

# financial statements 2014

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Sunland Group

ESTABLISHED

1983

ABN 65 063 429 532





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DIRECTORS

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

SECRETARY

Mr Grant Harrison

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SHARE REGISTER

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Sydney South NSW 1235  
1300 655 149 (Australia) (+612) 8280 7917 Overseas

AUDITOR

Ernst & Young  
Level 51  
111 Eagle Street  
Brisbane Qld 4000

SOLICITORS

Holding Redlich  
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Brisbane Qld 4000

BANKERS

ANZ Banking Group Ltd  
Level 20  
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Brisbane Qld 4000  
Westpac Banking Corporation  
260 Queen Street  
111 Eagle Street  
Brisbane Qld 4000

WEBSITE

[www.sunlandgroup.com.au](http://www.sunlandgroup.com.au)

	2014	2013	2012	2011
<b>Financial Position (\$ millions)</b>				
Shareholders' Equity	349.5	352.9	345.0	343.5
Total Assets	470.6	440.7	508.0	801.0
Cash	14.7	29.3	31.1	48.8
<b>Financial Performance (\$ millions)</b>				
Total Revenues	187.9	189.3	211.0	256.1
Statutory profit/(loss) after tax	14.2	13.6	14.5	21.4
<b>Market Performance</b>				
Market capitalisation at balance date (\$ millions)	277.9	262.1	179.6	136.1
Share price at balance date (\$)	1.56	1.41	0.93	0.62
<b>Key Measures</b>				
Basic earnings per share (cents)	8.0	7.2	7.2	9.3
Net tangible assets per share (\$)	1.96	1.87	1.79	1.55
Gearing				
- (debt/equity)	24%	3%	11%	16%
- (debt/assets)	18%	4%	8%	7%
Interest cover (times) <sup>(i)</sup>	5.8	4.8	7.6	7.6
Return on equity	4%	4%	4%	6%
Fully franked ordinary dividend per share (cents) <sup>(ii)</sup>	4.0	2.0	-	-

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

(ii) Dividend payment reflects dividends declared and paid during the year. An interim dividend was declared and paid at 2 cents per share March 2014.

**This statement reports against the 2nd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles). The Group will report against the 3rd edition in its next annual report for the period ended 30 June 2015.** Sunland recognises that good corporate governance is about doing the right things for the shareholders and other stakeholders in the business. It extends far beyond compliance with regulations and penetrates deep within the organisation. At the core is a sound culture that allows the principles of good corporate governance to thrive.

Throughout the year, the Board, through the Corporate Governance and Audit Committee, has continued to manage and focus on existing and emerging corporate governance issues. Sunland Group Limited's corporate governance practices were in place throughout the year ended 30 June 2014 and were compliant with the Council's principles and recommendations except where noted below.

This Corporate Governance Statement was approved by the Board with the release of the Annual Report.

Further information on the Group's corporate governance policies and procedures can be found on Sunland's website at [www.sunlandgroup.com.au](http://www.sunlandgroup.com.au)

## 1. ROLE AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

*ASX Principle No. 1 - Lay solid foundations for management and oversight*

### Role of the Board

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

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

### Delegation of Board Authority

The entrepreneurial and day to day activities of the Group are formally delegated by the Board to the Managing Director and Executive Committee. The Board's role is to monitor and measure the activities carried out by the management team.

### Appointment and Induction

Each Director is provided with a formal appointment letter setting out the key terms and conditions of their appointment. Any new directors appointed are also provided with an induction, including key documents and discussions with key persons.

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

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

### Performance and Evaluation of Executives

The Chart below summarises the Group's people development system.



Oversight of Executive and Board performance is by the Remuneration and Nomination Committee. The development of individual talent and outstanding personal performance requires leadership and effective supporting frameworks. Sunland's people development system is based on clear goal setting, honest career development discussions and ongoing feedback about performance. Sunland supports a balanced approach which rewards Group accomplishments and recognises individual initiative and exceptional effort. The annual achievement discussion not only sets the forthcoming year's objectives, but is also an appraisal of the achievement of objectives for the previous year. Performance evaluation of the Managing Director and other senior executives is undertaken annually and was undertaken in accordance with this process during the year ended 30 June 2014.

## 2. COMPOSITION OF THE BOARD

ASX Principle No. 2 - Structure the Board to add value

The Group governance arrangements are summarised in the chart below.

