Appendix 4E – Preliminary Final Report Given to the ASX Under Listing Rule 4.3A for the Year Ended 30 June 2018

1. Company details

Name of entity:	Land & Homes Group Limited
ACN:	090 865 357
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

			Current Year
Revenue	down by $2,754,324	to	$242,403
Loss from ordinary activities after tax attributable to the owners of Land & Homes Group Limited	(a decrease of $3,115,622)		$3,100,957
Net loss for the period attributable to the owners of Land & Homes Group Limited	(a decrease of $3,115,622)		$3,100,957

3. Dividends Paid and Proposed

	Dividends Amount per security	Franked amount per security
Final dividend	nil cents	nil cents
Interim dividend	nil cents	nil cents
Previous corresponding period		
Final dividend	nil cents	nil cents
Interim dividend	nil cents	nil cents

4. Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to pages 14 and 18 to 42 of the Financial Report Year Ended 30 June 2018 and accompanying notes for Land & Homes Group Limited.

5. Statement of Financial Position with Notes to the Statement

Refer to pages 15 and 18 to 42 of the Financial Report Year Ended 30 June 2018 and accompanying notes for Land & Homes Group Limited.

6. Statement of Cash Flows with Notes to the Statement

Refer to pages 17 and 18 to 42 of the Financial Report Year Ended 30 June 2018 and accompanying notes for Land & Homes Group Limited.

7. Commentary on Results

	30 June 2018	30 June 2017
Earnings per share		
Basic (and diluted) earnings per share	(0.3012)	0.0014
Net tangible asset per share ($/share)	0.011	0.014

8. Control or Loss of control over entities

No change to the subsidiaries held within the Group during the current Financial Year.

9. Status of Audit

The audit of the Financial Report Year Ended 30 June 2018 financial statements and accompanying notes for Land & Homes Group Limited has been completed and is annexed hereto.

ANNUAL GENERAL MEETING:
The Annual General Meeting is to be held on Thursday 21 November 2018.

For further information:
www.landnhomesgroup.com
or
info@landnhomesgroup.com

Land & Homes Group Limited

ACN: 090 865 357

Annual Financial Report

For the Year Ended 30 June 2018

Land & Homes Group Limited

ACN: 090 865 357

Contents

Directors' Report
30 June 2018

The Directors present their report on Land & Homes Group Limited (the "Company") and its subsidiaries (referred to hereafter as the "Group"), for the financial year ended 30 June 2018.

Directors

The names of the Directors of the Group in office during the financial year and up to the date of this report are:

- Choon Keng (CK) Kho – Non-Executive Chairman
- Peter Henry Mackinlay – Independent Non-Executive Director / Deputy Chairman
- Patrick Chuan Thye Kho – Non-Executive Director
- Shawn Chuan Chi Kao – Independent Non-Executive Director
- Kwee Jee Lee – Independent Non-Executive Director
- Kim Huat Koh – Independent Non-Executive Director
- Grant Archibald – Independent Non-Executive Director
- Charles Chow Cher Lim – Non-Executive Director
- Siew Goh – Non- Executive Director

Unless noted above, directors have been in office since the start of the financial year to the date of this report.

Company Secretary

- Andrew Cooke - details of the company secretary's experience are set out below under 'Information on Directors'.

Principal activities and significant changes in nature of activities

The principal activity of the Group is to develop quality, medium to high-density residential apartments initially focusing on the city of Brisbane.

Review of operations and operating results

The Land & Homes Group, is focussed on servicing the growing needs of property investors from Asia who are targeting investment in Australia. Through its board and management, the Group will have strong ties to Asian markets. As a result, the Group will be well positioned to meet the needs of the growing number of qualified offshore investors from the wider region, including Singapore and Hong Kong.

The Group's preferred property development model is to develop quality, medium to high density residential apartments in South East Queensland, focussing initially on Brisbane. The residential developments are to be in attractive, convenient locations of the inner Brisbane area suitable for a balance of both investors and owner occupiers.

Currently, the Group owns two properties in Brisbane, 207 Wharf Street, Spring Hill and 100 Barry Parade Fortitude Valley. It is the Group's intention to redevelop these properties into a multi-storey mixed use properties. The Group's seeks to invest and earn recurrent income or to sell when appropriate to realise capital gains on these investments.

The loss after income tax of the Group for the financial year amounted to $3,100,957 (2017: profit of $14,665). The loss is largely driven by the reduction in rental income. A key tenant at 207 Wharf Street, the Australian Federal Police vacated the property in May 2017 upon expiration of the lease.

Financial position

The net assets of the Group at 30 June 2018 are $11,909,669 (2017: $15,010,626). On 31 October 2017 the Land & Homes Group Limited announced that it would be conducting a private placement of Convertible Notes to sophisticated investors initially to raise up to $3.0 million. The first Notes were issued on 3rd November 2017 and as at 30 June 2018, $2,189,107 in Class A Notes and $417,995 in Class B Notes had been issued. In addition to issuing further convertible notes, the company is also considering various options such as Joint Venture partners' participation, a further rights issue and/or private placements, to cover any cash shortfalls for working capital and development requirements.

Dividends Paid or Recommended

No dividends were paid during the period and no recommendation is made as to the payment of a dividend.

Significant changes in the state of affairs

There have been no significant changes in the state of the affairs of the Group for the financial year.

Events after the end of the reporting period

In August 2018, the Group entered into an agreement to sell the 207 Wharf Street property for $22,000,000. This was an unsolicited sale, the property was held by the Group for redevelopment purposes.

Since 30 June 2018, a further $457,678 Convertible Note A have been issued (bringing the current total to $2,650,594).

Likely developments

Other than information disclosed elsewhere in this report, information on likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this directors' report because the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the Group.

Environmental regulations

The Group is subject to compliance with both Commonwealth and State environment protection legislation. The directors are satisfied that adequate policies and procedures are in place to ensure the Group's compliance with the applicable legislation. The Group is not aware of any incidents that have resulted in material non-compliance with environmental regulations during the financial year and up to the date of the directors' report.

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the financial year and to the date of this report are:

Mr Choon Keng (CK) Kho	**Non-Executive Chairman**
Qualifications	Mr CK Kho graduated with First Class Honours in BSc (Engineering) from King's College University of London. He was also awarded the President's Scholarship by the Government of Singapore.
Experience	Mr Kho served in the Singapore Civil Service until joining Lian Huat Group in Singapore in 1985 and has extensive experience in developing major property projects in Australia, Singapore and China. After joining the Lian Huat Group, Mr Kho was responsible in upgrading and modernising the group's management systems and expansion plan while preserving the qualities of the traditional Chinese ethics and culture to lead the group to be one with international perspectives and practices and yet nimble with long-term vision. Mr Kho is the Non-Executive Chairman of LionHub Group Limited (ASX:LHB).
Deemed interest in shares	503,159,092 (June 2017: 503,159,092)
Mr Peter Henry Mackinlay	**Non-Executive Director / Deputy Chairman**
Qualifications	Mr Mackinlay is a Fellow of the Australian Institute of Company Directors, Fellow of FINSEA and a Life Member of the Overseas Bankers Association of Australia.
Experience	Mr Mackinlay has been in the banking industry since 1961, having commenced with the National Bank of Australasia in managerial roles in Australia, Singapore and Hong Kong. In 1995, Mr Mackinlay was recruited by Singapore based Overseas Union Bank Limited as a Regional Head for Australia and New Zealand. From 2001, Mr Mackinlay was appointed as Head of Australasia, Overseas Union Bank of Singapore and retired in March 2014 when he was CEO of Australia and New Zealand of United Overseas Bank, Singapore, following the merger with Overseas Union Bank. In April 2002, Mr Mackinlay was appointed by the Singapore Government as the Honorary Business Representative (Sydney) for International Enterprise Singapore and held that

