

	Consolidated	
	<u>2012</u> \$	<u>2011</u> \$
Less than 6 months	798,208	2,024,927
6 to 12 months	278,477	1,106,146
1 to 5 years	<u>80,169</u>	<u>255,750</u>
	<u><b>1,156,854</b></u>	<u><b>3,386,823</b></u>

(ii) *Net Fair Values of Financial Assets and Liabilities*

*Valuation approach*

The group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

	2012		2011		Total \$
	Valuation technique – non market observable inputs (Level 3) \$	Total \$	Valuation technique – market observable other than quoted (Level 2) \$	Valuation technique – non market observable inputs (Level 3) \$	
<i>Financial Assets</i>					
Available-for-sale investments					
- Unlisted investments	-	-	1,625,526	36,000	1,661,526

For financial instruments not quoted in active markets, the group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable.

*Reconciliation of Level 3 fair value movements*

	Consolidated			
	2012 \$	Level 2 2011 \$	2012 \$	Level 3 2011 \$
<b>Opening balance</b>	<b>1,625,526</b>	-	-	-
Purchases	-	-	<b>36,000</b>	5,598,784
Transfer to (Level 2)/from Level 3	-	5,562,784	-	(5,562,784)
Transfer of units for repayment of loans from other entities	-	(3,943,434)	-	-
Transfers from investment accounted for using the equity method	-	4,900	-	-
Reverse prior years capitalised costs and impairment	-	(233,963)	<b>(36,000)</b>	-
Interest capitalised	-	235,239	-	-
Disposed during the year	<b>(1,625,526)</b>	-	-	-
<b>Closing balance</b>	-	1,625,526	-	36,000

Total gain or loss stated in the table above for assets held at the end of the period

-	-	-
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The group uses the discounted cash flow method in determining the fair value of unlisted investments. The potential effect of using reasonable possible alternative assumptions based on a change in the relevant input by 5% would not have a significant effect on the fair value of the investment.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

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**NOTE 31 – FINANCIAL RISK MANAGEMENT (Cont'd)**

(iii) *Sensitivity Analysis*

*Interest Rate Risk*

At balance date, 100% of the Group's debts are on fixed interest rates and has no exposure to the sensitivity relating to interest rate risks at balance date.

**NOTE 32 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

**New Accounting Standards for application in future periods**

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2012:

- (i) **2010-8** “*Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets applicable to reporting periods commencing on or after 1 January 2012 with application for Group of 1 July 2012.*”

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Re-valued Non-Depreciable Assets into AASB 112.

- (ii) **AASB 2011-9** “*Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income*” applicable for annual reporting periods commencing on or after 1 January 2012, with application date for the Group of 1 July 2012.

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not

- (iii) **AASB 10** “*Consolidated Financial Statements*” – applicable for annual reporting periods commencing on or after 1 January 2013, with application date for the Group of 1 July 2013.

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.

Consequential amendments were also made to other standards via AASB 2011-7.

- (iv) **AASB 11** “*Joint Arrangements*” – applicable for annual reporting periods commencing on or after 1 January 2013, with application date for the Group of 1 July 2013.

AASB 11 replaces AASB 131 Interest in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-Monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the Venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.

- (v) **AASB 12** “*Disclosure of Interests in Other Entities*” – applicable for annual reporting periods commencing on or after 1 January 2013, with application date for the Group of 1 July 2013.

AASB 12 includes all disclosures relating to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

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**NOTE 33 – EVENTS SUBSEQUENT TO BALANCE DATE**