Sunland Group Governance		
Sunland Group Board		
Corporate Governance and Audit Committee	Managing Director	Remuneration and Nomination Committee
Ron Eames (Chair) Craig Carracher		Ron Eames Soheil Abedian Sahba Abedian
Assurances	Governance and Operations	
	Policies	Procedures
Independent audit	Constitution	Executive Committee
Project reviews	Board Charter	National Meetings
Project audits	Committee Charters	Project Control Groups
Compliance	Code of Conduct	Strategic Risk Meetings
	Risk Management	Quarterly Compliance
	Compliance Framework	Financial Certification
	Security Trading	Monthly Finance Review
	Privacy	Group Induction
	Finance and Accounting	OH&S Manuals
	Human Resources	Site Induction
	OH&S	
	Disaster Recovery	

**Board Composition**

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

The names, skills and experiences of the Directors who held office during the financial year and as at the date of this Statement, and the period of office of each Director, are set out in the Directors' report.

Dr Soheil Abedian was appointed Executive Chairman at the 2011 Annual General Meeting. Consequently the Company does not meet the ASX recommendation to have an independent Chairman. Following the retirement of Terry Jackman in January 2012, Sunland is reviewing candidates for an additional independent Director and until that process is completed, the Board of Sunland comprises two independent Non-Executive Directors and two Executive Directors. The Company therefore does not comply with the ASX Recommendation that a majority of the Board should be independent. The Board considers that given the ability of all incumbent Directors to bring an independent judgement in Board deliberations, a four member Board comprising two independent Directors is appropriate for an interim period. It is the intention of the Board to move back to a Board composition of three independent Non-Executive Directors and membership of the various committees will also be considered once that appointment is made.

**Board Members**

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

Director	Independent	Appointed
<i>Executive Directors</i>		
Mr Sahba Abedian	No	January 2001
Dr Soheil Abedian	No	March 1994
<i>Non-Executive Directors</i>		
Mr Ron Eames	Yes	March 2006
Mr Craig Carracher	Yes	July 2010



### Directors' independence

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

In assessing the independence of a Director, the Board will have regard to the guidelines contained in the publication issued by the Australian Investment Managers' Association (AIMA) and the ASX Principles and Recommendations. Failure to meet one of these guidelines does not automatically mean that the Director is not independent. The Board will consider all relevant facts and circumstances when making its decision.

Factors considered in the assessment of independence include whether the Director:

- » is not a substantial shareholder, officer of or otherwise associated directly with a substantial shareholder of Sunland Group;
- » has not been employed in an executive capacity by Sunland Group within the last three years;
- » is not a principal of a material professional adviser or a material consultant to Sunland Group or another Group member (which has a material impact on the results of the Group). Where the Director is a principal or employee of a professional adviser, the Director does not participate in the consideration of any possible appointment and does not participate in the provision of any service to Sunland by that adviser, unless the Board otherwise resolves;
- » is not a material supplier or customer of Sunland Group, or associated with a supplier or customer;
- » does not have any significant contractual relationships with Sunland Group or another Group member other than as a Director of Sunland Group;
- » is free from any interest and any business or other relationship which could, or reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Sunland Group;
- » has not served on the Board for a period which could materially interfere with the Director's ability to act in the best interests of the Company;
- » Directors consider materiality to be breached in circumstances where:
  - » a professional advisor, consultant or supplier are the sole provider of particular goods or services, as access to other providers is limited sufficiently due to speciality or supply, that an arm's length agreement cannot be negotiated
  - » The revenue generated by the provider of the goods and services to Sunland Group are greater than 15% of their total revenue GH to test
  - » The payment by Sunland to the provider of the goods and services is greater than 15% of total expenses

During the year Mr Ron Eames has been a partner of Thomsons Lawyers and Holding Redlich, which are national law firms utilised by the Group from time to time. There are however, a number of law firms that provide legal advisory services to Sunland Group so they are not exclusive providers of legal services to Sunland Group. Legal services provided are on normal commercial terms and conditions through various partners depending on the area of law that advice is sought. Each firm have advised that the materiality assessed by the Board in relation to percentage of revenue generated by Sunland Group is not breached. Directors confirm the materiality in relation to expenses of Sunland Group is not breached. The Board therefore considers that, having regard to Mr Eames' limited direct advice to Sunland Group, the amount of fees paid to those firms of which he has been a partner and the varied nature of the services provided, neither Thomsons Lawyers or Holding Redlich are material professional advisers for the purposes of independence, and Mr Eames is therefore an independent Director.

