Sunland Group Limited
ABN 65 063 429 532

Annual report
for the year ended 30 June 2017

Sunland Group Limited

ABN 65 063 429 532

Annual report - 30 June 2017

Contents

Directors

Mr Soheil Abedian
Executive Director (Chairman)

Mr Sahba Abedian
Managing Director

Mr Ron Eames, Non-Executive Director

Mr Craig Carracher, Non-Executive Director

Mr Christopher Freeman, Non-Executive Director

Secretary

Mr Grant Harrison

Principal registered office in Australia
Registered office/ principal place of business

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Suite 0101, Level 1
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Suite 9.03, Level 9
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Sydney NSW 2000
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Share register

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Auditor

Ernst & Young
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Brisbane Qld 4000

Website

www.sunlandgroup.com.au

Solicitors

Holding Redlich
Level 1
300 Queen Street
Brisbane Qld 4000

Bankers

ANZ Banking Group Ltd
Level 20
111 Eagle Street
Brisbane Qld 4000

Westpac Banking Corporation
260 Queen Street
Brisbane Qld 4000

Consolidated financial summary

	2017	2016	2015	2014	2013	2012
Financial Position ($ millions)						
Shareholders' Equity	363.8	356.4	357.8	349.5	352.9	345.0
Total Assets	651.2	612.4	505.3	470.6	440.7	508.0
Cash	14.6	19.9	26.2	14.7	29.3	31.1
Financial Performance ($ millions)						
Total Revenues	405.5	255.2	289.0	187.9	189.3	211.0
Statutory profit after tax	35.3	31.5	30.1	14.2	13.6	14.5
Market Performance						
Market capitalisation at balance date ($ millions)	277.5	232.6	325.1	277.9	262.1	179.6
Share price at balance date ($)	1.78	1.42	1.79	1.56	1.41	0.93
Key Measures						
Basic earnings per share (cents)	22.4	18.8	16.9	8.0	7.2	7.2
Net tangible assets per share ($)	2.39	2.22	2.01	1.96	1.87	1.79
Gearing						
- (debt/equity)	60%	56%	32%	24%	3%	11%
- (debt/assets)	34%	33%	22%	18%	4%	8%
Interest cover (times) (i)	4.7	11.3	7.8	6.8	4.8	7.6
Return on equity	10%	9%	8%	4%	4%	4%
Fully franked ordinary dividend per share (cents) (ii)	10.0	8.0	10.0	4.0	2.0	-

(i) Interest cover is calculated by dividing Earnings before interest, tax and depreciation by finance costs.

(ii) Fully franked ordinary dividend per share reflects dividends declared during the year, inclusive of any special dividends where relevant.

Corporate Governance Statement

This statement reports against the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles). Sunland recognises that good corporate governance is about doing the right things for the shareholders and other stakeholders in the business. It extends beyond compliance with regulations and penetrates deep within the organisation. At the core is a sound culture that allows the principles of good corporate governance to thrive.

Throughout the year, the Board, through the Audit and Risk Committee, has continued to manage and focus on existing and emerging corporate governance issues. Sunland Group Limited's corporate governance practices were in place throughout the year ended 30 June 2017 and were compliant with the Council's principles and recommendations except where noted below.

This Corporate Governance Statement is current as at 23 August 2017 and was approved by the Board on 23 August 2017. The statement is available on the Company's website at http://investors.sunlandgroup.com.au/Investor-Relation/

The following governance-related documents referenced in this Corporate Governance Statement can be found on the Company's website at http://investors.sunlandgroup.com.au/Investor-Relation/:

1. Company Charters
- Board Charter
- Audit and Risk Committee Charter

2. Company Policies and Procedures
- Diversity Policy
- Security Trading Policy
- Code of Conduct
- External Communications Policy
- Gender Equality Indicators (published under the *Workplace Gender Equality Act 2012 (Cth)*)

1 Lay solid foundations for management and oversight

Role of the Board

The Board Charter sets out the composition, duties and responsibilities of the Board. The Board of Directors is pivotal in the relationship between shareholders and management and the roles and responsibilities of the Board underpin corporate governance. Sunland's Board provides entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be identified, assessed and managed. The Board's responsibilities include:

- Strategic guidance and effective oversight of management;
- Contribution to, and approval of, the corporate and business strategy of the Group including setting performance objectives, monitoring implementation of the strategy and overseeing major capital expenditure and acquisitions;
- Monitoring financial performance including preparation of financial reports and liaison with auditors;
- Monitoring the respective roles and responsibilities of Board members, the Company Secretary and senior executives, reviewing key executive and Board remuneration and ensuring a formal and transparent nomination process of Directors;
- Appointment, and assessment of the performance of the Executive Directors;
- Ensuring that material business risks have been identified and appropriate controls and procedures implemented; and
- Assessing and managing diversity across the organisation.

Each Director has access to the Company Secretary who is accountable to the Board. The Company Secretary is responsible for matters that ensure the proper functioning of the Board and its committees, monitoring Board and committee policies, the timely issue of Board papers, accurate recording of minutes of meetings and other administrative duties that support the board and its Directors.

Corporate Governance Statement

Delegation of Board Authority

The entrepreneurial and day to day activities of the Group are formally delegated by the Board to the Managing Director and Executive Committee. The Board's role is to monitor and measure the activities carried out by the management team. The management team are responsible for supporting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

Diversity

Sunland recognises that a diverse workforce is a competitive advantage and that the Company's success is the result of the quality and skills of its people. The Diversity Policy is designed to support the Company's commitment to diversity and sets out the responsibilities of the Board, senior management, and other employees in relation to diversity. The Company seeks to achieve:

• A diverse and skilled workforce;
• A workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
• A work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
• Awareness by all staff of their rights and responsibilities with regard to fairness; and
• Equality of remuneration commensurate with duties and responsibilities of like roles.

Diversity is encouraged across Sunland's workforce and Directors and executives are committed to increasing diversity amongst the Company's employees. The Company's objective is to move towards females comprising 50% of total employees across those categories detailed in the table below.

The table below outlines the proportion of women and men employed by the Company as at 30 June 2017:

Employment category	Number of employees		Diversity percentage
Data	Male	Female	(% female to total)
Executive management	3	0	0%
General and senior managers	8	3	27%
Other management	12	4	25%
Professional and Administrative	17	26	60%
Total employees	**40**	**33**	**45%**

There is currently no female representation on the board of the Company. The above table excludes executive directors.

Executive Management report directly to the Managing Director. Senior Management report to Executive Management and also indirectly to the Managing Director. The table excludes employees whose duties are specifically related to site construction activities.

Appointment and Induction

Each Director is provided with a formal appointment letter setting out the key terms and conditions of their appointment. Any new Directors appointed are also provided with an induction, including key documents and discussions with key personnel. Appropriate checks are conducted prior to the appointment of new directors and shareholders are provided with sufficient information regarding directors at the Company's Annual General Meeting to assist with the election of Directors.

In addition all senior executives are provided with formal appointment letters, which include expectations of their role, term of appointment, termination entitlements and rights and responsibilities. On appointment, all senior executives are provided with an induction program to allow them to participate fully in the decision making and management of the Company as soon as possible.

The Board, with the assistance of the Company Secretary, is responsible for implementing an effective training and education program for all new and existing Directors.

Corporate Governance Statement

Performance and Evaluation of the Board and Executives

Oversight of Executive and Board performance is conducted by the Directors. The Chair has the overall responsibility for evaluating the Board, Board Committees, and individual Directors. The process employed by the Chair for evaluating the performance may involve meeting with individual Directors, roundtable discussions with the entire Board, and ongoing observation and discussion. Performance evaluation of the Board is undertaken at intervals deemed appropriate by the Chair and was undertaken in accordance with this process during the year ended 30 June 2017.

The development of individual talent and outstanding personal performance requires leadership and effective supporting frameworks. Sunland's people development system is based on clear goal setting, honest career development discussions, and ongoing feedback about performance. Sunland supports a balanced approach which rewards Group accomplishments and recognises individual initiative and exceptional effort. Continual achievement discussion not only sets the forthcoming year's objectives, but is also an appraisal of the achievement of objectives for the previous year. Performance evaluation of the Managing Director and other senior executives is undertaken annually and was undertaken in accordance with this process during the year ended 30 June 2017.

2 Structure the Board to add value

The Group governance arrangements are summarised in the chart below.

Sunland Group Governance

Sunland Group Board

Managing Director

Audit and Risk Committee

Ron Eames (Chair)

Craig Carracher

Chris Freeman

Assurances	**Governance and Operations**	
	Policies	**Procedures**
External audit	Constitution	Executive Committee
Project reviews	Board Charter	National Meetings
Compliance	Committee Charters	Project Control Groups
	Employment Contracts and Code of Conduct	Strategic Risk Meetings Financial Certification
	Risk Management	Quarterly Compliance
	Security Trading	Monthly Finance Review
	Privacy	Personnel Induction
	Finance and Accounting	OH&S Manuals
	Human Resources	Site Induction
	OH&S	Disaster Recovery

Board Composition

The Board composition ensures a balance of diversification - by skills and experience, as well as geographically. Sunland's Board structure comprises three non-executive Directors (all of whom are independent) and two executive Directors. The Directors consider that the current composition of the Board, comprising a majority of non-executive Directors, is an appropriate mix of skills and expertise and provides effective direction for the Group.

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The Board has not established a specific committee for the nomination and remuneration responsibilities of the Directors as these are dealt with at Board level on a consultative basis. The independent non-executive Directors lead discussions in respect to the remuneration of the executive Directors.

The names, skills and experiences of the Directors and the period they have held office, during the financial year, and as at the date of this Statement, are set out in the Directors' Report. A summary is included in the table below:

Board Members

The Directors of the Company in office at the date of this statement are set out below:

Director	Independent	Appointed
Executive Directors		
Mr Sahba Abedian	No	January 2001
Mr Soheil Abedian	No	March 1994
Non-Executive Directors		
Mr Ron Eames	Yes	March 2006
Mr Craig Carracher	Yes	July 2010
Mr Chris Freeman	Yes	January 2015

Directors' skills and experiences

A list of the skills and experiences held by the Directors is included below. These skills and experiences are drawn upon by the Board as a whole in discharging its obligations effectively, challenging management at the project and corporate levels of the Company's operations, managing risks and implementing the Group's strategy:

- Property development industry;
- Legal and legislative framework;
- Town planning and approval requirements across the Group's geographic locations;
- Financial acumen and exposure to financial reports;
- Market and economic forces and trends relevant to the development process;
- Construction and delivery risks and requirements;
- Occupational health and safety;
- Project and corporate funding;
- Capital raising - equity and debt markets;
- Listed entity reporting and governance regime; and
- Experiences with other directorships and executive management responsibilities.

The Board regularly reviews the skills and experience of its existing members to ensure they align with the strategic direction of the Company and to identify whether there are any areas where knowledge and capability could be complemented.

Directors' independence

The Board comprises a majority of Independent Directors. The independence of Directors is reviewed by the Board, either annually, or when changes to interests are disclosed. A determination of the independence of non-executive Directors is based on the Board's ongoing assessment of whether that Director is free of any material business or other relationship that could reasonably be considered to interfere with the exercise of their independent judgement.

In assessing the independence of a Director, the Board will have regard to the guidelines contained in the ASX Principles. Failure to meet one of these guidelines does not automatically mean that the Director is not independent. The Board will consider all relevant facts and circumstances when making its decision.

Corporate Governance Statement

During the year Mr Ron Eames has been a partner of Holding Redlich, which is a national law firm utilised by the Group from time to time. There are, however, a number of law firms that provide legal advisory services to Sunland Group and accordingly the firm is not the exclusive provider of legal services to Sunland Group. Legal

services provided by Holding Redlich are on normal commercial terms and conditions through various partners depending on the area of law that advice is sought. Holding Redlich has advised that the materiality assessed by the Board in relation to percentage of revenue generated by Sunland Group is not breached. Directors confirm the materiality in relation to expenses of Sunland Group is not breached. The Board therefore considers that, having regard to Mr Eames' limited direct advice to Sunland Group, the amount of fees paid to Holding Redlich and the varied nature of the services provided, Holding Redlich is not a material professional adviser for the purposes of independence, and Mr Eames is therefore an Independent Director.

The Chairman

The Chairman, Mr Soheil Abedian, is an executive Director. Mr Abedian is the founder of Sunland Group, who has vast experience in the property industry and the business operations of the Group. Mr Abedian, as Chairman, plays a crucial role in ensuring the Board works effectively and responsibly and therefore at this stage the Board has assessed that it is appropriate to have Mr Abedian in the position of Executive Chairman.

The Board will continue to review the value of having an Executive Chairman to ensure this structure is the most appropriate for the Company.

Separation of duties

The roles of the Chairman and Managing Director are not exercised by the same individual, with Mr Soheil Abedian being Chairman and Mr Sahba Abedian, Managing Director. Whilst both have executive directorships, there is a clear distinction of duties with the Chairman being responsible for guiding the Board in its duties. The Managing Director, along with the Executive Management Team, is responsible for the day to day management of the Group's business activities.