	position until December 2008.
Interest in shares	Nil
Mr Patrick Chuan Thye Kho	**Non-Executive Director**
Qualifications	Mr Patrick Kho read Electrical and Electronic Engineering in St Johns College at the University of Cambridge and graduated in 1988 with a Second Class Upper BA degree. He subsequently obtained a MA from the University of Cambridge in 1991. Mr Kho is also a Chartered Financial Analyst.
Experience	A Singapore Armed Forces scholar, Mr Kho served his scholarship bond with the Singapore Armed forces until 1996 when he left to join Lian Huat Group. During his 12 years military career, Mr Kho served in various command and staff leadership positions in the Republic of Singapore Air Force. In the field, he commanded Air Defence Artillery missile units while in the HQ he was responsible for the air force manpower planning and policy as well as the development of air force training policy. As the Group Managing Director of Lian Huat Group, Mr Kho manages the Lian Huat Group's Singapore property development and investment businesses as well as the Lian Huat Group's property investments and hotel businesses in Australia and China. In recent years, he spearheaded property development projects in Singapore. Mr Kho is a Non-Executive Director with LionHub Group Limited (ASX:LHB).
Deemed interest in shares	503,159,092 (June 2017: 503,159,092)
Mr Shawn Chuan Chi Kao	**Non-Executive Director**
Qualifications	Mr Kao obtained his Business Administration degree from Fullerton University in the USA and a Master degree in Hotel Management in 2009 from Hotel and Tourism Management Institute (HTMi) in Switzerland.
Experience	Mr Kao is an experienced investment and real estate professional with extensive expertise in China and Singapore. Among his executive and non-executive roles in Asia, he is currently Executive Chairman of San Teh Ltd, an SGX listed company with extensive business in China and Singapore, which include real estate, hotel investment and manufacturing. In addition, Mr Kao actively involves himself in trade associations, having assumed the leadership position of Vice President at the Shanghai Overseas Chinese Chamber of Commerce in 2004, providing assistance to those who are interested in running businesses in China and promoting investment in China. Mr Kao is the Executive Chairman of San Teh Ltd (SGX:S46)
Deemed interest in shares	207,356,000 (June 2017: 207,356,000)
Ms Kwee Jee Lee	**Non-Executive Director**
Qualifications	Ms Lee obtained her BSc (Hons) and MSc from the University of Singapore and attended an Executive Development Programme in INSEAD, Fontainebleau.
Experience	Ms Lee had very extensive experience in both the public and private sector. She spent 20 years in the public sector formulating and overseeing policies in the Ministries of Finance, Defence and the Environment of the Government of Singapore. Her scope of work included finance and budgetary control, personnel and human resource allocation, public relations and international relations. Ms Lee also spent a further 20 years in the private sector, working in manufacturing, electronic and technology companies, including Electronic Component of General Electric (USA), TDB Holdings Pte Ltd, ST Aerospace Pte Ltd, and Singapore Technologies Pte Ltd. She held key positions in these companies, mostly specialised in human resources and building strategic relationships for these companies, both locally and internationally, to expand and promote their operations and businesses. Prior to her retirement, Ms Lee was the SVP (Strategic Relations and Corporate Communications) of Singapore Technology Telemedia Pte Ltd where she spent over 9 years building and strengthening external relationships with the media, the public and international partners. Ms Lee is a Non-Executive Director with LionHub Group Limited (ASX:LHB).
Interest in shares	Nil

Directors' Report
30 June 2018

Mr Kim Huat Koh	**Non-Executive Director**
Qualifications	Mr Koh graduated from National University of Singapore in Bachelor of Engineering (civil), 2nd Upper Honors.
Experience	Mr Koh spent many years serving the Singapore Government in different departments. They included administrative service of Singapore Government, its diplomatic mission in Shanghai and Government of Singapore Investment Corporation (GIC). Mr Koh has extensive experience as a member on the boards of many private and publicly listed companies, including Singapore and Hong Kong-listed Rowsley Ltd, UPP Holdings Ltd, Eagle Brand Holdings Ltd and Hong Kong Fortune Ltd. He was Executive Director of Hong Kong Fortune Ltd in 1994 and retired in May 2013 as Executive Chairman of UPP Ltd. Mr Koh has intimate knowledge of China and of property development. He was head of Singapore's diplomatic missions in Shanghai from 1991 until 1994. He then went on to head up the property businesses for Chia Tai group in China. Chia Tai was then one of the largest foreign investors in China. Its property investments include the commercial downtown of Pudong, Shanghai and other cities. He was also a director of Vantage Bay, a company involved in property development in Iskandar Johor. Mr Koh is a Non-Executive Director with LionHub Group Limited (ASX:LHB).
Interest in shares	Nil
Mr Grant Archibald	**Executive Director** (Non-Executive Director to 31 January 2017, Executive Director from 1 February 2017)
Qualifications	Mr Archibald is a graduate in Construction Management of RMIT in Melbourne and a Full Member of the Australian Institute of Building since 1974.
Experience	Mr Archibald spent 10 years in Melbourne as a construction company executive before moving to Sydney and gaining extensive experience in the overall delivery of major hotels, large-scale retail and residential projects. Since 1993, he has acted as CEO and director of a number of major development project companies for investors from Malaysia, Singapore and China. In this role he was responsible for the successful undertaking of substantial property investment commitments. Mr Archibald's duties and experience have included most aspects of the related fiduciary duties required for corporate formation, operation, governance and accountability. From 2008 to 2012 Mr Archibald was a senior management executive for a publicly listed development corporation based in Shanghai, where he was responsible to lead the international consultant team on developing large scale mixed use projects. Mr Archibald returned to Australia and established a residential property development company undertaking a variety of large scale projects for Chinese and Australian investors.
Interest in shares	Nil
Mr Charles Chow Cher Lim	**Non-Executive Director**
Qualifications	Mr Lim holds a B.A. Hons (Economics & Finance) degree from the University of California, Los Angeles.
Experience	Mr Lim has over 20 years of experience in Finance and Management. He was formerly a Chief Financial Officer and Executive Director of a public listed company in Singapore that had investments in property, publishing, and manufacturing of consumer products, in various countries including Australia, UK, France, and several South East Asian countries. In that capacity, he had executed several cross-border M&A and other corporate finance transactions.
Interest in shares	Nil
Ms Siew Goh	**Non-Executive Director; Chief Operations Officer (to 17 November 2016)**
Qualifications	Prior to Ms Goh's return to Australia, she was an Associate Director in a Singapore based investment company, Temasek Holdings Limited (one of the biggest sovereign fund managers in the world) and has also spent several years working in Temasek's subsidiaries – Temasek Management Services Pty Ltd and Singapore Technologies Pte

	Ltd. Ms Goh led a team to plan, organise and manage high profile events in Singapore, Asia and Europe for diplomats and senior regional corporate leaders.
Experience	Ms Goh has extensive experience working in regional corporate environment. She has a diverse range of industry skills and experience in the areas of international corporate events management, marketing communications and strategic relations. Ms Goh is the Head of Operations of LionHub Group Limited (ASX:LHB).
Interest in shares	Nil

Information on Company Secretary

Mr Andrew Cooke	**Appointed 1 March 2016**
Qualifications	LLB
Experience	Andrew has more than twenty years' experience in law and corporate finance and has served as the Company Secretary of a number of listed companies. He is responsible for the company secretarial function together with stock exchange and regulatory compliance.