### The Chairman

The Chairman, Dr Soheil Abedian, is an Executive Director which results in Sunland not meeting the ASX Recommendation of a company retaining an independent Chairman. Dr Abedian is the founder of Sunland Group, who has vast experience in the property industry and the business operations of the Sunland Group. Dr Abedian, as Chairman, plays a crucial role in ensuring the Board works effectively and responsibly and therefore at this stage the Board has assessed that it is appropriate to have Dr Abedian in the position of Executive Chairman.

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

### Separation of duties

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

### Independent professional advice

Directors may seek independent advice at the Company's expense, following the Chairman's consent. This advice, if appropriate, will be shared with the full Board.

### Conflicts of Interest

The Board has set guidelines for its members for declaring and dealing with potential conflicts of interest which include:

- » Board members declaring any interests as prescribed under the Corporations Act 2001 (Cth), ASX listing rules and the general law; and
- » Board members with a material personal interest in a matter not being present or voting at a meeting of the Board during any consideration of or voting on the matter, unless the Board (excluding the relevant Board member) resolves otherwise.

### Terms and conditions of appointment, re-election and retirement

In accordance with the Company's constitution, the Directors may appoint a person to be a Director, either in addition to the existing Directors, or to fill a casual vacancy, provided there are not less than three and not more than ten Directors at any one time. A person may also be elected to the office of Director if that person has been nominated for election, or if a member has expressed his or her desire to be a candidate for election. At each Annual General Meeting (AGM), any such Director appointed must retire from office at the next AGM following his or her appointment. In addition to this, one third of the remaining Directors and any other Director who will have been in office for three or more years and for three or more AGMs since they were last elected must retire from office. The Directors required to retire at the AGM are the Directors who have been longest in office since their last election. Any Director retiring from office is eligible for re-election. If the office vacated is not filled, then that retiring Director is taken to have been re-elected, unless it is expressly resolved not to fill that vacated office, or a resolution is put and lost for the re-election of that Director.

### Remuneration of Directors

Directors are paid remuneration as determined by the Company at general meeting. Remuneration may be either a stated salary, a fixed sum (or both) or a share of a fixed sum determined to apply to all Directors, to be divided between them as they agree or failing

agreement, equally. If a Director performs extra services or makes special exertions in relation to the affairs of the Company, they may be entitled to a special remuneration, either in addition to or as a substitution for that Director's remuneration. The Directors may decide to pay a pension or lump sum payment in respect of past services, for those Directors who have died or otherwise ceased to hold office.

### Performance of the Board

It is the role of the Remuneration and Nomination Committee to evaluate the Board's performance, ensuring that appropriate procedures exist to assess the performance of Directors, Executive Committee members and the Board as a whole. The Committee meets annually to consider Board and director performance. This assessment is conducted by way of discussions at board meetings as required. This process was followed in the assessment of the Board's performance in the year ended 30 June 2014.

### Board and Committee meetings

The attendance by directors at Board and Committee meetings is included in the Directors' Report. Members may meet without executive directors and management being present when required.

The Company Secretary assists the Board by ensuring timely despatch of the board agenda and papers and providing governance advice. The advice may be sought externally if required. All Directors have access to the Company Secretary.

### Board Committees

To support the Board in its responsibilities, a Corporate Governance and Audit Committee and Remuneration and Nomination Committee have been established.

Each committee has a formal charter detailing its role. Each Committee reports back to the board after each meeting and recommends items to the Board for decision as appropriate. Details of the number of meetings, and attendance by members, is detailed below. Table to be updated for this year's meetings.

Director	Board Meetings		Audit Committee Meetings		Remuneration and Nominations Committee Meetings	
	Number Attended	Number Held	Number Attended	Number Held	Number Attended	Number Held
Mr Sahba Abedian	10	10	-	-	1	1
Dr Soheil Abedian	10	10	-	-	1	1
Mr Ron Eames	10	10	2	2	1	1
Mr Craig Carracher	10	10	2	2	-	-

### Corporate Governance and Audit Committee

Sunland established a Corporate Governance and Audit Committee in December 2002. It comprises independent Non-Executive Directors Mr Ron Eames (Chair) and Mr Craig Carracher. Under its Charter, the Corporate Governance and Audit Committee is to comprise three independent Directors. This is not met whilst there is a vacancy at the board for an additional independent Director. In the interim the committee continues to meet as required and operates effectively by maintaining membership with only independent Directors. The permanent invitees to the committee meetings are the Chief Financial Officer, Deputy Chief Financial Officer and the external auditors Ernst & Young.

### Remuneration and Nomination Committee

For the period under review, the Remuneration and Nomination Committee comprised Non-Executive Director Mr Ron Eames (Chair) and Executive Directors Mr Sahba Abedian and Dr Soheil Abedian. The Committee's responsibility includes the assessment of new Board candidates and makes recommendations to the Board for consideration, evaluation and formal approval. The Committee also makes recommendations to the Board regarding remuneration of directors, however the respective Directors are not present when their own remuneration is being considered.