Induction programme and professional development

The Group follows an induction programme to introduce new Directors to the company that assists in their understanding of the company's operations, policies and culture. The Board also encourages Directors to undertake ongoing external training and professional development. Directors may seek independent advice at the Company's expense through the Chair and the advice obtained is made available to the Board.

The Board has also set guidelines for declaring and dealing with potential conflicts of interest which include declaring any relevant interests as required under the law and ASX listing rules. Where conflict exists, matters are generally assessed by the Board with the respective Director not being present and/or abstaining from voting at a meeting during these considerations.

Sunland's Board Charter expands on these matters in more detail and is available on the Group's website as detailed above.

3 Act ethically and responsibly

Sunland recognises that its reputation is one of the most important aspects of its business and strives to ensure Directors, officers and all staff conduct themselves in accordance with the appropriate laws and legislation, and also in a manner that is ethical and responsible, and act with integrity by respecting the rights and interests of those with which we deal, and in the communities in which we operate.

Various policies have been put in place to enforce these requirements and these are summarised below:

Code of Conduct

A Code of Conduct applies to all employees of the Group. The Code of Conduct forms part of employment contracts and sets out the principles which all Directors and employees are expected to uphold in order to promote the interests of the Group and its shareholders. In addition, Directors, management and staff are expected to comply with the performance duties outlined in their respective schedule of duties, policies regarding internet and email use, policies and guidelines in relation to the Privacy Act, SPAM Act and relevant workplace health and safety legislation. The Code of Conduct is available on the Company's website.

Security Trading Policy

The Group has a Security Trading Policy which is available on the website. The Policy deals with security trading of the Directors and other relevant personnel in respect to formal trading windows and prohibitions on trading. The Policy includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity-based remuneration plan.

4 Safeguard integrity in corporate reporting

Audit and Risk Committee

The Company has established an Audit and Risk Committee that comprises all Independent Directors and is chaired by Mr Ron Eames, an Independent Director who is not the Chairman on the Company. Members of the Audit and Risk Committee for the financial year ended and as at 30 June 2017 are:
- Mr Ron Eames
- Mr Craig Carracher
- Mr Chris Freeman

The qualifications and experiences of the members are included in the Directors' Report, together with a record of meetings held and attended by those members during the year. Meetings are generally held with the Group's external auditors, the Chief Financial Officer and other personnel as requested by the committee, although members of the committee are free to meet with any member of the staff of the Group. The Chairman also meets separately with the external auditor independently from Sunland personnel from time to time.

The Charter of the Audit and Risk Committee is available on the Company's website.

Declaration by Managing Director and Chief Financial Officer

The Managing Director and Chief Financial Officer are responsible for providing periodic updates to the Board on the financial performance of the Group. Management accounts are prepared for review by the Board and other stakeholders in accordance with accounting standards and present a true and fair view of the Company's operations and financial position progressively during the year.

In respect to the half-year and annual financial statements, the Managing Director and the Chief Financial Officer provide a declaration in accordance with Section 295A of the Corporations Act 2001 (Cth) and the statement under recommendation 4.2 of the ASX Principles.

For the financial year ended 30 June 2017, the Managing Director and Chief Financial Officer provided the Board with declarations that, in their opinion, the financial records of the entity had been properly maintained, that the financial statements complied with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the entity, and that the opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

The approved financial reports are published in accordance with the law and appropriate listing rules, through the Company's website, as well as in electronic format and/or hard copy to the Company's shareholders as required. The financials are also presented to Members at the Company's Annual General Meeting where the Company's external auditor is in attendance to answer any questions by Members that are relevant in respect to the audit of the approved financial reports.

Corporate Governance Statement

5 Make timely and balanced disclosure

The Company has in place an External Communications Policy to ensure timely and balanced disclosure in respect to the Company's operations. The Policy deals with the continuous disclosure obligations under Listing Rule 3.1 where information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, is disclosed to the market through the ASX announcement portal. In addition, the policy also deals with how Sunland personnel are required to deal with potentially price sensitive information, appropriate authority for communications with Sunland's shareholders and other stakeholders such as the media, retail and institutional investors through brokers and analysts and the broader community generally.

The External Communications Policy is available on the Company's website.

6 Respect the rights of security holders

The External Communications Policy extends to ensure that shareholders are informed of all major developments affecting the Group. Information is communicated to shareholders through the annual report, the half-yearly report, announcements made to the ASX, separate media releases, notice of the Annual General Meeting, the Annual General Meeting and the Company's website www.sunlandgroup.com.au, which has a dedicated investor relations section containing corporate governance information as recommended by the Corporate Governance Principals. Sunland also communicates frequently via the media on projects and in regard to financial updates as appropriate.

The Group also actively encourages two way communications with the investment community through its interaction with brokers and shareholders. Company presentations are published through the Group's web site and questions from the investment community and security holders are welcomed. Questions of the Group's results and operations can be made through email, with enquiries directed from the Company's website through the "contact us" link.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's direction, strategy and goals. In particular, shareholders are responsible for voting on the appointment/re-election of Directors. Shareholders also have the opportunity to ask questions leading up to or at the Annual General Meeting and to meet the Board and Senior Executives in person. Shareholders who are unable to attend the Annual General Meeting are encouraged to vote on resolutions, or make comments and submit questions on the management of the Company prior to the Annual General Meeting where those questions will be read and answered by the Board. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the Annual General Meeting.

The Group utilises Link Market Services' Registry Services to facilitate the delivery of reports and announcements to shareholders. Sunland encourages the use of electronic communications and shareholders are given the option of receiving Company material in print or electronically. Shareholders can contact Link Market Services at any time for information regarding their shareholdings.

7 Recognise and manage risk

The Board has implemented an Audit and Risk Committee to assist it in identifying and managing risk, maintaining the reliability and integrity of the financial reports, appointing and maintaining the independence of the external auditor, and reviewing internal control systems and risk management framework of the Company.

Section 4 of this Corporate Governance Statement contains details regarding the Audit and Risk Committee.

The Committee has established a Risk Management Policy and Framework to assist in identifying and managing operational and corporate risks of the Group, which are reviewed annually and were reviewed during the year ended 30 June 2017. Operational risks are monitored, managed, and reported from the "ground level" of each development project in consultation between development mangers, local and state government officers and external consultants as required. Project reporting is conducted monthly and material matters escalated through to executive management and the Audit and Risk Committee to the Board where material risks are evident. Monthly financial reviews of feasibility changes are also conducted internally and independently of the development managers with changes reported through the same channels as project matters.

A review of the Risk Management Framework and Policy has been conducted for this period and the Committee believes the framework and risk management systems to be sound, and the Company continues to have an effective framework to identify and manage risk. The Company does not retain an internal audit function. The Board believes this is appropriate, taking into account the systems and processes that are in place, the conduct of the external audit, and the specific advice sought by management where a transaction has an element of complexity that is not usually experienced.

Senior Management fulfils the internal audit function within the Company and is responsible for identifying relevant business risks, designing controls to manage those risks, and ensuring the relevant controls are appropriately implemented. Senior Management monitors the adequacy of the risk management system and reports to the Audit and Risk Committee on a regular basis. The internal audit function comprises:

- Regular review and testing of the adequacy of controls for risk identified as in the higher range;
- Management confirmation on a periodic basis that the assessment of identified risks and their controls remain appropriate; and
- Identification of any new risks or enhanced controls that may be required.

The Audit and Risk Committee has primary responsibility for oversight and monitoring of the internal audit function and risk management generally. Responsibilities include:

- Oversight of the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for regular assessment of the efficiency and effectiveness of those systems;
- Regular review and amendment of the Company's risk register, which summarises key identified risks, the likelihood of their occurrence and potential impact, in addition to the controls implemented to reduce or mitigate those risks.

The external auditors, in addition to their own control reviews, assess the risk register and detail of the more complex transactions as part of their overall assessment of the Company's risk profile.

Sunland's business operations require a high degree of interaction with all levels of Government in respect to legislative procedures, and also community expectations regarding economic, environmental and social sustainability. Sunland does not take on any significant environmental risks that are unable to be managed within the Group's delivery expectations. The Company's philosophy of "Art is Architecture" set the high standard of design of the projects that are created by the Group and aims to meet the social and environmental expectations of the communities in which the Group operates. Appropriate advice from consultants assist in implementing management plans to monitor and mitigate these risks and it is not considered that Sunland has a material exposure to economic, environmental or social sustainability risks.

8 Remunerate fairly and responsibly

The objective of Sunland's remuneration practices is to attract, retain and appropriately reward the personnel required to achieve both short-term and long-term success. The Company's policy is to remunerate non-executive Directors at a fixed fee for their time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to individual performance. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive Directors is subject to approval by shareholders. There are no termination or retirement benefits for non-executive Directors other than for superannuation entitlements. There are no equity based remuneration plans available to non-executive Directors.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Management Team and as such the Board does not have a specific remuneration committee. Protocols are set such that individual Directors are not present when their remuneration arrangements are considered by the Board to ensure conflict is managed appropriately.

Directors also assess the appropriateness of the nature and amount of emoluments of executive management on a periodic basis by reference to relevant employment market conditions and the remuneration framework with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Management Team.

Sunland has undertaken to reward the Executive Management Team through a remuneration framework consisting of a fixed annual remuneration package complemented by long-term incentive programs provided through discretionary trusts operated independently of Sunland's Board of Directors. There is no short-term incentive program in place as this is not consistent with Sunland's long-term focus or its normal business cycle. There is no share based remuneration arrangement with any individuals employed by the Group.

Further details on the remuneration framework is available in the Remuneration Report section of the Directors' Report.

Directors' Report

The Directors present their report together with the financial report of Sunland Group Limited and its controlled entities (Sunland or the Group), for the year ended 30 June 2017 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. Directors were in office for the entire period unless otherwise stated.

Soheil Abedian

Chairman (Executive Director) - Director since March 1994.

Dip Arch Masters Degree in Architecture with Honours (University of Graz, Austria)
Honorary Professor Griffith University (Business School - Gold Coast)
Adjunct Professor Bond University (Architecture School)
Doctorate of Bond University

Mr Soheil Abedian was educated in Graz, Austria and moved to Queensland's Gold Coast in 1983 where he co-founded Sunland Group to develop luxury housing projects. He has over 30 years' experience in architectural design, construction, and project management across a wide range of developments.

Sahba Abedian

Managing Director - Director since January 2001.

LLB (Bond University)

Mr Sahba Abedian is a qualified lawyer and was admitted into the Supreme Court of Queensland in 1998 as a solicitor. He joined Sunland Group in April 1998 as legal counsel/company secretary. In January 2000, he established the Group's Victorian operations and is now the Managing Director of the Group.

Ron Eames

Non-Executive Director - Director since March 2006.

LLB (Queensland University of Technology)

Mr Eames is a partner in the Brisbane offices of law firm Holding Redlich and brings to the role more than 25 years' experience in the legal sector, specialising in front-end project work and project structured financing in the energy, resource, construction, and tourism industries. Mr Eames is a member of the Australian Institute of Company Directors. He is the chair of Sunland's Audit and Risk Committee.

Craig Carracher

Non-Executive Director - Director since July 2010.

LLB (Sydney), University Medal; BCL, Oxon, 1st Class Hons.

Craig Carracher has extensive transactional and management experience, having spent much of the past decade living, working and investing in Asia as Managing Partner of a leading Australian law firm, Group General Counsel for Consolidated Press Holdings Limited, and CEO of its Asian private equity interests. Craig is a founding Director of Scape Australia (a leading international student accommodation group) and a Director of the Australian Olympic Committee and the Australian Olympic Foundation. Craig is a member of Sunland's Audit and Risk Committee.

Chris Freeman AM FAICD

Non-Executive Director - Director since January 2015.

Bachelor of Commerce (University of Queensland)

Mr Freeman has significant company directorship experience in Australia and abroad in the property and finance sectors. His former roles include Director and Chair of Watpac Limited from 2011 until 2014.

Mr Freeman previously held the positions of Executive Chair United Arab Emirates and United Kingdom and Chief Executive Queensland for the Mirvac Group Limited. He has held executive roles in the finance sector, particularly in the property, corporate and agribusiness markets. He is a Director of Brisbane Airport Corporation

Limited and Chair of the Queensland Performance Arts Trust. He is a member of Sunland's Audit and Risk Committee.

Company Secretary

Grant Harrison

Company Secretary - Secretary since December 2003.

Associate Diploma Business (Accounting), GAIDC.

Mr Harrison joined Sunland Group in 2000, following 16 years in the banking sector with Westpac specialising in commercial, property and corporate finance transactions. Mr Harrison was appointed Chief Financial Officer in December 2004. He is a Graduate of the Australian Institute of Company Directors.