- (a) In August 2012, a conditional contract was exchanged for the sale of the Company's 55% interest in subsidiary, Stratawide Management Pty Limited. The sale consideration of \$770,000 was based on an independent valuation of the entity. The sale is subject to approval of the Company's shareholders at the forthcoming AGM.
- (b) On 31 August 2012, the Board of Directors of the Company placed Metroland Australia Limited (MTD) in voluntary administration and appointed a voluntary administrator to the Company. The securities of MTD were consequently suspended from quotation. The administrator of MTD convened a Decision Meeting of Creditors on 5 October 2012, at which the resolution was declared that MTD enter into a Deed of Company Arrangement (DOCA) pursuant to Deed Proposal 2, as set out in the Administrator's Report dated 26 September 2012. The DOCA was wholly effectuated by its terms on 5 October 2012, whereby MTD was brought out of administration and the control of the Company reverted back to its Directors. On 13 November 2012, one of the disputed creditors involved in the Company's voluntary administration, Austino, commenced proceedings against the Administrator and MTD appealing the decision made at the Decision Meeting of Creditors, and requesting that MTD's voluntary administration be "resumed". The Company intends to vigorously defend these proceedings. It is anticipated that the matter will be heard in Court in February 2013.
- (c) On 26 October 2012, the Company's wholly-owned subsidiary, Global Real Estate Assets Corporation Pty Ltd (GREAT) was placed in receivership by its financier, Perpetual Nominees Limited (as custodian for Colonial First State Wholesale Pooled Mortgage Fund). GREAT owns the Group's investment property at Campbelltown Shopping Square, which is financed by a loan facility from Perpetual Nominees Limited.
- (d) In October 2012, a claim for a potential income shortfall of \$2.8 million was received from Austino Wentworthville Pty Ltd ("Austino"), as purchaser, based on an alleged income guarantee condition included in the sale of the Wentworthville Mall property in 2011. The claim covers a period of 4 years from the date of sale as an extrapolation of the advised performance of the Wentworthville Mall for the six month period ended 2 March 2012. The Company has received legal advice that the alleged income guarantee is invalid. Pursuant to that advice, the Company's directors do not believe that a legally valid income guarantee is provided in the Contract of Sale. The claim is against GREAT, the wholly-owned subsidiary of the Group which has been placed into receivership by its financier pursuant to its power of mortgage over the investment property and company as security for its loan facility. Metroland Australia Limited is a guarantor to the Contract of Sale. Metroland Australia Limited entered into voluntary administration on 31 August 2012, pursuant to which a Deed of Company Arrangement was entered into on 5 October 2012 with approval of the majority of creditors accepting an interest in a Creditors Trust and extinguishing all other claims. Austino has commenced an action against the Administrator (for failing to recognise their full \$2.8m extrapolated claim) and Metroland Australia Limited, seeking orders that it be returned to External Administration. The Company has received legal advice that the orders are inappropriate and beyond the power of the Court and that it has good prospects to defend the claim. Accordingly, the Company intends to strenuously defend these proceedings. The matter is expected to be tried during February 2013. Should the Company be unsuccessful, the Company may ultimately be placed in liquidation.

Apart from the issue discussed above, no other matters or circumstances have arisen since 30 June 2012 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 34 – VARIATION TO APPENDIX 4E DISCLOSURE**

The loss attributable to the owners of the Company of \$11,049,000 for the year ended 30 June 2012 disclosed in the financial statements varies from the loss of \$10,840,000 that was disclosed to the market in Appendix 4E. The difference, being a further loss of \$209,000 is due to the further de-recognition of deferred tax assets which are considered doubtful in their realisation of \$615,000, offset by a re-allocation of a tax credit relating to the gain on deconsolidation of partially owned subsidiaries to income tax expense of \$406,000.

**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 business is:  
Metroland Australia Limited  
Level 4, 45 Murray Street  
Pyrmont NSW 2009

**METROLAND AUSTRALIA LIMITED**

ABN 81 009 138 149

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012****NOTE 36– PRO-FORMA STATEMENT OF FINANCIAL POSITION AT DATE OF REPORT**

For the purpose of illustration, the Directors present the following pro-forma Statement of Financial Position of the consolidated entity as at 5 October 2012, taking into account the following material events subsequent to 30 June 2012:

- (i) Sale of 55% interest in Stratawide Management Pty Limited for \$770,000, with the proceeds used to repay outstanding liabilities and also to meet the costs of Metroland's voluntary administration.
- (ii) Effecting the Deed of Arrangement following the voluntary administration process, and assuming that the legal challenge by a creditor will be unsuccessful. Proceedings are set for court hearing in February 2013.
- (iii) The de-consolidation and exclusion of Global Real Estate Assets Corporation Pty Ltd from the Group following its placement into receivership by the financiers.
- (iv) Recognising obligation to funder of Deed of Company Arrangement for \$200,000, subject to shareholder approval.