The Remuneration and Nomination Committee recommends any new Board candidates to the Board for appointment. Where a Board vacancy occurs Directors are asked to nominate suitable candidates and, where required, external assistance is obtained. The Remuneration and Nomination Committee also reviews any Director being proposed for re-election at the AGM to enable the Board to make a recommendation to shareholders.

### 3. ETHICAL AND RESPONSIBLE DECISION MAKING

*ASX Principle No. 3 - Promote ethical and responsible decision-making*

#### Code of Conduct

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

The Group has appointed an internal Complaints Handling Officer. The Complaints Handling Officer coordinates the investigation and reporting of any instances of unethical conduct. Sunland employees can also contact the Complaints Handling Officer for information and assistance in the management and resolution of a workplace dispute or Code of Conduct incident.

#### Security Trading Policy

Under the Group's Security Trading Policy directors and designated officers (as determined by the Corporate Governance and Audit Committee from time to time) must obtain approval from the Chairman and an independent director prior to undertaking any trade. Similarly members of the Executive Management with knowledge of reporting disclosures must first consult the Managing Director and Company Secretary before trading is undertaken.

Directors and designated officers may trade in Sunland shares, without notification during nominated trading 'windows' which are typically of four weeks duration and follow Sunland's announcements of its half year and annual profit results, and the Annual General Meeting.

Irrespective of these approval stipulations, if any individual is in possession of any non-public, price-sensitive information relating to the Sunland Group, then that person is prohibited from trading.

This policy also prohibits Directors from utilising margin lending facilities to fund existing Sunland Group share holdings and any future Sunland Group share purchases.

Further information on the trading in securities by directors and other office holders is outlined in the Group's Security Trading Policy available on the Sunland Group website.

#### Diversity

Diversity includes, but is not limited to, gender, age, ethnicity, cultural background, impairment or disability, sexual preference and religion. Sunland has an open view to diversity throughout the organisation and whilst the Board has decided not to adopt a Diversity Policy and there are no specific targets at this stage, candidates are actively assessed to broaden Sunland's diversity as positions become available. This includes positions at board, management and support levels throughout the organisation with a focus on obtaining an appropriate set of skills that will benefit the Group with that appointment.

The Group currently employs 24% women in its overall development operations with 2% of management roles taken up by women as shown in the table below.

	Actuals June 2014
Women on Sunland Board	0%
Women in senior executive positions (Full time equivalent ("FTE"))	2%
Women in Sunland (FTE)	24%

### 4. INTEGRITY IN FINANCIAL REPORTING

*ASX Principle No. 4 - Independently verify and safeguard integrity in financial reporting*

#### Certification of financial reports

The Company complies with ASX and ASIC requirements for the timely and accurate reporting of the Group's financial activities, ensuring that the Group discloses all information which has a material impact on shareholders. This includes the Annual Financial Report, Half Yearly Report, revised forecasts, material site acquisitions and changes in Directors' interests.

The Managing Director, along with the Company Secretary/Chief Financial Officer are responsible for providing updates to the Board on the financial performance of the Group. Further the Managing Director and Chief Financial Officer review the half yearly and annual financial statements of the Group prior to tabling at the Corporate Governance and Audit Committee for review and recommendation to the Board. The financial statements are then recommended to, and approved by, the Board before being announced to the ASX.

#### Corporate Governance and Audit Committee

Under its charter, the Corporate Governance and Audit Committee (Audit Committee) must comprise at least three Non-Executive Directors, with a majority of independent Directors. The Chairman of the Audit Committee must be an independent Non-Executive Director and must not be the Chairman of the Board. The current composition of the Audit Committee does not comply with the Charter's requirements whilst there is a vacancy at the board for another independent Non-Executive Director.

The Company does comply with the ASX Recommendation that the Audit Committee comprise all Non-Executive Directors.

The members of the Audit Committee for this period, and details of the meetings attended by the Members, are identified under Principle 2. Committee members bring a range of financial, legal, commercial and industry experience and expertise. Permanent invitees include the Chief Financial Officer; the Deputy Chief Financial Officer and the Group's external auditors.