REMUNERATION REPORT (AUDITED)

Remuneration policy

The remuneration policy of Land & Homes Group Limited has been designed to align Key Management Personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Land & Homes Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy has been developed by the Board of Directors.
- A base salary which is based on factors such as length of service and experience, and includes superannuation, fringe benefits, and performance incentives.
- Performance incentives are based on predetermined key performance indicators.
- Incentives paid in the form of options or rights are intended to align the interests of the KMP and Group with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Remuneration Committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sector. The Remuneration Committee consists of Choon Keng (CK) Kho, Patrick Chuan Thye Kho, Kwee Jee Lee and Kim Huat Koh.

The performance of KMP is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the law, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to KMP is valued at the cost to the Group and expensed. The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is $600,000 as approved at the general meeting on 2 November 2015.

Directors' Report
30 June 2018

Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests.

Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with KMP to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Employment details of members of KMP

The following table provides employment details of persons who were, during the financial year, members of KMP of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

The names of the directors of Land & Homes Group Limited and their position are set out on page 3 above. The other key management personnel of the Group consisted of the following Senior Executives:

Joanne Chin – General Manager (commenced 29th of January 2018)

Table of benefits and payments

	Short Term Employment Benefits				Post Employment Benefits			
2018	**Salary, fees and leave**	**Bonus**	**Non-mon etary**	**Termination payments**	**Superannuation**	**Share based payments**	**Total**	**Proportion of remuneration that is performance based**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Directors								
Choon Keng (CK) Kho (Chairman)	-	-	-	-	-	-	-	-
Peter Henry Mackinlay	69,996	-	-	-	6,650	-	76,646	-
PatrickChuan Thye Kho	-	-	-	-	-	-	-	-
Shawn Chuan Chi Kao	30,000	-	-	-	-	-	30,000	-
Kwee Jee Lee	45,000	-	-	-	4,275	-	49,275	-
Kim Huat Koh	35,000	-	-	-	-	-	35,000	-
Grant Archibald	106,644	-	-	-	10,131	-	116,775	-
Charles Chow Cher Lim	-	-	-	-	-	-	-	-
Siew Goh	-	-	-	-	-	-	-	-
	286,640	-	-	-	21,056	-	307,696	
Senior Executives								
Joanne Chin, General Manager[4]	114,719	-	-	-	10,898	-	125,617	-
	114,719	-	-	-	10,898	-	125,617	
Total	**401,359**	**-**	**-**	**-**	**31,954**	**-**	**433,313**	

Directors' Report
30 June 2018

Table of benefits and payments

	Short Term Employment Benefits				Post Employment Benefits			
2017	**Salary, fees and leave**	**Bonus**	**Non-monetary**	**Termination payments**	**Superannuation**	**Share based payments**	**Total**	**Proportion of remuneration that is performance based**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Directors								
Peter Henry Mackinlay	69,996	-	-	-	6,650	-	76,646	-
Shawn Chuan Chi Kao	30,000	-	-	-	-	-	30,000	-
Kwee Jee Lee	45,000	-	-	-	4,275	-	49,275	-
Kim Huat Koh	35,000	-	-	-	-	-	35,000	-
Grant Archibald	79,777	-	-	-	7,579	-	87,356	-
	259,773	-	-	-	18,504	-	278,277	
Senior Executives								
Noel Woodward, CEO[1]	134,114	-	-	-	8,311	-	142,425	-
Simon Tillbrook, General Manager[2]	81,504	-	-	-	3,303	-	84,807	-
	215,618	-	-	-	11,614	-	227,232	
Total	**475,391**	**-**	**-**	**-**	**30,118**	**-**	**505,509**	

[1]Noel Woodward commenced employment on 13 June 2016 and resigned on 14 December 2016.
[2]Simon Tillbrook commenced employment on 27 July 2015 and resigned 8 September 2016.
[4]Joanne Chin commenced employment on 29 January 2018.

Cash performance-related bonuses

No cash bonuses, performance related bonuses and share based payments were made during the current financial year.

Equity holdings of key management personnel

Directors' Interests

The relevant interest of each director in the shares and options issued by the Group, as notified by the Directors to the ASX in accordance with section 205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
30 June 2018		
Non-Executive Directors		
Choon Keng (CK) Kho (Chairman)	503,159,092	363,636,368
Patrick Chuan Thye Kho	503,159,092	363,636,368
Shawn Chuan Chi Kao	207,356,000	114,712,000

Option holdings

No options were held by key management personnel during the financial year ended 30 June 2018.

Service Contracts

Service contracts have been entered into by the Group with senior executives, describing the components and amounts of remuneration applicable on their initial appointment, including terms and performance criteria for performance-related cash bonuses. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the Remuneration Committee to align with changes in job responsibilities and market salary expectations.

Joanne Chin

Contract term	Commenced 29 January 2018.
Base salary	$295,650 per annum inclusive of superannuation.
Termination payments	Two months' written notice by either party.

Grant Archibald

Contract term	Appointed as an Executive Director (Non-Executive Director to 1 February 2017, Executive Director from 1 February 2017) with no fixed term
Base salary	$156,000 per annum inclusive of superannuation and director's fee
Termination payments	Mr Archibald will continue in this capacity until such time as the company appoints a Chief Executive Officer or General Manager

No other transactions with Key Management Personnel occurred during the 2018 financial year.

"End of Remuneration Report (Audited)"

Meetings of directors

During the financial year, one meeting of directors (including committees of directors) was held. Attendance by each director during the year was as follows:

	Directors' Meetings		Audit and Risk Management Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Choon Keng (CK) Kho	9	9	-	-	2	2
Peter Henry Mackinlay	10	10	7	7	-	-
Kwee Jee Lee	10	10	7	7	2	2
Charles Chow Cher Lim	10	10	7	7	-	-
Siew Goh	10	10	-	-	-	-
Kim Huat Koh	10	9	-	-	2	2
Patrick Chuan Thye Kho	10	10	7	6	2	2
Grant Archibald	10	10	-	-	-	-
Shawn Chuan Chi Kao	10	9	-	-	-	-

Share options

Unissued ordinary shares of Land & Homes Group Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
12 August 2016	12 August 2021	Nil	319,011,528
12 August 2016	12 August 2021	Nil	25,215,828
12 August 2016	12 August 2021	Nil	3,000,000

Under the Rights Issue completed on 12 August 2016, two listed options are attached to each new share issued, resulting in 319,011,528 options issued with an exercise price of $0.20. Due to oversubscription, the Group made a private placement of 12,607,914 shares with 25,215,828 attaching options on the same terms as the Rights Issue. In addition, the Group made a private placement of 3,000,000 options as part of a fee arrangement for services rendered.

There were no options issued under an employee share option plan during the period.

Indemnification and insurance of officers and auditors

During the financial year, the Group paid insurance premiums of $27,417, to insure the Directors and Officers of the Group against certain risks associated with their activities as Officers of the Company.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Group.

Proceedings on behalf of Company

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

The Group was not a party to any such proceedings during the year.

Non-audit services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no non-audit services paid or payable to the auditor of the parent entity, its related practices and non-related audit firms during the year ended 30 June 2018 (2017: Nil).