**STATEMENT OF FINANCIAL POSITION**

**Consolidated  
October 2012  
\$**

**CURRENT ASSETS**

Cash and cash equivalents	45,751
GST receivable	29,926
Other current assets	4,750
	80,427
<b>Total Current Assets</b>	<b>80,427</b>

**NON-CURRENT ASSETS**

Plant & equipment	119,480
	<b>119,480</b>

**TOTAL ASSETS**

**199,907**

**CURRENT LIABILITIES**

Loan – Macquarie Bank	3,116
Employee entitlements	12,323
Deed of Company Arrangement funding	200,000
	215,439
<b>Total Current Liabilities</b>	<b>215,439</b>

**TOTAL LIABILITIES**

**215,439**

**NET DEFICIENCY**

**(15,532)**

**CONTINGENT LIABILITY**

Refer also Note 26: Contingent Liability.

**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 12 to 45 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 2012 and of the performance for the year ended on that date of the consolidated entity;
  - (c) comply with International Financial Reporting Standards as disclosed in Note 1(b).
2. in the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer 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:



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Frank Shien  
Director

Dated at Sydney this 6th day of February 2013

**Chartered Accountants**

ABN 74 632 161 298  
Level 42, Suncorp Place  
259 George Street  
Sydney NSW 2000  
Australia  
**T: +61 2 9032 3000**  
F: +61 2 9032 3088  
E: mail@gouldralph.com.au  
W: www.gouldralph.com.au

**INDEPENDENT AUDIT REPORT TO THE MEMBERS  
OF METROLAND AUSTRALIA LIMITED**

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Metroland Australia Limited entity, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements 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 financial year.

***Directors' Responsibility for the Financial Statements***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 controls. 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 statements. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

***Matters Relating to Electronic Publication of the Audited Financial Report***

This audit report relates to the financial report of Metroland Australia Limited for the year ended 30 June 2012 included on the website of Metroland Australia Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This audit report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

## INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial statements we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## AUDITOR'S OPINION

In our opinion:

1. the financial statements of Metroland Australia Limited are in accordance with *the Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012, and of its 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.
2. the financial statements also complies with International Financial Reporting Standards as disclosed in Note 1(b).

## EMPHASIS OF MATTER

### *Going Concern*

Without qualification to the opinion expressed above, we draw attention to Note 1(a) - Going Concern in the financial statements which indicates that the consolidated entity incurred a net loss before tax of \$10,879,123 for the year ended 30 June 2012 and, as of that date, the Company's liabilities exceed its assets by \$2,504,580 and the consolidated entity's current liabilities exceeded its current assets by \$2,649,745. These conditions, together with other matters set forth in Note 1(a), indicate the existence of significant material uncertainties which may cast doubt about the Company's and consolidated entity's ability to continue as a going concern.

### *Uncertainty of lawsuit*

We also draw attention to Note 26 to the financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the entity by Austino Wentworthville Pty Limited. Our opinion is not modified in respect of this matter.

GOULD RALPH ASSURANCE

Chartered Accountants



GREGORY RALPH, M.Com. FCA

Partner

Dated at Sydney this 6th day of February 2013



**ASX ADDITIONAL INFORMATION**

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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 31 December 2012

CATEGORY	NUMBER OF SECURITYHOLDERS
	Shares Ordinary
1 - 1,000	39
1,001 - 5,000	117
5,001 - 10,000	77
10,001 - 100,000	268
100,001 - Over	114
	615

(b) The number of shareholdings less than a marketable parcel at 31 December 2012 was 466.

(c) The number of shares held by the substantial shareholders at 31 December 2012 were:-

Shareholder	Number of Ordinary Shares
Guo Jian He	15,000,000
Qiang Sun	14,500,776
Da Cheng Zhang	9,600,000
NX Holdings Pty Ltd	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.