Director's Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings	
	Number Attended	Number Held	Number Attended	Number Held
Mr Sahba Abedian	7	7	-	-
Mr Soheil Abedian	6	7	-	-
Mr Ron Eames	7	7	2	2
Mr Craig Carracher	5	7	1	2
Mr Chris Freeman	7	7	2	2

Principal Activities

Sunland Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The principal activities of the consolidated entity are residential property development and construction. The Group conducts these activities through its two core business segments of “Residential Housing and Urban Development” and “Multistorey” developments. The Residential Housing and Urban Development segment comprises medium density integrated housing developments and land subdivision. The Multistorey segment comprises medium-rise projects generally between five and 15 storeys, and high-rise developments above 15 storeys. The delivery of Sunland’s projects is completed by specialist in-house teams experienced in land acquisition and project feasibility analysis, design, project management, construction, and sales and marketing. The vertically integrated structure of the Group ensures the efficient delivery of projects to achieve Sunland’s desired project returns.

There was no significant change in the principal activities of the Group.

Consolidated Result

The consolidated profit after tax for the year attributable to members of Sunland Group Limited was $35.3 million, an increase of 12% on the previous year’s result (2016: $31.5 million).

This result is attributable to the performance of Sunland’s residential developments across Queensland, New South Wales and Victoria. The Group also commenced settlements within the luxury Abian residential tower in Brisbane, providing a material contribution from the multistorey segment. The operating profit of the Company, together with the continuing application of the on-market share buy back program, has contributed significantly to earnings per share and net tangible assets per share.

Operating and Financial Review

Operating and Financial Highlights

• Net profit after tax of $35.3 million, up 12% on the prior year.
• The Group declared a fully franked final dividend of 4 cents per share, bringing the full year dividend payment to 8 cents per share, representing a payout ratio of 36%.
• The Group has also declared a special dividend of 2 cents per share subsequent to year end.
• Strong balance sheet capacity, with $14.6 million in cash and $109.8 million in undrawn working capital lines.
• Surplus cash generated by project settlements have reduced the Group's debt by $163 million from peak utilisation.
• Surplus cash generated by the Group's operations has funded the buy back and cancellation of 7.9 million shares for an average value of $1.68 per share. Over the past eight years, the Company has more than halved its issued capital at an average price of $0.93 per share, representing a significant discount to the Group's net asset base.
• The Group acquired new sites totalling $65.5 million across the portfolio.
• Earnings per share based on the number of consolidated shares on issue as at the balance date was 23.1 cents (2016: 19.7 cents) representing growth of 17%.
• Overall gearing has reduced materially from the first half and remains at manageable levels, with 34% debt to assets and 60% debt to equity. A higher leverage is utilised to finance multistorey developments, while the land and housing segment is typically leveraged at approximately 35% (debt to inventory value).
• The Group achieved its target development margin of 20% on costs.
• Settlement receivables are significantly higher at $74.9 million (2016: $14.9 million) due to the revenue accrual for settlements of various projects delivered around year end, particularly Abian, Magnoli Residences and Carré Residences. The settlements for these accruals occur primarily through July and August and cash receipts are applied to reduction of finance facilities
• Strong forecast cash flow generated from existing projects.
• Net tangible assets per share increased to $2.39 (2016: $2.22) representing growth of 8%.

Group Development Portfolio

Sunland's development pipeline comprises 5,601 land, housing and multistorey products with a total end value of $3.9 billion (based upon obtaining certain development approvals), providing a healthy portfolio of premium quality projects to be delivered primarily over the next three to five years. Sunland continued to replenish its development portfolio during the year, with new site acquisitions totalling $65.5 million in Sydney (Mount Annan), Brisbane (Everton Hills), and Gold Coast (Coolangatta and Mermaid Beach) adding 579 allotments to the portfolio with an estimated end value of $689 million.

As at the date of this report, Sunland had 18 active projects in Queensland, New South Wales and Victoria. These projects include land, housing and multistorey projects at various points in their delivery cycle. Projects including Abian, Magnoli Residences, Ancora, and The Heights (QLD); Dahlia Residences (NSW); Carré Residence and The Gardens (VIC), have contributed to revenue during this period.

The Group's multistorey portfolio made a material contribution this financial year with the commencement of settlements at Abian in the Brisbane CBD. This business segment continues to expand and will become more active and contribute to earnings as concept designs and approvals are finalised, projects are launched, financed and delivery commenced. Sunland has focused on enhancing contributions from this segment with the reintroduction of medium-rise projects such as Marina Concourse (under construction in Benowa) and future projects in Palm Beach and The Lakes in Mermaid Waters. These medium-rise projects will contribute significantly to Group earnings in future years. Abian will continue to contribute to revenue during the 2018 financial year as settlements continue through the building. Additional high-rise projects are also in the pipeline and include 272 Hedges Avenue in Mermaid Beach, Greenmount Residences in Coolangatta, One Marine Parade in Labrador and Grace on Coronation in Brisbane. Sunland awaits clarity from the local authority and Queensland government on the Gold Coast Spit master plan before determining the approach for the redevelopment of Mariners' Cove, which continues as an operating retail and marina precinct, generating holding income for the Group.

The Group's Residential Housing and Urban Development segment continues to deliver through various stages of each project, supporting underlying earnings and cash flow.

Sunland is actively monitoring the market for opportunities to further increase its portfolio, with a specific focus on emerging growth markets in south-east Queensland, and in the Sydney and Melbourne markets where there are still favourable off market opportunities available, providing they meet Sunland's development criteria.

Group operating activities

Development Activities

Sunland's development activities continued to generate strong earnings for the Group during the 2017 financial year. Sales volume increased in FY17 as projects in Queensland and New South Wales were launched, in addition to sales from the existing portfolio. The Group completed 524 sales to the value of $376.4 million during the 2017 financial year (2016: 426 sales to the value $261 million). This has contributed to a good pipeline of presales across the portfolio. Contracted presales for projects that have been released across the development portfolio total 641 as at 30 June 2017, with a combined value of $534.4 million.

Construction of the six storey, medium-rise apartment buildings at Marina Concourse, located adjacent to the Royal Pines Marina, has commenced with the project almost 50% sold. Completion of this project is scheduled in mid-2018. Multistorey projects in the preliminary design and approval stages include 272 Hedges Avenue (high-rise), Greenmount Residences (medium-rise), One Marine Parade (high-rise), Aer Residences (medium-rise), and Magnoli Apartments (medium-rise) on the Gold Coast. The Grace on Coronation project in Toowong was approved by Brisbane City Council in 2015 and the Land and Environment Court recently dismissed an appeal against this approval. Sunland is now dealing with a subsequent appeal through the Queensland Supreme Court, which is expected to be heard in late 2017.

These multistorey projects will not generate revenue until the projects are completed and the risks and rewards have transferred. Sunland is focused on finalising the design and approvals for these projects to release them to the market and achieve the presales required for funding and commencement of construction. In the meantime, One Marine Parade, Mariner's Cove, Greenmount Resort and 272 Hedges Avenue continue to generate revenue streams that cover the holding costs of these development sites.

The Group's revenue from property sales increased by 67% to $394.3 million (2016: $235.6 million) during the period. This was generated from 597 settlements (2016: 443 settlements), which is a year-on-year increase of 35%. The average revenue per lot increase is substantially attributed to Abian settlements, which achieved a higher average contract price per lot. Other major revenue contributors were from the Residential Housing and Urban Development segment and include Magnoli Residences, The Heights, Park Terraces and Ancora (QLD); Carré Residences and The Gardens (VIC); and Dahlia Residences (NSW).

The Group achieved its targeted development margin (return on cost) across the portfolio of 20% (excluding marketing costs, which are expensed ahead of recognising revenue - refer Segment Report). The Residential Housing and Urban Development segment achieved a return of 20%, and the muiltistorey portfolio achieved a return of 21%.

Other Group Operations

Project Services operations provided a modest contribution during the period and are related to the management of projects by Sunland of its joint ventures and other projects that are partially owned. The project that contributed during the period was limited to Sanctuary Cove. The level of activity will vary as joint venture projects are delivered.

Other revenues include net holding incomes generated by various sites until approvals are granted and development commences. These include One Marine Parade, Mariner's Cove, Greenmount Resort and Hedges Avenue on the Gold Coast.

Investment properties held by the Group also generate ongoing investment income and include Royal Pines Marina and The Lakes, both located on the Gold Coast. The Royal Pines Marina is occupied by Sunland's Gold Coast office, as well as other retail and commercial tenants, generating annual net revenue of some $0.3 million. The Lakes retail area currently comprises some 3,000 square metres of lettable area generating $1.1 million of annual net income. The Group is assessing a strategy to deliver a further 17,000 square metres of retail and commercial space at this location called "The Lanes", which has the potential to diversify the Group's earnings profile.

Legal defense costs have been a material overhead expense, primarily in respect to the Marcus Lee Case to be heard in Brisbane's Supreme Court. Mr Marcus Ramon Lee initiated a claim (proceeding number 982/15) against Sunland and some of its Directors and officers. In November 2015 there was a hearing of an application to strike out Mr Lee's claim and judgement was given in June 2016. The application by Sunland was successful, parts of the statement of claim were struck out and Mr Lee was ordered to pay Sunland's costs associated with the application, although the Court has stayed the order for costs until the trial is heard.

Mr Lee re-pleaded his case. Sunland, its Directors and officers have filed a defence. Interlocutory steps are yet to be completed. The trial is expected to be heard in the first half of the 2018 calendar year.

At this point in the proceedings, and given the current status of the interlocutory steps, the Board of Directors have determined that there is no provision or contingent liability to be reported in respect to this matter.

Capital Management and Dividends

The Group has undertaken a series of share buy back programs over the past eight years, which have more than halved the consolidated shares on issue. The shares have been purchased at an average price of $0.93 over the course of these programs, which is a significant discount to the Group's net tangible asset base per share. It has also contributed to the Group's increase in earnings per share and net asset value per share, delivering significant long-term benefit and value to its shareholders.

Directors have previously stated that the Group intends to pay fully franked dividends of between 40% and 50% of net operating earnings as a dividend payment policy. A final fully franked dividend of 4 cents per share brings the total dividends for the 2017 financial year to 8 cents per share (fully franked). Directors have also declared a special dividend of 2 cents per share fully franked, reflecting the increased contribution from the multistorey segment through Abian settlements in July and August.

Sunland utilises debt facilities to assist in the funding of its development projects. The approach differs between operational segments. The Residential Housing and Urban Development segment is generally leveraged to around 35% of inventory value. A greater leverage is sought for Multistorey projects as the development programs are longer and equity can be retained to pursue other opportunities. To assist in this strategy, Sunland supplemented its unsecured $50 million note with a $50 million, 5 year term facility. These sources of funding provide a longer dated and alternative source of debt capital that complements the senior debt funding of the Group's development portfolio.

Cash received from settlements, including those achieved post balance date, have repaid the Abian project finance facility of $132 million. The Group's debt levels have reduced by $163 million from peak utilisation during the financial year. Continued settlements will ensure significant capacity is available to continue the delivery of the existing development portfolio, as well as realising any acquisition opportunities that may arise.

Sunland's capital management strategy remains focused on enhancing operational efficiencies across the business and reducing risk through product and geographic diversification. The Group will also continue to manage its capital base by utilising various structures that spread the project and funding risks associated with various developments.

Group Vision and Future Outlook

Sunland's vision is to create long-term, sustainable value for its shareholders and residential communities by continuously striving for excellence and innovation in the design and delivery of its development portfolio. The Group's enduring commitment to architectural excellence, partnered with forward thinking urban design and fundamental human values, is widely recognised and has received industry accolades for its contribution to Australia's architectural landscape. Importantly, it has also left an enduring legacy for future generations - the creation of vibrant communities and unique, enriched environments.

Sunland remains in an excellent position to achieve this vision. The Group's $3.9 billion portfolio is strategically diversified across its core activities of medium density housing, urban development, and high-rise and medium-rise projects and is well positioned to benefit from the favourable market conditions, particularly in south-east Queensland. After several years of capital management, consolidation and portfolio replenishment, Sunland is now in an established phase of delivery with up to eight projects scheduled to be launched and 14 already under construction during the 2017-18 financial year. This increased focus on delivery, combined with the size, value and geographic diversification of Sunland's projects, provides strong earnings visibility in the medium-term.

Alongside Sunland's sales and delivery program is a steadfast commitment to sustainable portfolio replenishment. Sunland's growth strategy is both organic and opportunistic, focusing on premium quality sites in emerging and established growth markets, with natural and built amenity. In the 2018 financial year the Group will continue to actively monitor the market for new opportunities to increase its development pipeline in strong-performing markets that continue to offer value for off-market, infill acquisitions where Sunland's quality home designs and craftsmanship generally offers a premium alternative to our competitors.

Significant Changes in the State of Affairs
In the opinion of Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the year under review not otherwise disclosed in this report or the consolidated financial report.