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 13 of the financial report.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: ....
Choon Keng Kho

Dated this day 30th day of August 2018

dfk laurence varnay
LEADING ACCOUNTANTS AND BUSINESS ADVISERS

Land and Homes Group Limited
ACN: 090 865 357

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Land and Homes Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2018, there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

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

DFK Laurence Varnay

Faizal Ajmat
Partner
Sydney
Date: 30 August 2018

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Land & Homes Group Limited
ACN: 090 865 357

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

	Note	Consolidated Entity 2018 $	2017 $
Revenue			
Revenue	3	242,403	2,996,727
Other income	3	1,944	24,406
Revenue		244,347	3,021,133
Expenses			
Employee benefits		631,648	678,585
Management fee		185,000	185,001
Professional fees		216,913	126,197
Share registry		8,060	27,741
Share option expenses		-	23,961
Insurance		40,016	46,653
Travel expenses		189,133	116,638
Rental costs – Investment property		587,584	677,585
Depreciation		374,105	389,013
Other expenses		496,558	268,926
Total expenses		2,729,017	2,540,300
(Loss)/Profit before finance costs and income tax		(2,484,670)	480,833
Finance costs		616,287	466,168
(Loss)/Profit before income tax		(3,100,957)	14,665
Income tax expense	5	-	-
(Loss)/Profit for the year		(3,100,957)	14,665
Other comprehensive income		-	-
Total comprehensive income/(Loss)		(3,100,957)	14,665

	Note	2018	2017
Earnings per share			
Basic earnings per share (cents)	6	(0.3012)	0.0014
Diluted earnings per share (cents)	6	(0.3012)	0.0014

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Land & Homes Group Limited

ACN: 090 865 357

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	Consolidated entity 2018 $	2017 $
Assets			
Current Assets			
Cash and cash equivalents	8	18,512	260,295
Trade and other receivables	9	56,818	147,703
Other assets	10	528,638	202,637
Total Current Assets		603,968	610,635
Non-Current Assets			
Property, plant and equipment	12	14,562	22,719
Inventories	13	23,798,741	22,742,819
Investment property	14	21,873,608	22,243,452
Total Non-Current Asset		45,686,911	45,008,990
Total Assets		**46,290,879**	**45,619,625**
Liabilities			
Current Liabilities			
Trade and other payables	15	802,788	196,303
Borrowings	16	30,971,320	17,412,696
Total Current Liabilities		31,774,108	17,608,999
Non-Current Liabilities			
Borrowings	16	2,607,102	13,000,000
Total Non-Current Liabilities		2,607,102	13,000,000
Total Liabilities		**34,381,210**	**30,608,999**
Net Assets		**11,909,669**	**15,010,626**
EQUITY			
Issued capital	17	69,078,509	69,078,509
Retained losses		(57,192,801)	(54,091,844)
Share Option Reserve		23,961	23,961
Total Equity		**11,909,669**	**15,010,626**

The above consolidated statement of financial position
should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

	Ordinary Shares $	Share Option Reserve $	Retained Losses $	Total $
Balance at 1 July 2017	**69,078,509**	**23,961**	**(54,091,844)**	**15,010,626**
Profit attributable to members	-	-	(3,100,957)	(3,100,957)
Issue of shares	-	-	-	-
Transaction costs	-	-	-	-
Share Option Cost	-	-	-	-
Balance at 30 June 2018	**69,078,509**	**23,961**	**(57,192,801)**	**11,909,669**

	Ordinary Shares $	Share Option Reserve $	Retained Losses $	Total $
Balance at 1 July 2016	**60,541,493**	**-**	**(54,106,509)**	**6,434,984**
Profit attributable to members	-	-	14,665	14,665
Issue of shares	8,606,028	-	-	8,606,028
Transaction costs	(69,012)	-	-	(69,012)
Share Option Cost		23,961	-	23,961
Balance at 30 June 2017	**69,078,509**	**23,961**	**(54,091,844)**	**15,010,626**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2018

		Consolidated entity	
		2018	**2017**
	Note	**$**	**$**
Cash Flows from Operating Activities:			
Receipts from customers		232,647	3,513,734
Payments to suppliers and employees		(1,642,777)	(2,825,083)
Interest received		1,944	12,565
Interest expense		(616,288)	(466,168)
Payments for land and development		(1,055,923)	(21,742,819)
Net cash used in operating activities	24	**(3,080,397)**	**(21,507,771)**
Cash Flows from Investing Activities:			
Payment for property, plant & equipment		-	(27,051)
Payment for investment property		-	(15,203)
Net cash acquired in acquisition	20	-	-
Net cash used in investing activities		-	**(42,254)**
Cash Flows from Financing Activities:			
Proceeds from borrowings – related parties		547,303	452,697
Payment of borrowings – related parties		-	(1,768,963)
Proceeds from borrowings – external lenders		2,617,312	14,000,000
Proceeds from issue of shares		-	8,606,028
Payment of share issuance transaction costs		-	(69,012)
Payment to Loan Offset Account		(326,001)	(153,936)
Net cash provided by financing activities		**2,838,614**	**21,066,814**
Net (decrease) in cash and cash equivalents held		(241,783)	(483,211)
Cash and cash equivalents at beginning of year		260,295	743,506
Cash and cash equivalents at end of financial year	8	**18,512**	**260,295**

The above consolidated statement of cash flows
should be read in conjunction with the accompanying notes

Note 1: Summary of Significant Accounting Policies

Corporate Information

The financial statements of Land & Homes Group Limited (the 'Group') for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 30 August 2018 and covers the consolidated entity consisting of Land & Homes Group Limited and its subsidiaries, as required by the Corporations Act 2001. Land & Homes Group Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars.

Land & Homes Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The address of the registered office is Suite 1401, Level 14 10 Eagle Street, Brisbane, Queensland, 4000, Australia, which is the principal place of business.

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*, as appropriate for a for-profit entity.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlements of liabilities in the ordinary course of business. For the year ended 30 June 2018 the Group made a loss of $3,100,957 and had net current liabilities at 30 June 2018 of $31,170,140.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising capital from equity and debt markets. These conditions indicate a material uncertainty that may cast a significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors believe there are reasonable grounds to believe that the Group will continue as a going concern, after considering the following factors:

- Subsequent to the year end the Group signed a sale agreement with a third party to sell its Wharf Street property for $22,000,000. Proceeds from this transaction will be used to repay the UOB Bank loan of $15,960,000 as per the terms of the loan agreement.
- Subsequent to the year end a further $457,678 Convertible Note A have been issued.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result, should the Group be unable to continue as a going concern and meet its debts as and when they fall due

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(b) Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Land & Homes Group Limited and its subsidiaries at 30 June each year. Subsidiaries are entities over which the Group has control. The Group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases. A list of subsidiaries is provided at Note 11.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of Land & Homes Group Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Changes in ownership interest

Transactions with non-controlling interests that increase or decrease the Group's ownership interest in a subsidiary, but which do not result in a change of control, are accounted for as transactions with equity owners of the Group. An adjustment is made between the carrying amount of the Group's controlling interest and the carrying amount of the non-controlling interests to reflect their relative values in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Land & Homes Group Limited.

Where the Group loses control of a subsidiary but retains significant influence, joint control, or an available-for-sale investment, the retained interest is remeasured to fair value at the date that control is lost and the difference between fair value and the carrying amount is recognised in profit or loss. This fair value is the initial carrying amount for the retained investment in associate, joint venture or available-for-sale financial asset. If no ownership interest is retained, or if any remaining investment is classified as available-for-sale, any amounts previously recognised in other comprehensive income in respect of the entity are accounted for as if the Group had directly disposed of the related assets or liabilities and may be recognised in profit or loss. To the extent that the Group retains significant influence or joint control, balances of other comprehensive income relating to the associate or joint venture entity will only be reclassified from other comprehensive income to profit or loss to the extent of the reduced ownership interest so that the balance of other comprehensive income represents the Group's proportionate share of other comprehensive income of the associate/joint venture.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group retains significant influence or control, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Note 1: Summary of Significant Accounting Policies (continued)

(c) Business Combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are accounted for in accordance with note 1(s).

Where the Group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or joint venture, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the Group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the Group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the Group's controlling shareholder's consolidated financial statements.

(d) Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income on investment properties is accounted for on a straight-line basis over the lease term. Contingent rentals are recognised as income in the periods when they are earned.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Note 1: Summary of Significant Accounting Policies (continued)

(e) Income tax

The income tax expense (income) for the period is the tax payable on the current period's taxable income (loss) based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

Land & Homes Group Limited has formed a tax consolidated group with the wholly-owned subsidiaries Land and Homes Investment Pty Ltd, Brisbane Land Holdings Pty Ltd and BLH Wharf Pty Ltd. The tax consolidation legislation has been implemented from the date of acquisition of these entities and Land & Homes Group Limited is the head entity in the tax consolidated group. These entities are taxed as a single entity and deferred tax assets and liabilities have been offset in these consolidated financial statements.