**ASX ADDITIONAL INFORMATION**

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(e) Twenty largest shareholders as at 31 December 2012.

Shareholders	Number of Ordinary Fully Paid Shares Held	% Held of Total Issued
1. Guo Jian He	15,000,000	11.88
2. Qiang Sun	14,500,776	11.49
3. Da Cheng Zhang	9,600,000	7.60
4. NX Holdings Pty Ltd	8,220,000	6.51
5. Peter Howells	4,716,601	3.74
6. Shirley Tan	4,300,006	3.41
7. LJL Capital Pty Limited	3,638,906	2.88
8. Wincute International Development Limited	3,025,000	2.40
9. Chepstow Properties Limited	2,820,000	2.23
10. Comm-Asia Limited	1,975,000	1.56
11. Ms Lee Eng Qua	1,753,856	1.39
12. CN Investments Pty Limited	1,531,024	1.21
13. W S International Enterprises Group Pty Ltd	1,500,000	1.19
14. John Wardman & Associates Pty Ltd	1,436,033	1.14
15. Seow Hwee Tan	1,384,000	1.10
16. G H Kluge & Sons Limited	1,375,000	1.09
17. Dawes Investment Group Ltd	1,300,000	1.03
18. Trevor McNally Family Superannuation Fund	1,248,316	0.99
19. Mrs Hsue Ying Cheng	1,153,891	0.91
20. Janie Teo	1,110,000	0.88
	<hr/>	<hr/>
	81,588,409	64.63

(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**

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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 has adopted the best practice recommendations of the ASX Corporate Governance Council as set out in the Revised Corporate Governance Principles and Recommendations 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 Chief Executive Officer and executive management.

***Board Processes***

To assist in the execution of its 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 8.1 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 Chief Executive Officer "CEO", including the setting of remuneration levels for directors and senior executives is taken by the full board.

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

The full board held one meeting during the year. The number of meetings the company's board of directors and each board committee held during the year ended 30 June 2012, 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;
- have a non-executive independent director as Chairperson;

**CORPORATE GOVERNANCE STATEMENT**

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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 Chief Executive Officer (CEO)**

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

**Performance Assessment**

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

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

The performance assessments above were carried out during the year.

**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 affect 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 executive's 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.

**CORPORATE GOVERNANCE STATEMENT**

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**Audit Committee**

The members of the Audit Committee during the year were:

- John Wardman, B.Ecom, FAIC – Independent Non-Executive (Chairman) – resigned 30 August 2012
- Steam Leung, LREA - Independent Non-Executive Director – resigned 29 November 2011
- Henry Tsang - Independent Non-Executive Director. – resigned 9 July 2012

The members of the Audit Committee resigned, following their respective resignation from the Board of the Company. Due to the limitations of size, the Directors do not propose a separately constituted Audit Committee at this time.

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 3 and 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 CEO are invited to Audit Committee meetings at the discretion of the committee.

The audit committee does not have a formal charter as suggested by recommendation 4.3.

During the year, the responsibilities of the Audit Committee included reporting to the board on:-

- Reviewing of the annual and half-year financial statements 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 reviews 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 statements and recommend board approval of the financial statements;
- 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 CEO has declared in writing to the board, that the financial reporting risk management and associated compliance and control have been assessed and found to be operating efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and up to the signing of the annual financial statements for all material operations in the consolidated entity, and material joint ventures.

**CORPORATE GOVERNANCE STATEMENT**

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***Risk Management and Compliance Control***

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

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

Comprehensive practices, have been established to ensure:-

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

***Financial Reporting***

The CEO has made the following certifications to the board:

- that the company's financial statements 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 its 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 General Company Securities by Directors and Employees***

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

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

**CORPORATE GOVERNANCE STATEMENT**

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**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 CEO is responsible for all communication with the ASX. Such matters are advised to the ASX on the day they are discovered;
- the full annual report is available to all shareholders should they request it;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial statements are 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.