Environmental Regulation and Performance
The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to its property development activities. The Directors are not aware of any significant breaches during the period covered by this report.

Likely Developments and Expected Results
Directors continue to be mindful of enhancing shareholder return and the Group's dividend payment policy will assist in achieving that goal. The Company must continue with its strategy of replenishing the portfolio across key locations in target growth markets and enhance operations. Existing projects will be delivered and the cash generated from these, together with the capacity provided by the Group's debt lines, will support this strategy. Sunland has a number of projects and other opportunities in hand which provide the foundation for the future operations of the Group.

Director's Interests
The relevant interest of each Director in the shares and options over such shares of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is presented below. The table below also include the relevant interest of each Director and their related parties in the unsecured note issue by the Group:

Director	Ordinary shares	Unsecured note
Mr Soheil Abedian	50,000,000 *	5,000,000
Mr Sahba Abedian	8,500,000 *	180,000
Mr Craig Carracher	14,000	-
Mr Ron Eames	30,000	-
Mr Chris Freeman	100,000	-

* In addition to this holding, parties related to Soheil Abedian hold 1,103,000 shares and parties related to Sahba Abedian hold 70,000 shares.

There are no options held by Directors over unissued ordinary shares of the Company.

Indemnification and Insurance of Officers

Since the end of the previous year the Company has paid insurance premiums in respect of Directors and Officers Liability and Company Reimbursement insurance, for all Directors, officers and certain employees, Directors of subsidiary companies, Directors and officers who have retired or relinquished their position prior to the inception of or during the policy period, and Directors who may be appointed during the policy period. The insurance cover also extends to outside directorships held by insured persons for the purpose of representing Sunland.

Under Sunland's constitution, Directors and officers are entitled to be indemnified out of the assets of the Company against certain losses incurred in relation to the completion of their duties. During the period certain costs incurred by various Directors and officers in respect to claims have been paid on behalf of those Directors and officers under the Constitution's indemnity provisions.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Remuneration Report (Audited)

This Remuneration Report sets out the Group's remuneration framework for key management personnel. It demonstrates the links between the performance of the Group and the individuals' remuneration and discloses the remuneration arrangements, any equity holdings, loans and other transactions for key management personnel. This report meets the disclosure requirements of the Corporations Act 2001.

Remuneration Philosophy

The objective of Sunland's Executive Remuneration practices is to attract, retain and appropriately reward the executive talent required to achieve both short-term and long-term success.

The maintenance of a strong, talented and stable Executive Management Team is a high priority for Sunland. Each executive has been personally selected due to their proven abilities and many have worked closely with the Group in the past.

Sunland has undertaken to reward the Executive Management Team through a remuneration framework consisting of a fixed annual remuneration package complemented by long-term incentive programs provided through discretionary trusts operated independently of Sunland's Board of Directors. The long-term incentive programs extend to all eligible employees of the company as detailed below.

There is no short-term incentive program in place as this is not consistent with Sunland's long-term focus or its normal business cycle.

The principles of the framework incorporate:

• Providing competitive remuneration packages relative to market;
• Linking executive remuneration to shareholder value;
• Establishing objectives for regional, divisional and individual performance;
• Maintaining a strong focus on both teamwork and individual performance; and
• Encouraging long-term tenures with Sunland.

Review of Remuneration Framework

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Management Team. Directors assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions and the remuneration framework with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Management Team.

Details of Key Management Personnel

Key management personnel including Directors and Executives have authority and responsibility for planning, directing, and controlling the activities of the Company and Group. These are the following personnel as at 30 June 2017:

Directors
Mr Sahba Abedian, Managing Director
Mr Soheil Abedian, Chairman (executive)
Mr Ron Eames, Director (non-executive)
Mr Craig Carracher, Director (non-executive)
Mr Christopher Freeman, Director (non-executive)

Officers
Mr Grant Harrison, Company Secretary and Chief Financial Officer

An Executive Management Team, which includes Executive Directors and the Chief Financial Officer, is tasked with executing the Group's strategies and objectives set by the Board. Only those members disclosed above are considered to meet the key management personnel criteria. There were no changes of key management personnel after reporting date and the date the financial report was authorised for issue.

Long-Term Incentives ('LTI')

Objectives

The objective of the LTI plan is to reward personnel in a manner that:

- Aligns remuneration with the creation of shareholder wealth;
- Encourages long-term tenures with the Group;
- Provides for the future retirement benefit of employees; and
- Allows the Group to retain executives and other personnel.

A LTI plan was approved by Directors on 15 June 2011. The Program has been established through a discretionary trust deed and is known as the Sunland Employee Investment Fund (SEIF). The Fund is operated independently from Sunland's Board by a Trustee appointed by the Eligible Employees. The purpose of the SEIF is to provide eligible termination payments to Eligible Employees. Eligible Employees are not restricted to senior management personnel and include Executive Directors. An employee's eligibility to participate in the Program is tested periodically and various criteria must be met, such as minimum continuous service (generally three years) and satisfactory employment performance. Funds are contributed to the discretionary trust annually at the discretion of Sunland's Board and are invested by the Trustee of the discretionary trust on behalf of the Eligible Employees. Distributions to Eligible Employees are also made at the discretion of the Trustee. Directors have historically assessed Sunland's contribution to the SEIF in September each year and have paid up to 1% of net profit after tax. A contribution of $315,280 was made by Sunland during the period (FY16: $300,580).

During the 2014 Annual General Meeting, the members of Sunland voted in favour of issuing 3,500,000 shares (issue price $1.70), funded through an interest free loan provided by Sunland, to establish an additional LTI for certain core employees who have contributed significantly to the Company during the course of their employment. The plan is known as the Sunland Employee Retirement Fund (SERF), which is a discretionary trust that holds the issued shares for the benefit of Eligible Employees. Directors must approve Eligible Employees who maybe full-time or part-time employees, however Directors are excluded. Under the rules of the Fund, the Trustee may nominate an Eligible Employee for a payment from the SERF upon their retirement from the Company and having been an employee of the Company for a period of 10 years. Where the SERF is to make a payment to an Eligible Employee upon their retirement, the SERF will sell Sunland shares and apply the proceeds firstly to repay the interest free loan and surplus funds (above the original issue price per share) will be paid to the retiring employee as a trust distribution. If at the time the market price of the shares do not exceed the issue price then there would be no distribution.

Non-Executive Director Remuneration

Objective

The Board seeks to remunerate Directors at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate level of remuneration shall be determined by a meeting of members. The latest determination was at the Annual General Meeting held on 28 November 2005 when shareholders approved an aggregate remuneration for non-executive Directors of $500,000.

In accordance with the Constitution, the aggregate remuneration sum is to be divided among them in such proportion and manner as the Directors agree and, in default of agreement, equally. If a director performs extra services or makes special exertions in relation to the affairs of the Company, they may be entitled to a special remuneration, either in addition to or as a substitution for that director's remuneration. In addition to this, the Directors may decide to pay a pension or lump sum payment in respect of past services, for those Directors who have died or otherwise have ceased to hold office.

Executive Director Remuneration

Objective

Remuneration for the Managing Director (Mr Sahba Abedian) and the Executive Chairman (Mr Soheil Abedian) is designed to:

• Ensure the pursuit of the Group's long-term growth within an appropriate control framework;
• Demonstrate a clear relationship between executive director performance and remuneration; and
• Ensure total remuneration is competitive by market standards and provides sufficient and reasonable rewards for the time and effort required in these roles.

Structure

The remuneration structure for the Managing Director and Executive Chairman consists of:

• A base salary; and
• The grant of long-term incentives through the LTI plan where eligibility criteria are met.

No bonuses or other short-term incentives are paid to Executive Directors as these are not consistent with the Group's long-term growth focus and the Group's business cycle. The terms of employment of Executive Directors are consistent with those of the Executive and details are advised below.

None of the Executive Directors are employed under a contract linked to the performance of the Company.

Executive Remuneration

Objective

The Group's executive reward structure is designed to:

• Ensure the pursuit of the Group's long-term growth within an appropriate control framework;
• Demonstrate a clear relationship between key executive performance and remuneration; and
• Provide sufficient and reasonable rewards to ensure the Group attracts and retains suitably qualified and experienced people for key roles.

Structure

The remuneration structure for the Executive consists of:

• A base salary; and
• The grant of long-term incentives through the LTI plan.

No salary bonuses or other short-term salary incentives are generally paid to Executives as these are not consistent with the Group's long-term growth focus and the Group's business cycle.

All Executives, including the Executive Directors, have employment contracts with no fixed end date. Any executive may resign from their position and thus terminate their contract by giving 4 weeks written notice. The Company may terminate the employment agreement by giving 4 weeks written notice or providing payment in lieu of the notice period. The Company may terminate the contract at any time if serious misconduct has occurred. On termination, any eligibility to the LTI plan will immediately be forfeited.

None of the Executives are employed under a contract linked to the performance of the Company.

Compensation of key management personnel (KMP)

Remuneration of KMP is detailed in the following table:

		Short-term	Post-employment	
		Salary & Fees	Superannuation	Total
Non-Executive Directors				
Ron Eames	**2017**	**73,059**	**6,941**	**80,000**
	2016	73,059	6,941	80,000
Craig Carracher	**2017**	**73,059**	**6,941**	**80,000**
	2016	73,059	6,941	80,000
Chris Freeman	**2017**	**73,059**	**6,941**	**80,000**
	2016	73,059	6,941	80,000
Sub-Total Non-Executive Directors	**2017**	**219,177**	**20,823**	**240,000**
	2016	219,177	20,823	240,000
Executive Directors				
Sahba Abedian	**2017**	**715,032**	**19,616**	**734,548**
	2016	725,104	19,308	744,412
Soheil Abedian	**2017**	**727,575**	**19,616**	**747,191**
	2016	730,692	19,308	750,000
Other Key Management Personnel (Group)				
Grant Harrison	**2017**	**300,384**	**19,616**	**320,000**
	2016	281,217	19,308	300,525
Total Key Management Personnel	**2017**	**1,962,168**	**79,671**	**2,041,839**
Compensation (Group)	2016	1,956,190	78,747	2,034,937

Mr Soheil Abedian salary sacrificed the entire sum of his salary to the Abedian Foundation in 2017 and 2016.

Shareholdings of Key Management Personnel

Shares held by key management personnel and their related parties in Sunland Group Limited is as follows. No shares have been granted as part of remuneration and no options have been issued or exercised.

	Balance 1 July 2016	Net changes	Balance 30 June 2017
Directors			
Ron Eames	30,000	-	30,000
Soheil Abedian *	48,353,000	2,750,000	51,103,000
Sahba Abedian *	7,790,000	780,000	8,570,000
Craig Carracher	14,000	-	14,000
Chris Freeman	100,000	-	100,000
Officers			
Grant Harrison	659,178	-	659,178
Total	56,946,178	3,530,000	60,476,178

* These balances include shares of parties related to Soheil Abedian of 1,103,000 shares and parties related to Sahba Abedian of 70,000 shares.

Group performance

In considering the Group's performance and benefits for shareholder wealth, the Directors have regard to the following indices in respect of the current financial year and the previous four financial years:

	2017	2016	2015	2014	2013
Basic Earnings Per Share	22.4c	18.8c	16.9c	8.0c	7.2c
Earnings Per Share growth (%)	19.1%	11.2%	111%	11.1%	2.8%
Security price – at 30 June	$1.78	$1.42	$1.79	$1.56	$1.41
Change in security price (%)	25.4%	(20.7%)	14.7%	10.6%	51.6%
Dividend per share declared (fully franked) *	10.0c	8.0c	10.0c	4.0c	2.0c
Dividend per share growth (%)	25%	(20%)	150%	100%	N/A
Net Tangible Assets per share	$2.39	$2.22	$2.01	$1.96	$1.87
Change in Net Tangible Assets (%)	7.7%	10.4%	2.6%	4.8%	15.5%

*Includes the payment of a special dividend where relevant

The Group continues to focus its energies on strengthening its financial position, enhancing shareholder value and growing its development revenue streams.

Compensation options

During this financial year no options over the share capital of Sunland Group Limited were granted as equity compensation to any Directors or Executives.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191. In accordance with this legislative instrument, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Non-Audit Services

Non-audit services were provided by the entity’s auditor, Ernst & Young, as disclosed in note 22 to the financial statements. In accordance with a resolution of the Audit and Risk committee, the Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that audit independence was not compromised.

Audit Independence and Non-Audit Services

The Directors received the following declaration from the auditor of Sunland Group Limited and forms part of the Directors' Report for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors.