(f) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(g) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with 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 and bank overdrafts.

(h) Trade receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group

Note 1: Summary of Significant Accounting Policies (continued)

will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 120 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the directors, sufficient to require the de-recognition of the original instrument.

(i) Investments and Other Financial Assets

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Held for trading

Investments held for trading are measured at fair value with gains or losses recognised in profit or loss. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge. Assets in this category are classified as current assets in the statement of financial position if they are expected to be settled within 12 months, otherwise they are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income is recognised in profit or loss. Purchases and sales of available-for-sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in other comprehensive income. On sale, the amount held in available-for-sale reserves associated with that asset is recognised in profit or loss as a reclassification adjustment. Interest on corporate bonds classified as available-for-sale is calculated using the effective interest rate method and is recognised in finance income in profit or loss.

Investments in subsidiaries, associates and joint ventures are accounted for in the consolidated financial statements as described in note 1(b).

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

The fair value of quoted investments are determined by reference to the Securities Exchange quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Note 1: Summary of Significant Accounting Policies (continued)

Loans and receivables

Non-current loans and receivables include loans due from related parties repayable within 366 days of the end of the reporting period. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is debited on initial recognition to the investment in associate.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

(j) Fair Values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

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. It is based on the presumption that the transaction 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. The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use. In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

(k) Plant, equipment and furniture

Plant, equipment and furniture are stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Depreciation on plant and equipment is calculated on a straight-line basis over the estimated useful life, or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term, as follows:

- Computer equipment 3 years
- Furniture 4 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

(l) Inventories

Property held for development and resale
Property purchased for development and sale is valued at the lower of cost and net realisable value. Cost includes acquisition and subsequent development costs, and applicable borrowing costs incurred during development. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. All property held for development and sale is regarded as inventory and is classified as such in the balance sheet. Property is classified as current inventory only when sales are expected to result in realisation of cash within the next twelve months, based on management’s sales forecasts.

Note 1: Summary of Significant Accounting Policies (continued)

(m) Investment property

Investment properties comprise significant portions of freehold office buildings that are held for long-term rental yields and / or for capital appreciation. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life of 45 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

(n) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

(o) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and generally have 30-day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

All loans and 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 loans and borrowings using the effective interest method. Fees paid for establishing loan facilities are recognised as transaction costs if it is probable that some or all of the facility will be drawn down, and deferred until the draw down occurs. If it is not probable that the facility will be drawn down, fees are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

Where the terms of a borrowing are renegotiated and the Group issues equity instruments to a creditor to extinguish all or part of a borrowing, the equity instruments issued as part of the debt for equity swap are measured at the fair value of the equity instruments issued, unless the fair value cannot be measured reliably, in which case, they are measured at the fair value of the debt extinguished. The difference between the carrying amount of the debt extinguished and the fair value of the equity

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2018

Note 1: Summary of Significant Accounting Policies (continued)

instruments issued is recognised as a gain or loss in profit or loss. All 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 end of the reporting period.

(q) Other Liabilities

Other liabilities comprise non-current amounts due to related parties that do not bear interest and are repayable within 366 days of the end of the reporting period. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating (Group's incremental borrowing rate). The discount is credited to profit or loss immediately and amortised using the effective interest method.

(r) Employee Benefit Provisions

Short-term employee benefit obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled wholly within 12 months after the end of the reporting period are recognised in other liabilities in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Other long-term employee benefit obligations

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave 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 12 months after the end of the reporting period.

Retirement benefit obligations

The Group has a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(s) Contributed Equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated on an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(t) Dividends

No dividends have been declared in respect of the year ended 30 June 2018.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2018

Note 1: Summary of Significant Accounting Policies (continued)

(u) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of Land & Homes Group Limited, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(v) Goods and Services Tax

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Financial Guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and at the end of each subsequent reporting period at the higher of the amount determined under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of a financial guarantee contract is the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee.

(x) Critical accounting estimates and judgments

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

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Note 1: Summary of Significant Accounting Policies (continued)

Key estimates
Useful life of investment property
The investment property has been recorded at cost with a useful life of 45 years. The total cost of $22,742,995 was allocated between land ($6,100,000) and buildings ($16,642,995). The remaining expected useful economic life of the building has been determined to be 45 years and the building component has been depreciated on a straight line basis. The Group has recognised a depreciation charge of $869,387 since acquisition.

Key judgements
Provision for impairment of receivables
The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

Impairment of investment property
The carrying value of the investment property, is reviewed against the market valuation for any evidence of impairment at each balance sheet date.

(y) Parent Entity Financial information

The financial information for the parent entity, Land & Homes Group Limited, included in note 21, has been prepared on the same basis as the consolidated financial statements, except as follows:

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost. Dividends received from associates and joint ventures are recognised as revenue in the parent entity's profit or loss, rather than being deducted from the carrying amount of the investment.

Financial guarantees

Guarantees in relation to loans of subsidiaries that are provided for no compensation are accounted for as contributions and recognised as part of the cost of the investment in subsidiary.

(z) Accounting Standards Issued But Not Yet Effective

A number of new standards, amendments of standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

The Group has not yet determined the potential effect of these standards on the Group's future financial statements.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* becomes mandatory for the Group's 2019 financial statements and includes changes to the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. It also includes a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities.

Note 1: Summary of Significant Accounting Policies (continued)

AASB 15 Revenue from contracts with customers

AASB 15 *Revenue from Contracts* becomes mandatory for the Group's 2019 financial statements and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue*, Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for Construction of Real Estate*, Interpretation 18 *Transfer of Assets from Customers* and Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expect to be entitled in exchange for those goods or services.

AASB 16 Leases

AASB 16 *Leases* becomes mandatory for the Group's reporting on or after 1 January 2019 financial statements and removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed.

Note 2: Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision makers in assessing performance and determining the allocation of resources.

Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level.

Management currently identifies the consolidated entity as having only one operating segment, being the acquisition of prime sites for project development into quality residential, commercial and mixed-use apartments. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from the segment are equivalent to the financial statements of the Group.

	Consolidated entity	
	2018	**2017**
	$	**$**

Note 3: Revenue and other income

	2018 $	2017 $
Revenue - Rental revenue	242,403	2,996,727
Other income - Interest received	1,944	24,406
Total	244,3	3,021,133

Note 4: Expenses

	2018 $	2017 $
Loss before income tax expense includes the following specific expenses:		
Depreciation expense	374,105	389,013
Wage & salary expense	296,750	374,104
Superannuation expense	48,254	44,704
Finance costs	616,288	466,168
Rental expense on operating leases	587,584	677,585

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2018

Note 5: Income Tax Expense

	Consolidated entity 2018 $	Consolidated entity 2017 $
(a) The major components of tax expense/(credit) comprise:		
Current tax benefit	-	-
Deferred tax arising from origination and reversal of temporary differences	-	-
Total income tax expense	-	-

(b) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2018 $	2017 $
Prima facie tax payable/(receivable) on profit/(loss) from ordinary activities before income tax at 30% (2017: 30%)	(930,287)	4,400
Increase/ (decrease) in income tax due to the tax effect of:		
Non-deductible expenses	1,368	1,368
Current year tax profit/ (loss) not brought to account or recognised	(928,919)	(5,768)
Income tax attributable to entity	-	-

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the statement of financial position for the following items:

	2018 $	2017 $
Unused tax losses	4,816,264	1,755,648
Accruals	(76,819)	(14,500)
	4,739,445	1,741,148

Carried forward tax losses from prior years and the current period may not be available to be offset against future taxable profits, due to there being both a change of ownership and change in the principal activity of the business.