The Sunland Group Audit Charter provides for the following:

#### Role of the Audit Committee

The primary role of the Audit Committee is to assist the Board in:

- » Monitoring corporate risk management, internal control and compliance processes;

- » Monitoring compliance with laws and regulations and code of conduct for the Sunland Group;
- » Monitoring the integrity of the Sunland Group's statutory financial reports and statements and financial and accounting controls; and
- » Reviewing the achievement of best practice in the implementation of corporate policies and compliance processes.

The Audit Committee is also responsible for consideration in regard to the appointment of company external auditors. The Committee reviews the terms of engagement and fees, including any engagement letter issued at the start of each audit, and provides assessment of the independence of the external auditor. In line with requirements of the Corporations Act and professional standards the Group requires the audit partners and review partners of its external auditor to rotate every 5 years. The External Auditor must manage its audit team members to ensure adequate rotation of staff.

The members of the Audit Committee meet with the external auditor when required without Executive Directors and management present.

## 5. CONTINUOUS DISCLOSURE TO ASX

### *ASX Principle No. 5 - Make timely and balanced disclosure*

The company believes that shareholders, regulators, rating agencies and the investment community generally, should be informed of all major business events and risks that materially influence the company in a factual and timely manner. It is important that all investors have equal and timely access to material information concerning Sunland. To ensure compliance with continuous disclosure obligations stipulated by the Corporations Act and the Listing Rules, the Company has in place a Continuous Disclosure Policy. This ensures that any issues regarding ASX Listing Rules and/or material change in the Company's business are announced through the ASX. All ASX announcements are available on the Group's website.

The Group's Company Secretary is responsible for communication with the ASX including responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and oversight of information distributed to the ASX following the review of the announcement by the directors as required.

### Stakeholders

Under the direction of the Managing Director, Sunland liaises with various stakeholders either directly through formal presentations to corporate investors, institutions, and individuals, or via representative brokers and analysts to provide regular updates on the Group's business activities. The Group's corporate advisors support the communication efforts of the Group to ensure compliance with its obligations to key stakeholders and its continuous disclosure obligations.

## 6. THE RIGHTS OF SHAREHOLDERS

### *ASX Principle No. 6 - Respect the rights of shareholders*

The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the Group. Information is communicated to shareholders through the annual report, the half-yearly report, announcements made to the ASX, notices of annual general meetings, the AGM and the Company's website [www.sunlandgroup.com.au](http://www.sunlandgroup.com.au), which has a dedicated investor relations section. Sunland also communicates frequently via the media on projects and in regard to financial updates as appropriate.

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

Sunland ensures that its external auditors are present at the AGM to answer questions in regard to the conduct of the financial statement audit and the associated independent audit report.

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

## 7. RISK MANAGEMENT

### *ASX Principle No. 7- Recognise and manage risk*

### **Risk Management**

Risk management is an integral part of managing Sunland Group. The identification of risks and implementation of strategies and controls to mitigate those risks are the responsibility of the Board and Management. Executive Committee meetings chaired by the Managing Director, meet monthly to ensure close monitoring of each and every project, along with a review of critical business issues. This includes cash flow forecasts, debt management, risk management and project status, sales rates, construction progress/costs to complete, as well as the assessment of future developments and feasibilities.

In addition, all staff have a responsibility for the continuous monitoring and management of risks and controls within their area of responsibility.

### **Establish Risk Policies**

The Audit Committee has endorsed a Group Risk Management Policy. A Strategic Risk Assessment is regularly updated and reviewed by the Audit Committee. Both have been developed in accordance with the standard for Risk Management, AS/NZS 4360:2004.

The strategic risk assessment enables identification and management of the strategic risks of Sunland Group, focussing management attention on any risk requiring further action. The structure of the assessment enables management to identify:

- » Those residual risks requiring management action / attention in order to reduce the level of risk to an acceptable level; and
- » Those risk areas with a strong reliance on internal controls and processes to bring the risk to an acceptable level. This enables management to identify those key controls and/or processes requiring regular monitoring and/ or independent assessment as to their effectiveness.

A report against the Strategic Risk Assessment is provided to the Audit Committee on an annual basis and regular reporting of the Strategic Risk Assessment is provided during the year. The Audit Committee, through its report to the Board following its meetings, ensures the Board is kept updated of any risk matters. The Board also receives a report from Management in regard to the effectiveness of the Company's management of its material business risks on an annual basis.

The Board receives assurance from the Managing Director and Chief Financial Officer that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

These assurances have been received for the year ended 30 June 2014.