Mr Sahba Abedian
Managing Director
Dated this 23 August 2017

Building a better working world

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Auditor's Independence Declaration to the Directors of Sunland Group Limited

As lead auditor for the audit of Sunland Group Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sunland Group Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
23 August 2017

Consolidated statement of comprehensive income

	Notes	2017 $'000	2016 $'000
Revenue from the sale of properties		**394,280**	235,643
Revenue from project services		**5,858**	14,642
Other revenue from operations	3(a)	**5,366**	4,936
Total revenues		**405,504**	255,221
Other income/(expense)		**184**	(45)
Cost of goods sold - property developments	3(b)	**(332,409)**	(181,104)
Cost of project services		**(4,780)**	(12,202)
Cost of other operations		**(1,145)**	(1,134)
Employee benefits expense		**(9,927)**	(9,733)
Depreciation and amortisation expense		**(1,619)**	(1,146)
Administration and other expenses	3(c)	**(5,802)**	(4,860)
Profit before income tax		**50,006**	44,997
Income tax expense	4	**(14,729)**	(13,469)
Net profit attributable to members of Sunland Group Limited		**35,277**	31,528
Total comprehensive income attributable to members of Sunland Group Limited		**35,277**	31,528

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Group:			
Basic earnings per share	5	**22.4**	18.8
Diluted earnings per share	5	**22.4**	18.8

Consolidated statement of financial position

	Notes	**2017 $'000**	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**14,617**	19,949
Trade and other receivables	9	**79,053**	27,849
Inventories	6	**182,861**	248,103
Current tax receivables	4	**-**	6,014
Other current assets		**483**	382
Total current assets		**277,014**	302,297
Non-current assets			
Inventories	6	**340,500**	280,008
Property, plant and equipment		**8,886**	9,120
Investment properties	10	**24,769**	20,992
Total non-current assets		**374,155**	310,120
Total assets		**651,169**	612,417
LIABILITIES			
Current liabilities			
Trade and other payables	11	**25,778**	24,715
Interest bearing liabilities	14	**1,555**	47,673
Current tax liabilities	4	**4,270**	-
Provisions	12	**4,185**	3,169
Other current liabilities		**1,077**	1,043
Total current liabilities		**36,865**	76,600
Non-current liabilities			
Trade and other payables	11	**2,000**	2,000
Interest bearing liabilities	14	**216,508**	153,632
Deferred tax liabilities	4	**31,322**	22,817
Provisions	12	**452**	549
Other non-current liabilities		**183**	403
Total non-current liabilities		**250,465**	179,401
Total liabilities		**287,330**	256,001
Net assets		**363,839**	356,416
EQUITY			
Issued capital	18	**154,421**	167,709
Retained earnings		**209,418**	188,707
Total equity		**363,839**	356,416

Consolidated statement of cash flows

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Cash receipts from operations		**387,207**	258,657
Cash payments to suppliers and employees		**(383,175)**	(309,301)
Interest received		**747**	522
Interest and other finance costs paid		**(15,561)**	(12,900)
Income taxes (paid)/refunded		**4,062**	(9,256)
Net cash (outflow) from operating activities	8	**(6,720)**	(72,278)
Cash flows from investing activities			
Cash paid on acquisition of property, plant and equipment		**(1,963)**	(5,049)
Payments for investment property		**(3,212)**	(707)
Proceeds from sale of subsidiary		**177**	-
Proceeds from the sale of property, plant and equipment		**15**	4
Proceeds from the sale of investment property		**-**	4,429
Repayments of loans by third parties		**57**	103
Advances to / (repayments of loans from) joint operations		**1,720**	(1,720)
Net cash (outflow) from investing activities		**(3,206)**	(2,940)
Cash flows from financing activities			
Proceeds from borrowings		**151,360**	110,984
Repayment of borrowings		**(118,912)**	(9,122)
Purchase of shares through share buy-back		**(13,278)**	(27,953)
Payment of share buy-back costs		**(10)**	-
Dividends paid to company's shareholders	17	**(14,566)**	(4,980)
Net cash inflow from financing activities		**4,594**	68,929
Net (decrease) in cash and cash equivalents		**(5,332)**	(6,289)
Cash and cash equivalents at the beginning of the financial year		**19,949**	26,238
Cash and cash equivalents at end of period	7	**14,617**	19,949

Consolidated statement of changes in equity

	Notes	Attributable to owners of Sunland Group Limited Ordinary shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2015		195,662	162,159	357,821
Profit for the year as reported in the 2016 financial statements		-	31,528	31,528
Total comprehensive income for the period		**-**	**31,528**	**31,528**
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	17	-	(4,980)	(4,980)
Share buy-back		(27,953)	-	(27,953)
Balance at 30 June 2016		**167,709**	**188,707**	**356,416**
Profit for the year as reported in the 2017 financial statements		-	35,277	35,277
Total comprehensive income for the period		**-**	**35,277**	**35,277**
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	17	-	(14,566)	(14,566)
Share buy-back	18	(13,288)	-	(13,288)
Balance at 30 June 2017		**154,421**	**209,418**	**363,839**

1 Segment Information

Operating Segments	Land & Housing $'000	Multistorey $'000	Other $'000	Consolidated $'000
30 June 2017				
Revenue				
Revenue recognised from operations	268,871	131,288	4,453	**404,612**
Development costs incurred in delivery				
Finance costs expensed	(7,917)	(5,903)	-	(13,820)
Other development costs expensed	(216,733)	(102,708)	(2,029)	(321,470)
Total development costs	(224,650)	(108,611)	(2,029)	(335,290)
Segment result - development return	**44,221**	**22,677**	**2,424**	**69,322**
Return on development costs	20%	21%		
Overall return for combined development operations 20%				
Other transactions during the year				
Marketing	(2,536)	(654)	-	(3,190)
Inventory net realisable value and warranty adjustment	(2)	(735)	-	(737)
Interest revenue				892
Unallocated corporate expenses				(16,281)
Profit from ordinary activities before tax				50,006
Income tax expense/(benefit)				(14,729)
Net profit for the year				**35,277**

30 June 2017				
Assets				
Segment Assets	328,656	274,846	25,877	629,379
Unallocated corporate assets				20,886
Consolidated total assets				**650,265**

1 Segment Information

Operating Segments	Land & Housing	Multistorey	Other	Consolidated
	$'000	$'000	$'000	$'000
30 June 2016				
Revenue				
Revenue recognised from operations	244,834	5,451	4,389	**254,674**
Development costs incurred in delivery				
Finance costs expensed	(4,397)	(75)	-	(4,472)
Other development costs expensed	(175,706)	(4,815)	(1,693)	(182,214)
Total development costs	(180,103)	(4,890)	(1,693)	(186,686)
Segment result - development return	**64,731**	**561**	**2,696**	**67,988**
Return on development costs	36%	11%		
Overall return for combined development operations 36%				
Other costs expensed during period				
Marketing	(3,801)	(248)	-	(4,049)
Inventory net realisable value and warranty adjustments	60	(3,116)	-	(3,056)
Interest revenue				522
Unallocated corporate expenses				(16,408)
Profit from ordinary activities before tax				44,997
Income tax expense/(benefit)				(13,469)
Net profit for the year				**31,528**

30 June 2016				
Assets				
Segment Assets	345,642	212,696	21,421	579,759
Unallocated corporate assets				32,658
Consolidated total assets				**612,417**

The consolidated entity comprises the following main segments:-
- Land and Housing - development and sale of land (urban development), medium density housing products and project services
- Multistorey - development and sale of medium rise projects (generally between five and fifteen stories) and high rise projects (above fifteen stories)
- Other - Operating results from investment properties and net holding income

Management approaches and manages project acquisitions and feasibilities using primarily a “return on cost” methodology with a target of 20% return on development costs. Development costs include land, consultants, construction costs, statutory charges and finance costs required to deliver the project. These costs are capitalised for accounting and expensed as revenue is generated through the settlements of a project as it is progressively completed, usually on a staged basis.

Marketing costs are managed separately and are generally expensed for accounting, ahead of recognising revenue from a project. This can distort the reported return on projects and each segment, particularly where projects (which are mostly staged) are delivered over multiple reporting periods. Operating segment disclosures therefore separate marketing and other one off costs expensed during a reporting period in order to assess the consistency of returns on development costs associated with the projects and each segment.

Refer to note 25 for the group’s accounting policy on operating segments.

Contents of the notes to the consolidated financial statements

2 Basis of preparation

These financial statements of Sunland Group Limited are the consolidated financial statements of the parent and its controlled entities ("Group") for the year ended 30 June 2017. The Directors have the power to amend and reissue the financial statements.

Sunland Group Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group's registered office and principal place of business is:

Sunland Group Limited
Suite 2602, "One One One Eagle Street"
Level 26, 111 Eagle Street
Brisbane Qld 4000

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Group. Information is considered relevant and material if:

- It is significant in size or nature;
- It is important in understanding the results of the Group;
- It helps to explain the impact of significant changes in the Group's business; or
- It is important to the Group's future performance.

The notes are organised into the following sections:

- Financial Performance;
- Financial Position;
- Capital structure; and
- Other notes.

The nature of the operations and principal activities of the Group are described in the Directors' Report. The Group is a for profit entity.

The operating cycle of the business varies depending on each operating segment of the Group. Once appropriate development approvals are obtained for a project, the delivery cycle may be less than 12 months for housing construction and staged land subdivision projects. Multistorey developments span greater than 12 months and depend upon the construction time of a project, usually between 12 months and 36 months.

These general purpose financial statements comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and have been prepared:

- In accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board;
- In accordance with the *Corporations Act 2001*; and
- On a historical cost basis and is presented in Australian dollars.

The principal accounting policies adopted in the preparation of these financial statements are presented throughout the report and have been consistently applied to the years presented.

Financial Performance

3 Revenue and expenses

(a) Other revenue from operations

	2017 $'000	2016 $'000
Investment Property Revenue	**1,933**	2,339
Holding Income	**2,019**	1,452
Interest received	**892**	510
Other revenue	**522**	635
	5,366	4,936

* Holding income represents the net returns from rental and operating activities generated from inventory whilst approvals are being sought and before construction commences on the site.

(b) Cost of goods sold - Property development

Costs of goods sold - property developments	**318,588**	176,632
Finance costs	**13,821**	4,472
	332,409	181,104

(c) Administration and other expenses

Legal expenses	**2,050**	735
Other administration expenses	**3,752**	4,125
Total administration and other expenses	**5,802**	4,860

Legal expenses substantially relate to a current legal claim that is detailed in the Directors Report (under other group operations).

(d) Revenue recognition accounting policy

The Group recognises revenue when the amount of revenue is received, or where receivable, it can be reliably measured, is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues and expenses are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the expense.

Revenue is recognised for the major business activities as follows:

(i) Sale of properties

Revenue is recognised when the significant risks and rewards of ownership and effective control of the properties have passed from the Group to the buyer. This is generally considered to be at settlement for the sale of the goods. Where settlement has not occurred, the significant risks and rewards of ownership and effective control of the goods may have passed from the Group once a contract has become unconditional, approvals are received from local authorities, and it is probable that settlement will occur in the near future. The related receivable is recognised in the settlement receivables on accrued revenue account. No revenue is recognised if there are significant uncertainties regarding recovery of consideration due, or if there is a risk of there being continuing management involvement to the degree usually associated with ownership of the project.

(ii) Revenue from other operations

Rendering of services

Revenue from project services and other services rendered by the Group is recognised when the service is rendered and the revenue is receivable.

Interest income

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental Income

Rental income is accounted for on a straight-line basis over the lease term.

(e) Cost of goods sold accounting policy

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

Adjustments to the net realisable value of inventory are recorded within the cost of goods sold account in profit and loss. Net realisable value is determined in accordance with the accounting policy in note 6.

4 Income tax expense

(a) Income tax expense

	2017 $'000	2016 $'000
Current income tax expense *	**6,557**	-
Deferred income tax expense	**8,504**	14,443
Research and development benefit	**(386)**	(249)
Adjustments to current tax of prior periods	**54**	(725)
	14,729	13,469

* In the comparative period, significant volumes of development costs incurred were deductible in advance of the recognition of related revenues and cost of goods sold expenses resulting in carry forward tax losses that were utilised this financial year.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2017	2016
Profit from continuing operations before income tax expense	**50,006**	44,997
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	**15,002**	13,499
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other	**59**	22
Research and development expenditure	**(386)**	(249)
Adjustment in respect of current income tax of previous years	**54**	(725)
Additional deferred tax liabilities in respect of adjustments to tax return of a previous year	**-**	922
Income tax expense/(benefit)	**14,729**	13,469

(c) Consolidated deferred income tax

	Statement of financial position		**Statement of comprehensive income**	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Deferred tax liabilities				
Development costs deductible for tax but capitalised for accounting	**(28,628)**	**(24,205)**	**(4,422)**	**(12,335)**
Income not currently assessable for tax	**(21,748)**	**(9,002)**	**(12,746)**	**(8,169)**
	(50,376)	**(33,207)**		
Deferred tax assets				
Warranty provision not immediately deductible for tax	**494**	**321**	**173**	**(456)**
Other provisions not immediately deductible for tax	**826**	**927**	**(101)**	**(1,897)**
Expenses not immediately deductible for tax	**17,734**	**6,159**	**11,575**	**5,431**
Tax losses available to offset against future income	**-**	**2,983**	**(2,983)**	**2,983**
	19,054	**10,390**		
Total deferred tax	**(31,322)**	**(22,817)**		
Deferred income tax			**(8,504)**	**(14,443)**

(d) Tax consolidation

Sunland Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Sunland Group Limited is the head entity of the tax consolidated group.