	2018 $	2017 $
Deferred tax assets not taken up at 30% (2017: 30%)	**1,421,834**	**522,344**

This future income tax benefit will only be obtained if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
iii) no changes in tax legislation adversely affect the Group in realising the benefit.

Note 6: Earnings per Share

	2018 $	2017 $
(a) Reconciliation of earnings to profit or loss		
Profit/(Loss) from continuing operations	(3,100,957)	14,665

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2018	2017
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	1,029,584,425	1,029,584,425
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**1,029,584,425**	**1,029,584,425**

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

	Consolidated entity	
	2018	**2017**

Note 6: Earnings per share (continued)

	2018	2017
Earnings per share		
From continuing operations:		
Basic earnings per share (cents)	(0.3012)	0.0014
Diluted earnings per share (cents)	(0.3012)	0.0014

Note 7: Auditors' Remuneration

During the year the following fees were paid or payable for services to DFK Laurence Varnay:

	2018	2017
Audit services – Audit and review of financial reports	23,000	49,000
Total	23,000	49,000

Note 8: Cash and cash equivalents

	2018	2017
Cash at bank	18,512	260,295

Reconciliation of cash

Cash and cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	2018	2017
Cash and cash equivalents	18,512	260,295

A floating charge over cash and cash equivalents has been provided for certain debts. Refer to Note 16 for further details.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2018

	Consolidated entity 2018 $	Consolidated entity 2017 $
Note 9: Trade and other receivables		
Trade receivable	-	-
Other receivables	56,818	147,703
Total	56,818	147,703

Credit risk
There were no trade receivables that were past due or impaired at the end of the reporting period. As there are no receivables at year end which are considered to be impaired at balance date, no provision for impairment has been recognised.

Note 10: Other assets

	2018 $	2017 $
Deposits	528,638	202,637
Total	528,638	202,637

A deposit of $1,000,000 had been paid during the previous financial year in relation to the "Put and Call Option" Agreement to secure the acquisition of the Barry Parade property. For further details refer to note 16 & 19.

Note 11: Interests in Subsidiaries

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group 2018 %	Ownership interest held by the Group 2017 %
Land & Homes Investment Pty Ltd	Australia	100	100
Brisbane Land Holdings Pty Limited	Australia	100	100
BLH Wharf Pty Ltd	Australia	100	100

	Consolidated entity 2017 $	Consolidated entity 2016 $
Note 12: Property, plant, equipment and furniture		
Plant, equipment and furniture		
At cost	29,563	29,563
Accumulated depreciation	(15,001)	(6,844)
Total non-current property, plant and equipment	14,562	22,719

Movements in carrying amounts:

Consolidated entity	Plant and equipment 2018 $	Plant and equipment 2017 $
Carrying amount at the beginning of the financial year	22,719	2,512
Additions	-	27,051
Depreciation	(8,157)	(6,844)
Carrying amount at the end of the financial year	14,562	22,719

	Consolidated entity	
	2018 $	2017 $
Note 13: Inventories		
Non-Current		
Property held for resale		
Land at Cost	21,319,234	21,319,234
Capitalised Development Costs	2,479,507	1,423,585
Aggregate Carrying Costs	23,798,741	22,742,819

This property held as inventory, located at 100 Barry Parade, Brisbane, is pledged as security with United Overseas Bank Ltd. (Refer Note 16 and 19).

The Accounting Policy for Inventory is detailed in the Summary of Significant Accounting Policies (1(l)).

	2018 $	2017 $
Note 14: Investment Property		
At Cost		
Balance at beginning of year	22,243,452	22,610,418
Acquisitions and additional costs – Wharf Street	-	15,203
Depreciation – Building component	(369,844)	(382,169)
Balance at end of year	21,873,608	22,243,452

The property located at 187, 191, 195, 199, 203, 207 and 2011A Wharf Street, Spring Hill, Brisbane was originally purchased for $22,727,792, inclusive of stamp duty and other acquisition costs. The Group has applied the cost model. The total cost of $22,742,995 was allocated between land ($6,100,000) and buildings ($16,642,995). The remaining expected useful economic life of the building has been determined to be 45 years and the building component has been depreciated on a straight-line basis. To date, the Group has recognised a depreciation charge of $869,387. For further details refer to note 25.

The Accounting Policy for Investment Property is detailed in the Summary of Significant Accounting Policies (1(m)).

The following amounts have been recognised in profit or loss:

	2018 $	2017 $
Rental income	242,403	2,996,727
Direct operating expenses arising from investment property that generated rental income during the year	587,584	677,585

Details of contractual obligations to purchase, construct or develop investment properties and contractual obligations for repairs, maintenance and enhancements of investment properties are disclosed in the Commitments note (refer note 23).

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2018

	Consolidated entity 2018 $	Consolidated entity 2017 $
Note 15: Trade and other payables		
Current		
Trade and other payables	704,111	181,803
Accrued expenses & accrued payroll liabilities	98,677	14,500
Payable to related parties	-	-
Total	802,788	196,303

For further information regarding related party transactions refer to note 19.

	2018 $	2017 $
Note 16: Borrowings		
Current		
Unsecured		
Loan from Related Party Shareholder[1]	1,011,320	452,696
Secured		
Bank loan[4]	29,960,000	16,960,000
Total current borrowings	30,971,320	17,412,696
Non-Current		
Unsecured		
Convertible Note – Class A[2]	2,189,107	-
Convertible Note – Class B[3]	417,995	-
Secured		
Bank loan[4]	-	13,000,000
Total Non-current borrowings	2,607,102	13,000,000
Total borrowings	33,578,422	30,412,697

[1] The loan from S.LH Corporation Pte Ltd (SLH) is interest bearing but unsecured, and provides for a total facility of $1 million Singapore dollars to LHM for its overhead expenses.

In the prior year, Telok Ayer Holdings Pte Ltd and Telok Ayer Capital Pte Ltd provided an interest free loan to enable Land & Homes Group Limited to fund the initial advance deposit under the “Put and Call Option” Agreement for the purchase of a property located at 100 Barry Parade, Fortitude Valley. This loan was repaid on 19 August 2016. (Refer Note 19 for further details).

The Convertible Notes each have a face value of $0.02 and are unsecured. LHM shall have the right to redeem the Notes by paying the full-face value together with all accrued but unpaid interest (net of any withholding tax) in full at any time after 30 months following the date of issue, subject to giving each Noteholder not less than 21 days’ notice in writing.

Note 16: Borrowings (continued)

[2]The Convertible Note – Class A have a term of 5 years with interest of 9% per annum payable at the end of each quarter and on conversion or redemption.

[3]The Convertible Note – Class B have a term of 5 years with interest of 13.8% per annum payable on conversion or redemption.

[4]The loans from United Overseas Bank were entered into on 19 February 2016 for the purpose of purchasing the Wharf Street property ($15,960,000) and 31st October 2016 for the purpose of buying the Barry Parade property ($14,000,000). The loans are subject to an interest margin of 1.5% per annum over and above the relevant period Bank Bill Swap Reference Rate and are due for repayment on 24th February 2019 and 31st October 2018, respectively.

The properties are pledged as security for the United Overseas Bank loans.

Assets pledged as security

The bank loans are secured by way of first legal mortgages over the two properties. The carrying amount of the assets pledged as security for current borrowings are:

	2018 $	2017 $
First mortgage		
Inventories	23,798,741	22,742,819
Investment property	21,873,608	22,243,452
Total	45,672,349	44,986,271

Fair value

The fair value of financial liabilities is determined by reference to market prices where they exist or by discounting contractual cash flows by current market interest rates for liabilities with similar risk profiles.