## 8. REMUNERATION

*ASX Principle No. 8 - Remunerate fairly and responsibly*

### Directors Remuneration - Constitution

Under the Company's Memorandum of Association and Constitution (Constitution), the Directors are entitled to be paid remuneration for ordinary services such sum as may from time to time be determined by a meeting of members. Directors are paid remuneration as determined by the Company at general meeting. Remuneration may be either a stated salary, a fixed sum (or both) or a share of a fixed sum determined to apply to all Directors, to be divided between them as they agree or failing agreement, equally. If a Director performs extra services or makes special exertions in relation to the affairs of the Company, they may be entitled to a special remuneration, either in addition to or as a substitution for that Director's remuneration. The Directors may decide to pay a pension or lump sum payment in respect of past services, for those Directors who have died or otherwise ceased to hold office. Although bonus and pension payments are provided for in the Constitution, there is no current intention to implement such a scheme.

### Non-Executive Directors

Director's fees are allocated among the Non-Executive Directors. Those fees are disclosed in the Remuneration Report included in the Directors Report. Non-Executive Directors fees are clearly distinguished from those of executive directors. There are no variable rewards or share based benefits provided to Non-Executive Directors as detailed in the Remuneration Report.

### Executive Directors

Executive Directors are remunerated by subsidiary companies and do not participate in any Directors' fees paid by the Company. In accordance with the Security Trading Policy executives are not permitted to enter into transactions in associated products which limit the economic risk of participating in unvested entitlements under the share option scheme.

### Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee for the period are identified under Principle 2 together with details of meetings attended. The Committee is intended to consist of three directors and be chaired by an independent Director. However, with the retirement of Mr Jackman, the Committee currently includes executive directors.

For this interim period, the Company will not comply with the ASX Recommendations regarding composition of the Remuneration Committee, however once Mr Jackman's replacement is appointed there will be three members and an independent Chair.

However, on an ongoing basis the composition of the Committee will not meet ASX Recommendation 8.2 due to a majority of the members being executive Directors. The Board has determined that the composition is appropriate for the Sunland Group due to the experience and insight the executive Directors offer. As stated below, any potential conflicts of the executive Directors are managed by those individuals not participating in discussions regarding their own remuneration.

The Chairman and Managing Director (where applicable) are not present when their own remuneration is being considered. Recommendations are passed to the Board by the Committee for approval by the Board. In regard to remuneration the Committee's role is to:

- (a) make recommendations to the Board on:
  - (i) executive remuneration and incentive policies;
  - (ii) the remuneration packages of Executive Committee members and senior management;
  - (iii) recruitment, retention and termination policies for Executive Committee members and senior management;
  - (iv) incentive schemes;
  - (v) superannuation arrangements; and
  - (vi) the remuneration framework for directors.
- (b) ensure that reporting disclosures related to remuneration comply with the Corporations Act and ASX Listing Rules, noting particularly continuous disclosure and corporate governance guideline requirements.

### Executive Remuneration

Sunland recognises the value of maintaining long term employees and therefore introduced a long term incentive programme which was approved by Directors on 15 June 2011. The Programme has been established through a discretionary trust deed for the purpose of providing eligible termination payments to eligible employees. An employee's eligibility to participate in the Programme is tested periodically and various criteria must be met, such as minimum continuous service (generally three years) and satisfactory employment performance.

Details of the Group's remuneration structure and details of remuneration and incentives of key Executives are set out in the Remuneration Report contained within the Directors' Report.



The Directors present their report together with the financial report of Sunland Group Limited and its controlled entities (Sunland or the Group), for the year ended 30 June 2014 and the independent audit report thereon.

### Directors

The names and details of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

#### Dr Soheil Abedian

*Chairman (Executive Director) - Director since March 1994.*

*Dip Arch Masters Degree in Architecture with Honours  
(University of Graz, Austria), Aged 65.*

*Honorary Professor Griffith University (Business School - Gold Coast)*

*Adjunct Professor Bond University (Architecture School)*

*Doctorate of Bond University*

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

#### Sahba Abedian

*Managing Director - Director since January 2001.*

*LLB (Bond University), Aged 38.*

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

### Directors' Meetings

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

Director	Board Meetings		Audit Committee Meetings		Remuneration and Nominations Committee Meetings	
	Number Attended	Number Held	Number Attended	Number Held	Number Attended	Number Held
Mr Sahba Abedian	10	10	-	-	1	1
Dr Soheil Abedian	10	10	-	-	1	1
Mr Ron Eames	10	10	2	2	1	1
Mr Craig Carracher	10	10	2	2	-	-

### Principal Activities

Sunland Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The principal activities of the consolidated entity is residential property development and construction. The Group conducts these activities through its two core business segments of "Residential Housing and Urban Development" and "Multi-Storey" developments. The Residential Housing and Urban Development segment comprises land subdivision and medium density integrated housing developments. The Multi-Storey segment comprises medium-rise projects generally between five and 10 storeys, and high-rise developments above 10 storeys. The delivery of Sunland's projects are completed by specialist in-house teams experienced in land acquisition and project feasibility analysis, design, project management, construction, and sales and marketing. The vertically integrated structure of the Group ensures the efficient delivery of projects to achieve Sunland's vision.

