

Sunland Group

ESTABLISHED
1983

20 August 2014

The Manager
Company Announcements
Australian Securities Exchange

Dear Sir/Madam,

**SUNLAND GROUP ANNOUNCES FY14 FULL YEAR PROFIT OF \$14.3 MILLION AFTER TAX,
DECLARES FINAL DIVIDEND OF 2 CENTS PER SHARE**

- Net profit after tax of \$14.3 million.
- Final dividend of 2 cents per share declared, fully franked.
- Strong balance sheet, with \$14.7 million cash and \$112.8 million in undrawn credit lines.
- Surplus cash and increased gearing utilised to replenish and deliver the Group's national portfolio.
- Eight new site acquisitions in Sydney, Brisbane and the Gold Coast totalling \$82.1 million.
- Basic earnings per share growth of 11% to 8.0 cents.
- Gearing remains at conservative levels, with 18% debt to assets and 24% debt to equity.
- Share buyback program successfully concluded during the period, significantly enhancing net tangible assets per share from \$1.20 in 2009 to \$1.96 as at 30 June 2014.
- Dubai exposure was exited, resulting in an increase in net assets of 3.6 cents per share.
- Strong forecast cash flow generated from existing projects.

Leading national property developer Sunland Group ('Sunland' or 'Group') today announced an after tax profit of \$14.3 million for the full year ended 30 June 2014, an increase of five per cent on the previous year's result (2013: \$13.6 million profit).

Sunland Managing Director, Sahba Abedian, said the Group's successful return to the multi-storey residential sector and improved sales activity, settlement volumes and development margins across its national portfolio contributed to the improved result.

"Sunland's three-pillar strategy of capital management, strategic portfolio replenishment and maintaining a conservative balance sheet continues to drive strong operational outcomes for our business and sustainable returns for our shareholders," Mr Abedian said.

"With more than three decades of experience in the national property sector, and a development pipeline valued at \$3.2 billion, the Group is well placed to focus on delivery of our portfolio and capitalise on opportunities in the years ahead."

Sunland Group

Operational highlights

Mr Abedian said the strategic location and design-driven focus of Sunland's residential communities, together with improving market conditions in the second half of FY14, resulted in what can be considered a strong operational performance across its core segments of residential housing and urban development, and multi-storey.

"There was a discernible shift in consumer sentiment during the second half of the financial year, contributing to increased sales across Sunland's national portfolio in FY14," Mr Abedian said.

"Nationally, sales volumes and values increased significantly, providing a strong foundation for future earnings.

"During FY14 the Group completed 629 sales to the value of \$389 million (2013: 261 sales, \$128.2 million).

"Settlement volumes also increased significantly in FY14, generating revenue of \$178 million from 446 settlements – up from \$155.9 million from 401 settlements during the previous period.

"The Group also achieved a 22% development margin (earnings before interest and tax) across its national land and housing portfolio, up from 18% in 2013.

"As at 30 June 2014, contracts on hand totalled 436, valued at \$323 million (2013: 292 contracts, \$157 million)."

Mr Abedian said Sunland's return to the multi-storey development sector with Marina Residences on the Gold Coast, and the luxury 40-storey Abian tower in the Brisbane CBD, coincided with a new phase of growth for the Group.

"Concurrent to Sunland's sales and delivery program is an unrelenting focus on growth," he said.

"In FY14 we actively replenished the Group's national development pipeline, completing eight strategic site acquisitions in Sydney, Brisbane and the Gold Coast totalling \$82.1 million, providing an additional yield of 2,250 allotments with an end gross realisation of \$1.4 billion.

"Last month, the Group announced the acquisition of a 4.7 hectare site in Palm Beach for \$18.4 million, which is scheduled to settle in September 2014.

"As a result, Sunland has entered FY15 with a national portfolio comprising 5,556 residential housing, urban development and multi-storey products with a total end value of \$3.2 billion, providing a healthy pipeline of premium quality developments to be delivered over the next three to five years.

"We will continue to actively monitor the market for new opportunities to increase the Group's national development pipeline in our established markets along the eastern seaboard."

Sunland Group

Capital Management

Sunland concluded the Group's share buy back strategy in July 2013 with the purchase of 7.7 million shares for \$10 million. The buy back, which commenced in 2009, acquired a total of 145.2 million shares for \$118 million, representing an average of 81 cents per share. Issued shares have therefore decreased from 323.6 million to 178.4 million, representing a contraction of 45%.

Mr Abedian said the strategy has significantly enhanced earnings and net tangible assets per share from \$1.20 in 2009 to \$1.96 as at 30 June 2014.

"This represents a historic high for Sunland's net tangible asset position in almost two decades as a listed company," he said.

Mr Abedian said Sunland's capital management strategy remains focused on enhancing operational efficiencies across the business, reducing risk through product and geographic diversification, and managing its capital base by utilising various structures to spread project and funding risks.

Non-Development Costs

As previously disclosed, the Group expensed \$8.1 million in legal costs and provisioned \$1.75 million for appeal costs awarded against Sunland during the 2014 financial year in respect to the trial conducted in the Supreme Court of Victoria. These costs largely represent the Respondents' costs accumulated during the past several years which were awarded against Sunland from the trial and subsequent appeal.

Dividend

Following the completion of the share buyback program, the Directors reinstated a dividend payment regime. In March 2014, Directors declared and paid an interim dividend of 2 cents per share fully franked. The Directors have now declared a final dividend of 2 cents per share fully franked, to be paid 25 September 2014.

Future outlook

Mr Abedian said Sunland is firmly focused on the delivery of its portfolio, with a further nine new projects comprising a total yield of 2,576 allotments valued at \$1.379 billion, scheduled to be launched in FY15.

"During the past five years, Sunland has strategically positioned itself with site acquisitions that will provide sustainable medium to long-term earnings profile for the group, the benefit of which will flow to our shareholders in the ensuing years," he said.

"This demonstrates the enduring value of the Group's counter-cyclical approach to acquiring strategic sites at opportunistic points in the market cycles.

Sunland Group

"Sunland's return to multi-storey developments are expected to greatly enhance earnings per share in the short to medium-term. Similarly, the Group's residential housing and urban development segment is forecast to perform in line with market conditions.

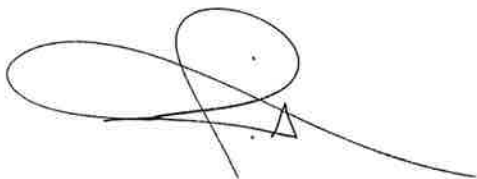
"While the prevailing economic environment presents ongoing challenges for the development industry, the Directors believe Sunland's strong balance sheet, access to capital and cash flow forecast provide a stable platform from which to improve profitability and deliver sustainable shareholder returns."

Mr Abedian said that if market conditions maintain the same level of enthusiasm, the Group anticipates generating \$20 million net profit after tax for the 2015 financial year. This represents EPS growth of over 30%.

"Furthermore, Directors will maintain a dividend payout ratio of between 40% and 50% of net operating earnings," he said.

Mr Abedian said Sunland's enduring commitment to creating 'architecture as art' underpins its vision to build vibrant communities and in turn, shape a sustainable future for our clients, shareholders and employees.

"Together, our design philosophy and our values work hand in hand to engage, transform and define the experience of 'community' for all," he said.

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by a horizontal line and a small triangle at the end.

Sahba Abedian
Managing Director

Media contact: Sarah Dixon, National Communication Manager, 0418 748 892.