Note 17: Issued Capital

1,049,389,293 (2017: 1,049,389,293) Ordinary shares fully paid	69,078,509	69,078,509

Movement in ordinary shares on issue	2018 Number	2018 $	2017 Number	2017 $
Balance at beginning of period	1,049,389,293	69,078,509	877,275,609	60,541,493
Share issue – 26 November 2015	-	-	-	-
Share issue – 19 January 2016	-	-	-	-
Share issue – 19 January 2016	-	-	-	-
Share issue – 14 April 2016	-	-	-	-
Transaction costs relating to share issues	-	-	-	(69,012)
Rights Issue – 12 August 2016	-	-	159,505,760	7,975,289
Private Placement – 12 August 2016	-	-	12,607,924	630,739
Balance at end of period	1,049,389,293	69,078,509	1,049,389,293	69,078,509

Share Options

Share options have been allotted with the shares issued on 12 August 2016, with an exercise price of $0.20, expiring on 12 August 2021.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2018

Note 17: Issued capital (continued)

Share Options (continued)

Share Options	Shares Issued	Options Allotted
2 attaching listed options issued per share - Rights Issue – 12 August 2016	159,505,760	319,011,520
Private Placement – 12 August 2016	12,607,924	25,215,848
Options for services rendered	-	3,000,000
Total	172,113,684	347,227,368

No new Ordinary shares were issued in the year to 30 June 2018.

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid, on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands, and on a poll has one vote for each share held, but in respect of partly paid shares will have a fraction of a vote in proportion to the amount paid up on those shares.

Capital risk management

Management controls the capital of the Group in order to maintain an optimal debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. In order to achieve these objectives, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

It is the Group's policy to maintain its gearing ratio within the range of 65-75%. The Group's gearing ratio at the end of the reporting period is shown below.

Gearing ratios	Consolidated entity 2018 $	Consolidated entity 2017 $
Net debt	33,777,242	30,348,703
Total equity	11,909,669	15,010,626
Total capital	45,686,911	45,359,330
Gearing ratio	74%	67%

The Board made the decision to take on debt finance to fund the acquisition of the Wharf Street and the Barry Parade properties (refer note 16).

Note 18: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable, payables to related parties and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated entity	
	2018	**2017**
	$	**$**
Financial Assets		
Cash and cash equivalents	18,512	260,295
Trade and other receivables	585,456	350,340
Total financial assets	603,968	610,635
Financial Liabilities		
Trade and other payables	802,788	196,303
Payables to related parties	1,011,320	452,696
Borrowings	32,567,102	29,960,000
Total financial liabilities	34,381,210	30,609,000

Financial risk management policies

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board of Directors has overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been designed and implemented by the Board of Directors. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

Land & Homes Group Limited does not actively engage in the trading of financial assets for speculative purposes.

Mitigation strategies for specific risks faced are described below:

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group and arises principally from the Group's cash deposits and receivables.

Note 18: Financial Risk Management (continued)

(a) Credit risk (continued)

It is the Group's policy that all customers who wish to trade on credit terms undergo a credit assessment process which takes into account the customer's financial position, past experience and other factors. Credit limits are then set based on ratings in accordance with the limits set by the Board of Directors. These limits are reviewed on a regular basis.

The maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event that the other parties fail to perform their obligations under financial instruments for each class of reporting recognised financial asset at the reporting date is the carrying amount of those assets as indicated in the statement of financial position.

Refer to note 18 for a summary of the Group's exposure to credit risk relating to receivables at the end of the financial year.

Cash and cash equivalents:

In order to manage the Group's credit risk arising from cash deposits, only reputable banks and financial institutions are dealt with.

The credit risk on cash and cash equivalents is limited given that the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

(b) Liquidity risk

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

Financing arrangements

The following financing facilities were available to the Group at the end of the reporting period:

	Consolidated entity	
	2018	**2017**
	$	**$**
Bank Loans		
Used at the end of the reporting period	29,960,000	29,960,000
Unused at the end of the reporting period	-	-
	29,960,000	29,960,000

The bank loan has been fully drawn. The repayment terms are reflected in the table below.

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date. As amounts disclosed in the table are the contractual undiscounted cash flows including future interest payments, these balances will not necessarily agree with the amounts disclosed in the statement of financial position.

	Consolidated entity				
	Carrying amount	**Contractual cash flows**	**Less than 6 months**	**6 to 12 months**	**1 to 3 years**
	$	**$**	**$**	**$**	**$**
2018					
Payables	802,788	802,788	802,788	-	-
Related party loan	1,011,320	1,011,320	1,011,320	-	-
Bank loans	29,960,000	29,960,000	29,960,000	-	-
Total	31,774,108	31,774,108	31,774,108	-	-

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2018

Note 18: Financial Risk Management (continued)

(b) Liquidity risk

	Consolidated entity				
	Carrying amount	Contractual cash flows	Less than 6 months	6 to 12 months	1 to 3 years
	$	$	$	$	$
2017					
Payables	196,303	196,303	196,303	-	-
Related party loan	452,697	452,697	452,697	-	-
Bank loan	29,960,000	29,960,000	500,000	16,460,000	13,000,000
Total	30,609,000	30,609,000	1,149,000	16,460,000	13,000,000

United Overseas Bank has provided a bank loan of $15,960,000. This facility maturity has been renewed to 24 February 2019.

The related party loan in the previous year's accounts was settled in August 2016 from the proceeds of the Rights Issue. A further related party loan agreement was entered into in February 2017, with the first draw down in June 2017. Refer to note 19 for further details.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign exchange rates or other market factors. The Group is not exposed to material price risk relating to equity securities or foreign exchange.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is exposed to earnings volatility on floating rate instruments.

The Group monitors its interest rate exposure continuously and also considers on a continual basis alternative financing opportunities.

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity period is set out in the below tables.

	30 June 2018		30 June 2017	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Floating Rate Balances:	%	$	%	$
Cash and cash equivalents	1.11	18,512	1.11	260,295
Borrowings	5.0	(33,578,422)	3.4	(30,412,697)
Net exposure to interest rate risk		(33,559,910)		(30,152,402)

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

Note 18: Financial Risk Management (continued)

Sensitivity

Based on the simulations performed, the annual impact on profit and loss of a one percent shift in interest rates, with all other variables held constant, is estimated to be a maximum increase or decrease of $24,565.

(d) Fair value measurements

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based in observable market data (unobservable inputs) (level 3).

At 30 June 2018 the Group did not have any financial instruments that were measured and recorded at fair value. The aggregate fair values of all financial assets and liabilities approximate their carrying values at the balance date.

Note 19: Related party transactions

Ultimate parent company:

Land & Homes Group Limited

Controlled entities:

Interests in controlled entities are disclosed in note 11.

Key management personnel compensation:

	Consolidated entity	
	2018	**2017**
	$	**$**
Short-term employment benefits	401,363	475,391
Post-employment benefits	31,954	30,118
Long-term benefits	-	-
Share-based payments	-	-
	433,317	505,509

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 11.

Transactions with other related parties:

The following transactions occurred with related parties:
Purchases of services

Management and other professional fees	185,000	185,000

All purchases from related parties were on normal commercial terms.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2018

Note 19: Loans from related party transactions (continued)

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated entity	
Payables to related parties	**2018** **$**	**2017** **$**
Balance brought forward	-	768,963
Payables on acquisition of subsidiaries	-	-
Advances	-	-
Repayments	-	(768,963)
Total	-	-
Loans from related parties		
Balance brought forward	452,697	1,000,000
Advances	558,623	452,697
Repayments	-	(1,000,000)
Total	1,011,320	452,697

On the 27th February 2017, Land & Homes Group Ltd entered into a loan agreement with a related party, S.LH Corporation Pte Ltd. (SLH). S.LH agreed to lend up to $1 million Singapore dollars to LHM for its overhead expenses. To date $1,028,353 Singapore dollars has been drawn down (A$1,011,320) from this facility including capitalised interest.