Sunland finalised its exit of the Group's Dubai exposure during the year, but otherwise there was no significant change in the nature of the activity of the Group.

#### Ron Eames

*Non-Executive Director - Director since March 2006.*

*LLB (Queensland University of Technology), Aged 57.*

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

#### Craig Carracher

*Non-Executive Director - Director since July 2010.*

*LLB (Sydney), University Medal; BCL, Oxon, 1st Class Hons, Aged 48.*

Mr Carracher has extensive transactional and management experience, having spent much of the past decade living and working in Asia as Managing Partner of a leading Australian law firm, Group General Counsel for Consolidated Press Holdings Limited, and CEO of its Asian private equity interests. Craig is a Director of ASX-listed Kingsgate Consolidated Limited (appointed 16 November 2007) and Managing Director of a pan Asian private equity firm, Telopea Capital Partners. He is a member of Sunland's audit and risk committee.

#### Company Secretary

##### Grant Harrison

*Company Secretary - Secretary since December 2003.*

*Associate Diploma Business (Accounting), GAICD, Aged 47.*

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

### Consolidated Result

The consolidated profit after income tax for the year attributable to members of Sunland Group Limited was \$14.3 million, an increase of 5% on the previous year's result (2013: \$13.6 million).

This result is attributable to the strong performance of Sunland's residential developments across Queensland, New South Wales and Victoria, the Group's streamlined business model, and its continued focus on capital management.

### Operating and Financial Review

#### Operating and financial highlights

- » Net profit after tax of \$14.3 million.
- » Directors have declared a fully franked dividend of 2 cents per share being a total of 4 cents fully franked for the year.
- » Balance sheet provides good capacity, with \$14.7 million in cash and \$112.8 million in undrawn credit lines.
- » Surplus cash and increased gearing is being utilised to replenish and deliver the Group's national portfolio.
- » \$82.1 million in new site acquisitions across all project segments in Sydney, Brisbane and the Gold Coast.
- » Basic earnings per share 8.0 cents (2013: 7.2 cents) representing growth of 11%.
- » Gearing remains at conservative levels, with 18% debt to assets and 24% debt to equity.
- » Share buy back program was successfully concluded during the year, significantly enhancing net tangible assets per share which has increased by 63% from \$1.20 in 2009 to \$1.96 as at 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.

#### Group development portfolio

Sunland's national development pipeline comprised 5,556 land, housing and multi-storey products with a total end value of \$3.2 billion, providing a healthy portfolio of premium quality projects to be delivered over the next three to five years. Sunland continued to replenish and grow its national portfolio during the period, with new site acquisitions totaling \$82.1 million across its core segments of Residential Housing and Urban Development, and Multi-Storey (medium-rise and high-rise projects), providing an additional yield of 2,250 allotments with an end gross realisation of \$1.4 billion.

New site acquisitions include:

- » Residential housing: Pimpama (QLD), Hope Island (QLD), Elanora (NSW) and two sites in Kellyville (NSW).
- » Multi-storey: Varsity Lakes (QLD), Toowong (QLD) and Labrador amalgamation (QLD).

Several of these new acquisitions will generate a holding income for the Group pending development approvals and the commencement of the projects. Two projects were acquired through the purchase of debt instruments from existing mortgagees. One of the projects held as security, located in Redland Bay in Brisbane, was sold and the underlying debt repaid, bringing forward a profit of \$4.5 million on the transaction.

Concurrent to the Group's growth strategy is an equal focus on the strategic delivery of its design-driven residential projects in line with market conditions, with eight new residential projects launched during FY14:

- » Urban development: Adresse (VIC).
- » Residential housing: Peninsula and Concourse Villas (QLD), Carre, The Gardens and Whyte (VIC).
- » Multi-storey: Marina residences (QLD), Abian (QLD).

As at 30 June 2014, Sunland had 18 active projects along Australia's east coast. These projects are at various points in their delivery cycle, from Abian which commenced in June 2014, to Peninsula, The Parc and Marina Residences which are approaching completion and have settlements commencing from June 2014 and early in the 2015 financial year.