Unrecognised tax losses carried forward

The Group has capital tax losses of $34,947,968 (2016: $34,947,968) that are available for offsetting against future capital gains of the Group that are not recognised as deferred tax assets under the basis it is not considered probable of recovery. These tax losses have no expiry date.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. Current and deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations under the tax funding agreement are made at the end of each year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Sunland Group Limited. The Group has applied the modified separate taxpayer within a group approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

(e) Income tax accounting policy

The income tax expense for the period is the tax payable on the current period's taxable income based on the Australian company tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(e) Income tax accounting policy

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax is recognised for all taxable temporary differences:
• except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
• in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5 Earnings per share

(a) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2017	2016
	$'000	$'000
Net profit for basic and diluted earnings	**35,277**	31,528
Weighted average number of shares used as the denominator for the calculation of basic earnings per share		
Ordinary shares	**157,700**	168,138
Number used for the calculation of diluted earnings per share	**157,700**	168,138
Basic earnings per share (cents)	**22.4**	18.8

(b) Earnings per share accounting policy

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the period (nil issued) and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

There were no dilutive interests in the current or comparative periods.

Financial Position

6 Inventories

	2017 $'000	2016 $'000
Current		
Development costs and land held for development and sale	**182,861**	248,103
Non-current		
Development costs and land held for development and sale	**340,500**	280,008

During the period, borrowing costs of $15,561,000 (2016:$12,900,000) were capitalised into inventory. At balance date, inventory includes capitalised interest of $21,711,000 (2016: $19,970,000).

(a) Inventories accounting policy

Inventories are measured at the lower of cost and net realisable value. Development costs include land, the costs of acquiring the land, consultants, construction, holding and finance costs incurred from when the land is acquired until the project is fully developed and sold.

Deposits paid for the committed acquisition of inventories are classified as inventories.

(ii) Net realisable value of inventories

The Group periodically assesses whether inventory is held at the lower of cost or net realisable value. The Group makes an estimate of net realisable value at least at each reporting period. Where the carrying amount of inventory exceeds its net realisable value, a provision is raised to reduce its value to net realisable value. Items that have a net realisable value provision are tested for possible reversal of the provision whenever events or changes in circumstances indicate that the impairment may have reversed.

The net realisable value is based on estimated selling price (net of selling costs and GST) less costs of inventories, including costs incurred and costs to complete in the ordinary course of business. This assessment reflects current market assessments and previous experience. It is also based on management's intentions in the planned manner of disposal of the asset, either through development and sale or disposal as is.

7 Cash and cash equivalents

	2017 $'000	2016 $'000
Cash	**14,617**	19,949

Cash at bank earns interest at fixed or floating rates based on bank deposit rates.

8 Reconciliation of profit after income tax to net cash inflow from operating activities

	2017 $'000	2016 $'000
Profit for the period	**35,277**	31,528
Depreciation and amortisation	**1,618**	1,146
Net loss/(gain) on disposal of property, plant and equipment	**(180)**	46
Net cash provided by operating activities before change in assets and liabilities	**36,715**	32,720
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(47,976)**	(20,571)
(Increase)/decrease in inventories	**8,024**	(79,290)
(Decrease)/increase in trade and other payables	**(23,102)**	(7,701)
(Decrease)/increase in provision for income taxes payable	**18,791**	4,211
(Decrease)/increase in other provisions	**914**	(1,535)
(Increase)/decrease in prepayments	**(86)**	(112)
Net cash inflow/(outflow) from operating activities	**(6,720)**	(72,278)

(a) Cash and cash equivalents accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are presented on a gross basis, with the exception of the working capital facilities that receive settlement deposits, which are available to be drawn down to fund development. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(b) Outflow from operation

In the consolidated statement of cash flows, cash outflows include payments to suppliers and employees totalling $383.2 million (2016: $309.3 million). These payments include the acquisition of new projects totalling $65.5 million (2016: $41.2 million). It also includes payments to suppliers in the course of project development which may be funded ahead of recognising revenue. These costs amount to approximately $45.9 million (2016: $79.9 million). These payments which total $111.4 million (2016: $121.1 million) are partially funded by the working capital and project finance facilities provided by the Group's financiers. Financing arrangements are detailed at Note 15.

Additionally, the Group accrued revenue of $74.9m (including GST) from the sale of properties at 30 June 2017 (2016: $14.9m) which are being collected as the properties settle in July and August 2017 in accordance with the contracts of sale.

9 Trade and other receivables

	2017 **$'000**	2016 $'000
Current		
Development receivables (b)	**3,017**	6,625
Amounts receivable from joint operations (c)	**761**	5,902
Settlement receivables on accrued revenue (b)	**74,944**	14,893
	78,722	27,420
Other receivables (c)	**331**	429
	79,053	27,849

(a) Risk exposure

The maximum exposure to credit risk at reporting date is carrying value of each class of receivable. The Group retains legal title to the property related to settlement receivables on accrued revenue until settlement which maintains control over the receivable. There are no significant amounts within trade and other receivables which are past due and no significant impairment.

(b) Development receivables and settlement receivables on accrued revenue accounting policy

Trade receivables generally have 14 to 30-day terms and are recognised and carried at original invoice amount less any provision for uncollectible debts. The recoverability is assessed at reporting date and specific provision is made for any doubtful accounts. Bad debts are written off when identified.

(c) Loans and receivables accounting policy

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

10 Investment properties

	2017 $'000	2016 $'000
At cost		
Gross carrying amount	**25,250**	21,216
Accumulated depreciation	**(481)**	(224)
Closing balance at 30 June	**24,769**	20,992
Opening balance	**20,992**	24,970
Additions through subsequent expenditure	**3,783**	707
Reallocation from property, plant and equipment	**250**	-
Depreciation	**(256)**	(339)
Disposals	**-**	(4,346)
Closing balance	**24,769**	20,992

On 26 June 2016 the Group disposed of a retail investment property and adjoining land at Bushland Beach for the approximate book value.

Using current prices in an active market for similar properties, the Group used a Director's valuation process to estimate the fair market value of investment properties. The value was determined to be $26,440,000 (2016: $21,100,000 million) (level 3). The Director's valuation considers rental income streams, income capitalisation rates and comparable property values. No independent valuations in respect of investment properties were sought by the Group for this purpose.

(a) Investment properties

Investment properties are measured initially at cost, comprising purchase price and any directly attributable transaction costs. The carrying amount includes additions which represent the cost of replacing part of an existing investment property at the time that cost is incurred. Any parts that are replaced are derecognised.

Where an investment property is developed, cost includes cost of construction incurred up to the point where the asset is complete, which is the point at which it is capable of being operated as intended. Depreciation is then applied from this date.

The costs of day-to-day servicing of an investment property are recognised as an expense as incurred. Subsequent to initial recognition, investment properties are held at cost and depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset. The useful lives range from 5 to 40 years.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when and only when there is a change in use, evidenced by ending of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Investment property gross carrying amount and additions include investment properties under construction.

11 Trade and other payables

Current	2017 $'000	2016 $'000
Trade creditors	**23,937**	21,520
Other creditor and construction accruals	**1,841**	3,195
	25,778	24,715

Non-current	2016 $'000	2015 $'000
Other creditors	**2,000**	2,000
	2,000	2,000

Trade creditors are non-interest bearing and are normally settled on a 7 to 30 day term.

(a) Trade and other payables accounting policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

12 Provisions

	2017	2016
Current liabilities	**$'000**	$'000
Employee benefits	**2,222**	2,099
Warranties (a)	**1,835**	1,070
Make good provision	**128**	-
	4,185	3,169
Non-current liabilities		
Employee benefits	**252**	221
Make good provision	**200**	328
	452	549

(a) Warranty costs

Provision is made for the estimated warranty claims in respect of property sold which are still under warranty at the end of the reporting period. In determining the level of provision required for warranty provisions the Group has made judgements in respect of the expected performance of the product, number of customers who will actually use the warranty provision and how often, and the costs of fulfilling the performance of the warranty. Historical claims experience and current knowledge of products has been used in determining this provision. The quantum of the additional provision in the current year reflects the warranty provision raised on multistorey product settled or accrued in the current period.

(b) Movements in provisions

Movements in each material class of provision during the financial year

2017	**Warranties**
	$'000
Carrying amount at the start of the year	1,070
Additional provisions	1,281
Unused amounts reversed	(363)
Amounts used	(153)
Carrying amount at end of period	1,835

Utilisation of the provisions has primarily been for rectification works associated with defects previously provided for. Unused amounts reversed relate to warranty provisions for projects which were completed more than 2 years ago and have not been materially utilised.

(c) Provisions accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. In the circumstance where the reimbursement will not be received by the Group but will represent a reduction in the Group's liability, the insurance receivable is recognised as a reduction in the provision. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the provision.

(i) Warranty provision

The liability for warranty expenses is recognised and measured as the present value of future payments to be made in respect of warranty work in relation to products that have been sold up to reporting date. Consideration is given to expected future costs in fulfilling the performance. Expected future payments are discounted using market yields at the reporting date that closely estimate future cashflows.

(d) Employee benefits accounting policy

(i) Short-term obligations

Liabilities for wages and salaries, non-monetary benefits, annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period. This is measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is presented as a provision.

(ii) Other long-term employee benefit obligations

The liabilities which are not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on Australian high quality corporate bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash flows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after reporting date, regardless of when the actual settlement is expected to occur.

13 Contingent liabilities - Performance securities

Performance security is provided from time to time to counterparties for maintenance and uncompleted works in support of specific contractual requirements in the course of delivering the Group's projects. Bank guarantee and surety products are utilised generally in favour of local councils and government authorities to fulfil the requirements of the development approvals. In some cases these products are also issued to a Group subsidiary to support internal operations within the Group. The amount of contingent liabilities in the form of performance securities issued to counterparties external to the Group total $13,003,071 (2016: $14,401,238).

Capital Structure

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide return for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or adjust leverage against the projects through debt.

The Group has a modest approach to debt against its inventory, historically managing leverage against its land and medium density housing portfolio at around 35% of the inventory value of that segment. Multi-storey projects are typically for a longer term and debt is therefore more fully utilised to develop these projects. The Group mitigates various project risks on a per project basis in order to attain a greater leverage.

14 Interest bearing liabilities

	2017 $'000	2016 $'000
Current		
Secured		
Interest bearing bank loans	**1,555**	47,673
Total secured current interest bearing liabilities	**1,555**	47,673
Non-current		
Secured		
Interest bearing bank loans	**167,682**	105,152
Total secured non-current interest bearing liabilities	**167,682**	105,152
Unsecured		
Unsecured note	**48,826**	48,480
Total unsecured non-current interest bearing liabilities	**48,826**	48,480
Total non-current borrowings	**216,508**	153,632

(a) Fair value

The carrying value of the Group's current and non-current borrowings approximates their fair value due to the current interest rate approximating the market rate.

(b) Assets pledged as security

Bank loans are secured by first registered mortgages over various development properties and investment properties held by the Group, fixed and floating charges over the assets and undertaking of controlled entities, guarantees by the Group and a guarantee and indemnity of each member of the Sunland Group Master Finance Agreement.

The weighted average effective interest rate at balance date was 4.98% (2016: 5.17%) on facility limits of $357.6 million (2016: $401.6 million) and drawn down facilities of $220.6 million (2016: $203.7 million).

The carrying amounts of assets pledged as security for current and non-current borrowings are:

(b) Assets pledged as security

	2017 $'000	2016 $'000
First mortgage		
Inventories	**515,903**	506,931
Investment properties and property, plant & equipment	**27,447**	20,992
	543,350	527,923

(c) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loan agreements.

(d) Borrowings accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Where borrowings are required to be repaid out of specific property settlements, which are not available for redraw, the borrowings are classified as current to the extent settlements are projected to occur within 12 months from reporting date.

(e) Finance costs accounting policy

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Inventory is a qualifying asset and all borrowings are attributable to qualifying assets.