The loan is drawn down in accordance with the approved expenditure plan, is unsecured, has a 12 month term commencing from the first drawdown on 14th June 2017 and bears interest at the SIBOR rate (Singapore Inter Bank overdraft rate) plus 1.75% (approximately a total of 2.75 % to 3% at the current SIBOR rate).

The loan from Telok Ayer Holdings Pte Ltd and Telok Ayer Capital Pte Ltd., in the prior year was an interest-free loan to enable Land & Homes Group Limited to fund the initial advance deposit under the “Put and Call Option” Agreement for the purchase of a property located at 100 Barry Parade, Fortitude Valley. This loan was repaid on 19 August 2016.

Note 20: Acquisition of Subsidiaries

There were no acquisitions in the current financial year.

Note 21: Parent entity information

The *Corporations Act 2001* requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity Land & Homes Group Limited. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in note 1.

	Parent entity	
	2018	**2017**
	$	**$**
Current assets	11,787,712	9,146,729
Non-current assets	4,872,791	5,464,472
Total Assets	**16,660,503**	**14,611,201**
Current liabilities	1,905,455	1,476,004
Non-current liabilities	2,616,710	-
Total Liabilities	**4,522,165**	**1,476,004**
Net Assets	**12,138,338**	**13,135,197**
Issued capital	69,102,470	69,102,470
Retained earnings	(56,964,132)	(55,967,273)
Total equity	**12,138,338**	**13,135,197**
Loss for the year	(2,161,212)	(1,987,487)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**(2,161,212)**	**(1,987,487)**

Note 22: Contingencies

The Group did not have any contingent liabilities at 30 June 2017 and 30 June 2018.

Note 23: Commitments

Capital commitments

	Consolidated entity	
	2018	**2017**
	$	**$**
Investment property	-	-

There are no capital commitments at the current year end. The commitment at the end of the financial year end related to the purchase of the property located at 100 Barry Parade, Fortitude Valley. This was paid for in full on 31 October 2016.

Note 23: Commitments

Lease commitments

Non-cancellable operating leases – future minimum lease payments		
Payable:		
Within one year	82,864	82,864
Later than one year but not later than five years	7,475	89,698
Later than five years	-	-
	90,339	172,562

Note 23: Commitments (continued)

The Group leases the property at level 14, 10 Eagle Street, Brisbane under a non-cancellable operating lease expiring on 17 July 2019. The lease has a fixed annual rental increase and does not include any commitments for a lease renewal option. Lease conditions do not impose any restrictions on the ability of the Group from borrowing further funds.

Lease receivable

	Consolidated entity	
	2018	**2017**
	$	**$**
Non-cancellable operating lease receivable from investment property tenants		
Receivable:		
Within one year	-	100,000
Later than one year but not later than five years	-	-
	-	100,000

The investment property is leased to a tenant on an operating lease expiring on 30 June 2018, with a renewal option of a further 12 months. The same property was leased to The Australian Federal Police, since its acquisition in February 2016, up to the expiry of the lease in May 2017, when it was not renewed by the AFP.

Note 24: Cash flow information

Reconciliation of loss after income tax to net cash flow from operating activities

(Loss)/Profit after income tax	(3,100,957)	14,666
Depreciation	374,105	389,013
Share option expenses	-	23,961
Change in assets and liabilities		
(Increase) in inventories	(1,055,923)	(21,742,819)
Decrease/(Increase) in trade debtors	80,051	(79,305)
Increase/(Decrease) in trade payables	622,327	(101,446)
(Decrease) in other payables	-	(11,841)
Net cash (used) in operating activities	(3,080,397)	(21,507,771)

Note 25: Subsequent events

Investment Property – 207 Wharf Street

In August 2018, the Group entered into a non-binding Heads of Agreement to sell the 207 Wharf Street property for $22,000,000. This was an unsolicited sale, the property was held by the Group for redevelopment purposes. Proceeds from this transaction will be used to repay the UOB Bank loan of $15,960,000 as per the terms of the loan agreement.

Capital Raising

Since 30 June 2018, a further $457,678 Convertible Note A have been issued (bringing the current total to $2,650,594).

Directors' Declaration

30 June 2018

In the directors' opinion:

- The attached financial statements and notes thereto comply with Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- The attached financial statements and notes thereto comply with International Financials Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- The attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295 (5)(a) of the Corporations Act 2001.

On behalf of the directors

Director ....
Choon Keng Kho

Dated this 30th day of August 2018

dfk laurence varnay
LEADING ACCOUNTANTS AND BUSINESS ADVISERS

Land and Homes Group Limited
ACN 090 865 357

Independent Auditor's Report to the shareholders of Land and Homes Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Land and Homes Group Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

a) The accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of their financial performance for the year then ended; and

   (ii) 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 as 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Emphasis of Matter – Material Uncertainty Relating to Going Concern
We draw attention to Note 1(a) in the Financial Report, which indicates that the ability of the Group to continue as a going concern is dependent upon the future successful raising of necessary funding through debt and equity. This condition, along with other matter as set out in Note 1(a) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the year ended 30 June 2018. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Apart from above the key audit matters are:

Key audit matters	How our audit addressed the key audit matters
Fair value of investment properties **Refer to Note 14**	
The Group's investment property is office space located at 207 Wharf Street, Sprint Hill QLD. The cost of the investment property is based on the settlement amount at the date the property was purchased. The building costs are depreciated by the Group over 45 years. The fair value of the investment property is the net carrying amount of cost after accumulated depreciation. At each reporting date, management of Land and Homes Group Limited assesses the fair value of the investment property to determine if it is impaired or not having regard to the Group's valuation policy which requires all properties to be externally valued by independent valuation experts at least once every 2 years. This was a key audit matter because the: • Investment property balances are financially significant in the Consolidated Statement of Financial Position. • The impact of changes in the fair value of the investment property can have a significant effect on the Group's comprehensive income. • Investment property valuations are inherently subjective due to the use of assumptions in the valuation methodology.	• We checked the settlement sheet for the value of investment property at purchase. • We vouched the invoices for additions to the investment property. • We re-perform the building depreciation calculations. • We checked the market prevailing sale prices for similar properties. • We have also reviewed the unsolicited sale document as disclosed in note 25.

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Key audit matters	**How our audit addressed the key audit matters**
Going concern Refer to Note 1 (a) in the financial statements We identified going concem as a key audit matter due to the Group's current year loss before tax, net current liabilities and negative operating cash flows. For the year ended 30 June 2018, Management performed an assessment of the Group's ability to continue as a going concern. The following procedures were performed as part of this assessment: • Preparing cash flow projections up to August 2019; • Unsolicited sale of 207 Wharf Street Investment property subsequent to year end for $22m. Proceeds to be used to pay $15.96m current borrowings; and • Undertook a cost saving review to reduce expenses to a minimum level.	Our audit procedures in relation to going concern included: • We reviewed management's forecasts for the next 12 months from the date of signing the financial statements, including assessing the sensitivity and basis of the assumptions used; • We reviewed the financial position and assessed a number of key ratios; and • Reviewed FY 2019 YTD results against FY19 forecast and reviewed supporting documents for the subsequent unsolicited sale of 207 Wharf Street.

Other Information
The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do 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, 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 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 related 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.

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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 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 the financial report.
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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.

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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 with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 7-10 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Land and Homes Group Limited, for the year ended 30 June 2018 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.

DFK Laurence Varnay

Faizal Ajmat
Partner
Sydney
Date 30 August 2018

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