15 Financing arrangements

The Group had access to the following borrowing facilities at the end of the reporting year. The facilities have been split into “working capital” facilities, “project specific" facilities and unsecured notes. The working capital facilities are available to the Group on a come and go basis. The undrawn amount of the project specific facilities are available progressively for the purpose of delivering the projects they are funding:

	2017 $'000	2016 $'000
Working capital facilities available	**226,600**	213,600
Facilities utilised at balance date	**(113,010)**	(105,727)
Bank guarantees	**(3,753)**	(10,434)
Available working capital facilities not utilised at balance date	**109,837**	97,439
Project specific facilities available	**31,000**	138,000
Facilities utilised at balance date	**(7,555)**	(47,953)
Available project specific facilities not utilised at balance date	**23,445**	90,047
Corporate facilities available	**50,000**	-
Facilities utilised at balance date	**(50,000)**	-
Available corporate facilities not utilised at balance date	**-**	-
Unsecured notes available	**50,000**	50,000
Facilities utilised at balance date	**(50,000)**	(50,000)
Available unsecured notes not utilised at balance date	**-**	-

The variance between the carrying value of interest bearing bank loans and notes under the effective interest method and the facilities utilised at balance date is attributable to the carrying value of bank loans including pre-paid borrowing costs.

The following new finance facilities were established during the period:

$13,000,000	Similar terms and conditions as Sunland’s existing working capital facilities
$50,000,000	Fully drawn, 5 year, variable rate term facility provided under similar arrangements to the existing working capital facilities

The Group structures its debt funding arrangements to match the development program of its portfolio. During the period, the Group repaid a material portion of project finance facilities, renewed its working capital finance facilities and established the new facilities as disclosed above. These debt structuring activities have resulted in the weighted average maturity profile for the facilities with a fixed tenor of 41 months (2016: 28 months).

The terms of the project specific facilities generally reflect usual project specific terms for facilities of this nature and have a tenor that is sufficient for the programmed delivery of the projects they are funding.

15 Financing arrangements

(a) Interest Rate Risk

At balance date, the Group had the following exposure to changes in variable interest rates for classes of financial assets and liabilities:

	2017 $'000	2016 $'000
Financial assets		
Cash	**14,617**	19,949
Financial liabilities		
Interest bearing liabilities	**(170,565)**	(152,826)
Net exposure	**(155,948)**	(132,877)

The Group's policy in regards to interest rate hedging is dependent upon the purpose of the funding for short or long term development projects. The group's policy is weighted to floating rate in the current low interest rate environment. An interest rate swap was entered into on 25 November 2015 in respect of the $50 million unsecured note swapping the fixed rate interest payments to floating rate interest payments. The term of the swap and interest payment dates match the terms of the unsecured note. The swap had an immaterial value at balance date.

Project specific funding

The project life of residential housing developments and urban development is normally short which limits the exposure the Group has to changes in interest rates. As a result, these exposures are not normally hedged.

The project life for multi-storey developments is longer than residential housing developments however the highest debt exposure on these developments is at completion when settlements are anticipated and repayment sources are known. The Group uses interest rate hedging products to minimise the periods where significant mismatch is predicted.

16 Commitments

(a) Contractual commitments

Sunland has operating lease commitments of $1,397,000 for offices over a two year period (2016: $2,192,000 over a three year period).

17 Dividends

(a) Declared and paid during the year

	2017 $'000	2016 $'000
Fully franked dividends on ordinary shares:		
Declared previous year and paid this year		
Final dividend for FY16: 5.0 cents per share (Nil paid as final dividend for FY15 was paid in FY15)	**8,191**	-
Fully franked dividends on ordinary shares:		
Interim dividend for FY17: 4.0 cents per share (Interim dividend for FY16: 3.0 cents per share)	**6,371**	4,980

(b) Proposed and not recognised as a liability

Fully franked dividends on ordinary shares:		
Final dividend for FY17: 4 cents (Final dividend for FY16: 5 cents per share)	**6,227**	8,191
Special dividend: 2 cents per share	**3,114**	-
	9,341	8,191

On 23 August 2017, the directors declared a final dividend of 4 cents per fully paid ordinary share (2016: 5 cents). The directors also declared a special dividend of 2 cents per fully paid ordinary share funded by significant settlements from Abian and other projects between 30 June 2017 and the date of the financial statements. Both dividends are fully franked at a rate of 30% and are based on the number of shares outstanding as at the date of issue of the financial statements.

(c) Franked dividends

The amount of franking credits available for the subsequent financial year are:

	2017	2016
	$'000	$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016 - 30%)	**67,987**	78,287
Franking credits that will arise from the payment or reduce with the refund of income tax for amounts on balance sheet as at the end of the financial year	**4,270**	(6,014)
Franking credits that will reduce with the payment of dividends declared after balance date but not held as a liability on the balance sheet	**(4,003)**	(3,510)
	68,254	68,763

(d) Dividends accounting policy

Provision is made for the amount of any dividend declared, being appropriately authorised, on or before the end of the reporting period but not distributed at the end of the reporting period.

18 Contributed equity

(a) Movements in ordinary share capital

Details	**Number of shares**	**$'000**
Opening balance 1 July 2015	178,144,220	195,662
Share buy-back	(17,814,422)	(27,953)
Balance 30 June 2016	160,329,798	167,709
Share buy-back	(7,914,130)	(13,288)
Balance 30 June 2017	152,415,668	154,421

The above amounts reflect the elimination of 3,500,000 treasury shares issued at a value of $5.95 million.

Treasury shares refer to those shares issued to SEIF Pty Limited as trustee for the Sunland Employee Retirement Fund (“SERF”) in accordance with shareholders’ approval of Item 4 of the Notice of Meeting tabled at Sunland’s Annual General Meeting 6 November 2014. The shares are fully paid ordinary shares in the capital of the Company and rank equally with all other existing shares from the date issued. Under the accounting standards, Sunland is deemed to control SERF and the shares (and associated transactions) are eliminated on consolidation, thereby deducting these issued shares from issued capital whilst held by the Trustee. As these shares are deemed not to have been issued by the consolidated entity, they are not included in Sunland’s disclosures associated with net tangible assets, earnings per share and statements regarding the gross value of dividends, unless transacted by SERF outside the group. No gain or loss on treasury shares is recognised in profit and loss. Upon disposal, any gain will be recognised to a component of equity.

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. Shares have no par value.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll, each share is entitled to one vote.

The Company's Constitution is available on the website.

(c) Options

At 30 June 2017, no options (2016: nil) were outstanding over unissued ordinary shares of the Group.

(d) Share buy-back

During the year, the Group purchased and cancelled 7,914,130 (2016: 17,814,422) ordinary shares on-market. The average price paid per share was $1.68 (2016: $1.57). The share buyback is not complete.

(e) Contributed equity accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the Group purchases the Group's equity instruments, for example as the result of a share buy-back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Sunland Group Limited.

Other

19 Controlled entities

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following material subsidiaries:

Name of entity	Country of incorporation	Equity holding **2017** **%**	2016 %
Abian Residences Pty Ltd	Australia	**100**	100
Dalestan Pty Limited	Australia	**-**	100
Loxwood Pty Limited	Australia	**100**	100
Mantina Pty Limited	Australia	**100**	100
Sunland Developments No 27 Pty Ltd	Australia	**100**	100
Sunland Developments No 28 Pty Ltd	Australia	**100**	100
Sunland Developments No 32 Pty Ltd	Australia	**100**	100
Sunland Greenmount Pty Ltd	Australia	**100**	100
Royal Pines Resort Realty Pty Limited	Australia	**100**	100
Scottsland Pty Limited	Australia	**100**	100
Sunland Constructions (Abian) Pty Ltd	Australia	**100**	100
Sunland Constructions (QLD) Pty Limited	Australia	**100**	100
Sunland Constructions (VIC) Pty Limited	Australia	**100**	100
Sunland Capital Pty Limited	Australia	**100**	100
Sunland Corporate Management Pty Ltd	Australia	**100**	100
Sunland Developments No 5 Pty Limited	Australia	**100**	100
Sunland Developments No 6 Pty Limited	Australia	**100**	100
Sunland Developments No 7 Pty Limited	Australia	**100**	100
Sunland Developments No 8 Pty Limited	Australia	**100**	100
Sunland Developments No 9 Pty Limited	Australia	**100**	100
Sunland Developments No 10 Pty Limited	Australia	**-**	100
Sunland Developments No 13 Pty Limited	Australia	**100**	100
Sunland Developments No 15 Pty Limited	Australia	**100**	100
Sunland Developments No 16 Pty Limited	Australia	**-**	100
Sunland Developments No 17 Pty Limited	Australia	**100**	100
SDG Constructions Pty Ltd	Australia	**100**	100
SDG Robina Management Pty Limited	Australia	**-**	100
Sunland Developments No 21 Pty Limited	Australia	**100**	100
Sunland Developments No 22 Pty Limited	Australia	**100**	100
Sunland Developments No 23 Pty Limited	Australia	**100**	100
Sunland Developments No 25 Pty Limited	Australia	**100**	100
Sunland Developments No 26 Pty Limited	Australia	**100**	100
Sunland Funds Management Limited	Australia	**-**	100
Sunland Group (Oasis) Pty Limited	Australia	**100**	100
Sunland Group Project Management Pty Limited	Australia	**100**	100
Sunland Homes Pty Limited	Australia	**100**	100
Sunland Resources Pty Limited	Australia	**100**	100
Whittsvilla Pty Limited	Australia	**100**	100
Sunland No. 35 Pty Ltd	Australia	**100**	-
Sunland No. 36 Pty Ltd	Australia	**100**	-

(b) Acquisition/disposal of controlled entities

Name of entity	Country of incorporation	Equity holding **2017** **%**	2016 %
Sunland Funds Management Limited	Australia	-	100

Sunland Funds Management Limited was disposed of during the period for cash of $1,177,000 and at the date of sale the subsidiary held only cash $1,002,000, which represented the equity within the subsidiary.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of the financial year. Control is achieved when the Group has:

• Power over the investee (i.e. existing rights that give it current ability to direct the relevant activities of the investee)
• Exposure, or rights, to variable returns from its involvement with the investee, and
• The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

• The contractual arrangement with the other vote holders of the investee
• Rights arising from other contractual arrangements
• The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders or the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

20 Related party transactions

(a) Key management personnel

Any transactions with Directors, director related entities, other Key Management Personnel and their related entities, including the acquisition of products and services, are carried out in the ordinary course of business and on terms no more favourable than those which it is reasonable to expect the Group would have adopted in an arms length transaction.

During a prior year, the Group launched its Abian Apartment development in Brisbane. Apartments were offered to various purchasers and Sunland employees' for a 5% discount to the original list price. The discount was not at a detriment to the Group as the normal commercial commission forecast to be paid by the Group on external sales was up to 6%.

In a prior year, Directors and Key Management Personnel and close family members of Directors and Key Management Personnel purchased two apartments in the Abian development for a combined total list price of $4,435,000. During the comparative financial year, one of these personnel upgraded their purchase to a higher value apartment by rescinding the original contract and entering into a new contract resulting in a combined total list price of the purchases of $4,630,000. The terms and conditions of the new contract are the same as those entered into in the prior year.

During this period, one of the Abian apartments purchased by a KMP settled for $500,000.

During a previous financial period, key management personnel purchased $5.18m in the unsecured notes which remains outstanding at balance date. The terms and conditions of this related party transaction were the same as those of the other note holders (note 14)

(b) Terms and conditions

Sales to related parties are made in arm’s length transactions both at normal market prices and on normal commercial terms. Sunland management regards the above described discount as arm's length as the discount reflects a reasonable commission saving being passed onto the purchaser.

21 Key management personnel disclosures

Key management personnel

Directors
Directors were in office for the entire period except where noted.

Mr Sahba Abedian Managing Director
Mr Soheil Abedian Chairman (Executive)
Mr Ron Eames Director (Non-Executive)
Mr Craig Carracher Director (Non-Executive)
Mr Christopher Freeman Director (Non-Executive)

Key management personnel
Mr Grant Harrison Company Secretary & Chief Financial Officer

(a) Key management personnel compensation

	2017 $	2016 $
Short-term employee benefits (salaries)	**1,962,168**	1,956,190
Post-employment benefits (superannuation guarantee)	**79,671**	78,747
	2,041,839	2,034,937

Detailed remuneration disclosures are provided in the remuneration report.

(b) Equity instrument disclosures relating to key management personnel

(i) Share holdings of key management personnel

The numbers of shares in the Group held during the financial year by each Director of Sunland Group Limited and other key management personnel of the Group, including their personally related parties, are 60,476,178 (2016: 56,946,178). There were no shares granted during the reporting period (2016: nil) as compensation.

(c) Loans to key management personnel

There were no loans provided to key management personnel during the financial year.

(d) Indemnity payouts to key management personnel

Under the Company's constitution, directors and officers are entitled to be indemnified out of the assets of the Company against certain losses incurred in relation to the execution of their duties. During the period, the Company granted indemnity to various directors and officers and those costs are expensed as incurred. The Company seeks indemnity where available under its insurance policy for these expenses.

(e) Other transactions with key management personnel

There were no other transactions with key management personnel.

22 Remuneration of auditors

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

Ernst & Young

	30 June 2017 $	30 June 2016 $
Amounts received or due and receivable by Ernst & Young:		
Audit and review of financial statements	**216,750**	214,770
Total remuneration for audit and other assurance services	**216,750**	214,770
Taxation services		
Tax compliance services	**96,715**	165,519
Tax advice	**22,260**	86,237
Total remuneration for taxation services	**118,975**	251,756
Total remuneration for other services	**-**	-
Total remuneration	**335,725**	466,526

It is the Group policy to employ Ernst & Young on assignments additional to their statutory audit duties where Ernst & Young expertise and experience with the Group are important. These assignments are principally tax advice and accounting advice, or where Ernst & Young is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for major assignments.

23 Financial risk management

The Group's principal financial instruments comprise receivables, payables, bank loans, unsecured notes and cash.

The Group manages its exposure to key financial risks, including interest rate, liquidity and credit risk, in accordance with the Group's financial risk management framework. The Board has overall responsibility for the establishment and oversight of the risk management framework. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls, and to monitor risks and adherence to limits.

The Group's Audit and Risk Committee oversees how management monitors compliance with the Group's risk management framework and reviews the adequacy of the framework in relation to the risks faced by the Group. Management undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts. Credit risk is managed through thorough due diligence of counterparties and ensuring there is no significant concentration of credit risk.

(a) 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's objective is to maintain a balance between continuity of funding and flexibility through the use of project specific bank loans for the construction of multi storey projects, term facilities for the funding of longer dated projects, and committed revolving credit lines utilised to finance land and medium density development projects. The project specific facilities will operate in line with the development programme of each multistorey project. The revolving credit lines available are as follows:

(a) Liquidity risk

- A 3-year evergreen facility of $153.6 million expiring 29 July 2020; and
- A 2-year evergreen facility of $60 million expiring 30 November 2019.

The term facilities available are as follows:

- A 5-year fixed term facility of $50 million expiring 8 May 2022; and
- A 5-year unsecured note of $50 million expiring 25 November 2020.

Facilities are reviewed by the lender annually for compliance with facility terms and covenants.

Maturities of consolidated financial assets and financial liabilities

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative instruments.

The amounts disclosed in the table are the contractual undiscounted cash flows. Where the impact of the discounting is not significant on balances due within 12 months, the amounts disclosed equal their carrying balances.

Maturity analysis of consolidated financial assets and financial liabilities

At 30 June 2017	Less than 1 year $'000	1 - 2 years $'000	Between 2 and 5 years $'000	Total $'000
Financial assets				
Cash assets	**14,617**	**-**	**-**	**14,617**
Receivables	**79,053**	**-**	**-**	**79,053**
	93,670	**-**	**-**	**93,670**
Financial liabilities				
Payables	**25,778**	**-**	**2,000**	**27,778**
Interest bearing liabilities	**14,224**	**12,600**	**237,417**	**264,241**
	40,002	**12,600**	**239,417**	**292,019**
Net maturity	**53,668**	**(12,600)**	**(239,417)**	**(198,349)**

At 30 June 2016	Less than 1 year $'000	1 - 2 years $'000	Between 2 and 5 years $'000	Total $'000
Financial assets				
Cash assets	19,949	-	-	19,949
Receivables	27,849	-	-	27,849
	47,798	-	-	47,798
Financial liabilities				
Payables	24,715	-	2,000	26,715
Interest bearing liabilities	18,176	107,168	109,734	235,078
	42,891	107,168	111,734	261,793
Net maturity	4,907	(107,168)	(111,734)	(213,995)

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and receivables. The Group’s exposure to credit risk is influenced mainly by the individual characteristic of each customer.

Receivables primarily take the form of:

- Receivables from parties that may be provided in the consideration for development rights over land;
- Contracts over the sale of developed product; and
- Deposits with financial institutions

The Group’s exposure to credit risk arises from the potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. In respect to loans and receivables, the credit risk is mitigated by the Group controlling the development site/product and taking appropriate security to protect its position.

In respect to contracts for the sale of product, purchasers of lots or apartments off-the-plan are required to make a deposit on signing of the contract with the balance to be paid when the lots or land is released to the customer. The deposit held is generally 10% of the contract price.

The Group manages risk related to cash deposits with financial institutions by only depositing funds in institutions which have sufficient credit worthiness in line with Group policy.

The Group does not use credit derivatives to offset credit exposures.

24 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity, Sunland Group Limited, show the following aggregate amounts:

	2017	2016
	$'000	$'000
Balance sheet		
Current assets	**18,932**	20,257
Non-current assets	**306,615**	262,124
Total assets	**325,547**	282,381
Current liabilities	**10,017**	690
Total liabilities	**10,017**	690
Net assets	**315,530**	281,691
Shareholders' equity		
Issued capital	**160,373**	173,661
Retained earnings	**155,157**	108,030
Total Equity	**315,530**	281,691
Profit or loss for the year	**61,693**	22,441
Total comprehensive income	**61,693**	22,441

The parent entity has bank guarantees for uncompleted works and contingent liabilities as described in Note 13.

The parent entity profit was derived from intercompany dividends and other transactions with subsidiaries.

25 Segment reporting accounting policy

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same group), whose operating results are regularly reviewed by the Group'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. The Group will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of Directors.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments are identified based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these operating segments is reported to the Managing Director on at least a monthly basis.

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,
• Nature of the development and construction processes,
• Type or class of customer for the products and services, and
• Methods used to distribute the products or provide the services.

Land and housing operations and multistorey operations each meet the aggregation criteria and are reported as one segment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “other segments”. It is the Group’s policy that if items of revenue and expense are not allocated to operating segments, then any associated assets are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believes would be inconsistent.

The following items and associated assets are not allocated to operating segments as they are not considered part of the core operations of any segment:
- Legal fees
- Employee benefits expenses
- Assets excluding inventory and investment properties
- Group corporate marketing expenses
- Accounting and audit fees
- Administration expenses and depreciation
- Tax balances

Inter-segment pricing is determined on an arm’s length basis in a manner similar to transactions to third parties.

Segment results, being development return and assets include items directly attributed to a segment as well as those that can be allocated on a reasonable basis. Segment revenue, expenses and results include transfers between business segments, these are eliminated on consolidation. Unallocated items mainly comprise corporate assets and expenses.

26 Fair value measurements

(a) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability, or
• In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
• Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The Group does not have any financial instruments measured at fair value. The fair value of cash, trade and other payables and trade and other receivables approximate their carrying values, largely due to the short-term maturities of these instruments.

27 Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. Amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar.

28 Impairment of assets accounting policy

At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. Where an indicator of impairment exists, or when annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

29 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and beyond. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Standard	Application date of standard	Impact on Group financial report	Application date commencing for the Group
AASB 15	*Revenue from Contracts with Customers*	1 January 2018	A project has commenced on assessing the expected impact of this standard on the Group's various sources of revenue. In respect of the Group's most significant source of revenue, sale of properties, Sunland currently recognises revenue upon the transfer of the risks and rewards of ownership, which is often in advance of settlement. The Group currently is assessing contracts for the sale of property and the relevant legal frameworks against the requirements of AASB 15 in the transfer of control of the goods. At the current stage of the project, a definitive conclusion has not been formed on the impact of this standard to the Group financial statements.	1 July 2018
AASB 9	*Financial Instruments*	1 January 2018	A conclusion has not been formed on the impact of this standard to the Group financial statements	1 July 2018
AASB 16	*Leases*	1 January 2019	Whilst the gross up of the statement of financial position and impact to EBIT and EBITDA under the proposed standard has not been assessed for the Group financial statements, Sunland is not a significant lessee.	1 July 2019

Directors' declaration

In accordance with a resolution of the directors of Sunland Group Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes set out on pages 27 to 62 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 2017 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

Mr Sahba Abedian
Managing Director

Dated this 23 August 2017.

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Independent Auditor's Report to the Members of Sunland Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sunland Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Net Realisable Value ("NRV") of Inventories

Refer to Note 6 to the financial report.

Why significant	How our audit addressed the key audit matter
The NRV of the Group's inventory portfolio is influenced by fluctuations in the Australian property market and expected future conditions such as availability of finance for home-owners and investors. The Group undertakes a review of its land holdings and development projects to ensure each individual land holding or development project is valued at the lower of cost or NRV in accordance with Australian Accounting Standard - AASB 102 *Inventories*. The NRV testing is a key audit area given the nature of the activities, the complexity of the estimation process, and the significant judgments made in the assumptions used in the estimates. The NRV is based on future cash flows, which depend on key assumptions relating to future sale prices, construction costs and costs necessary to make the sale.	We obtained the Group's assessment of NRV over the inventory portfolio. In obtaining sufficient audit evidence, we: · Compared the Group's current forecast assumptions to recent actual project performance (i.e. sales prices, sales rates and margins achieved) during the period and subsequent to year-end; · Assessed the design and operating effectiveness of relevant controls relating to the NRV process and tested a sample of source data used to support the inputs into the feasibilities; · Enquired of the development managers to understand changes in key feasibility assumptions since our previous audit of the NRV assessment as a result of current market conditions, and changes in strategy adopted in the revised feasibilities and examined supporting documentation for these changes; · For projects considered higher risk due to their location, expected duration or lower forecast margins, we involved our real estate valuation specialists to assess the key assumptions including the sales price and sales rates; and · Considered the disclosures of the Group regarding the assumptions that most affect the determination of the net realisable value which are included in note 6 to the financial report.

Accrued Revenue Recognition for Sale of Properties

Refer to Note 9 to the financial report.

Why significant	How our audit addressed the key audit matter
Recognition of sale of properties is based on when the significant risks and rewards of ownership and effective control of the properties have passed from the Group to the buyer. This is generally considered to be upon settlement, however, where settlement has not occurred, the Group assesses whether the risks and rewards of ownership and effective control have passed. Given this assessment, there is a risk of improper recognition of revenue for sale of properties. Revenue is considered an important parameter to assess the performance of Sunland Group Limited and therefore is considered a key audit matter.	We obtained the Group's assessment of revenue to be accrued at 30 June 2017. In obtaining sufficient audit evidence, we: · Tested a sample of the accrued revenue transactions to assess whether revenue was recognised in the appropriate period and that the revenue recognised reconciled to the underlying contracts. · Examined a sample of the underlying contracts to evaluate whether specific criteria in relation to the transfer of significant risks and rewards of ownership were met. · Assessed the adequacy of related disclosures in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in page 33 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Sunland Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane
23 August 2017

Shareholder

The Shareholder information set out below was applicable as at 3rd August 2017.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security	
	Ordinary shares	
Holding	**Number of holders**	**Shares**
1 - 1000	929	397,436
1,001 - 5,000	1,236	3,385,888
5,001 - 10,000	531	4,079,690
10,001 - 100,000	548	14,088,568
100,001 and over	81	133,964,086
	3,325	155,915,668

There were no options held at 3rd August 2017.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	**Ordinary shares**	
	Number held	**Percentage of issued shares**
Havannah Pty Limited	29,250,000	18.76
Pacific Development Corporation Pty Limited	18,250,000	11.71
HSBC Custody Nominees (Australia) Limited	11,946,290	7.66
JP Morgan Nominees Australia Limited	11,748,262	7.54
Citicorp Nominees Pty Limited	10,580,536	6.79
Lloyds & Casanove Investment Partners Limited	4,000,000	2.57
Sahba Abedian	3,657,510	2.35
SEIF Pty Limited	3,500,000	2.24
Citicorp Nominees Pty Ltd	3,497,679	2.24
Mr Sahba Abedian	3,245,032	2.08
BNP Paribas Noms Pty Ltd	3,147,964	2.02
National Nominees Limited	2,878,623	1.85
Rainham Pty Limited	2,821,875	1.81
Pacific Development Corporation Pty Ltd	2,500,000	1.60
BNP Paribas Noms Pty Ltd	2,299,009	1.47
RBC Investor Services Australia Nominees Pty Limited	1,176,669	0.75
R & M Corporation Pty Ltd	1,103,125	0.71
Mrs Julia Craike	912,296	0.59
Mrs Anne Jamieson	853,000	0.55
Ovens-Brown Pty Ltd	778,800	0.50
	118,146,670	75.79

C. Substantial holders

Substantial holders in the company are set out below:

	Number held
Havannah Pty Limited	29,250,000
Pacific Development Corporation Pty Ltd	18,250,000
HSBC Custody Nominees (Australia) Limited	11,946,290
JP Morgan Nominees Australia Limited	11,748,262
Citicorp Nominees Pty Limited	11,946,290

D. Voting rights

There were 3,325 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares are set out in Article 5.8 and 5.9 of The Company's Articles of Association. The articles indicate that:

(a) at a meeting of members each member entitled to vote may vote in person or by proxy or attorney; and
(b) on a show of hands every member present has one vote, and on a poll every member present in person or by proxy or attorney has one vote for each ordinary share the member holds.

E. On-market buy back

During the current year, the Company undertook an on-market share buy-back program which is continuing.

F. Non-marketable parcel of securities

Holders holding less than a marketable parcel of securities (based on the closing market price as at 3rd August 2017) was 23,546 securities for 395 holders.