The Group's multi-storey portfolio will become more active and make a greater contribution to earnings as markets continue to improve, concept designs and approvals are finalised, and projects are launched. Sunland has focused on boosting contributions from this segment with the reintroduction of medium-rise projects such as Marina Residences and Palm Beach once that is settled (in September 2015). These medium-rise projects will contribute to Group earnings from FY15 and carry through the ensuing years, ahead of the significant forecast contributions from Sunland's high-rise projects, commencing with Abian during FY18. The Group's Residential Housing and Urban Development segment continues to deliver through various stages of each project, supporting underlying earnings and cash flow.

Sunland is actively monitoring the market for opportunities to further increase its portfolio, with a specific focus on emerging growth markets in south-east Queensland, Sydney and Melbourne.

#### Group operating activities

##### Development activities

Sunland's development activities continued to generate strong earnings for the Group during the 2014 financial year. Sales activity improved significantly from the previous period, with sales volume increasing by 150% and sales value increasing by 200% in FY14. The Group completed 629 sales to the value of \$389 million during the 2014 financial year (2013: 261 sales to the value \$128.2 million). Some of this growth is attributed to the successful launch of Sunland's new Brisbane high rise project, Abian where 110 sales were achieved during the period for the value of \$139 million. Further contracts are in the pipeline valued in excess of \$20 million. The Group also experienced price growth as new projects were launched. Contracted presales for projects that have been released across the development portfolio total 436 as at 30 June 2014, with a combined value of \$323 million (figures include projects managed by Sunland through joint venture vehicles).

A number of multi-storey projects are currently in the pipeline, with the Group's luxury Abian residential tower in the Brisbane CBD having commenced construction. Multi-storey projects in the preliminary design and approval stages include Toowong in Brisbane (high-rise), Labrador (high-rise), Mariners Cove (high-rise) and Varsity Lakes (medium-rise) on the Gold Coast. Whilst the Toowong and Varsity Lakes projects are both expected to be launched during the next six

months, these projects will not generate revenue until the projects are completed. Sunland is focused on finalising the design and approvals for these projects in order to release them to the market and achieve the presales required for commencement of construction.

Settlement volumes have also increased year on year. The Group generated revenue from its property sales of \$178.0 million from 446 settlements (2013: \$155.9 million from 401 settlements). Major contributors were the Group's housing projects at Concourse Royal Pines, The Glades and The Pines (QLD), Parc and Kellyville (NSW), and Chancellor Residences and Eton (VIC). Land subdivision developments contributing to revenue included Bushland Beach (QLD) and Bluestone Green (VIC).

The Residential Housing and Urban Development segment achieved a development margin (earnings before interest and tax) for the period of 22%, which is an increase from 18% achieved during FY13. The increase in margin is the result of improved market conditions and a shift in consumer sentiment during the second half of FY14. Sunland's Multi-Storey segment contributed revenue for the first time in a number of years with the completion of the medium-rise project Marina Residences (QLD). It is expected the balance of the lots will settle during the first half of FY15 to achieve an overall development margin of 21%. It should be noted that the Multi-Storey segment showed a relatively low net contribution overall as marketing costs, primarily in relation to Abian, are expensed ahead of recognising revenues from settlements. It is expected this segment will make significant contributions over the ensuing three to five years as the medium and high rise portfolio is delivered.

#### Dubai

Effective 1 July 2012, Sunland recognised a \$4.6 million increase in retained earnings as a result of the application of a new accounting standard AASB 11 Joint Arrangements. The remaining Dubai assets and liabilities on Sunland's balance sheet following the Group's application of this new accounting standard were in respect of its 100% interest in the Waterfront 2 project.

On 24 November 2013 the Group exited the balance of its Dubai exposure through a sale of its shares in its Dubai holding entities to a UAE-based investor for a nominal sum. The holding entities owned Sunland's 50% interests in the Waterfront 1 and Nur projects, and its wholly-owned interests in the Waterfront 2 project. At the date of exit, the deconsolidation of the remaining assets and liabilities resulted in a \$1.9 million profit contribution.

#### Other Group operations

Project Services operations provided a modest contribution during the period and are related to the management of projects by Sunland of its joint ventures and other projects that are partially owned. The current projects are limited to Sanctuary Cove and Sunland Diversified Land Fund No2 and the level of activity adjusts as these projects are delivered.

Sunland was exposed to foreign currency movements when it owned its interests in Dubai, although these movements have been largely offset by the "mark to market" of various Dubai assets and liabilities that were previously grossed up through Sunland's consolidated balance sheet. Now that Sunland has completed the sale of its Dubai exposure, the Group will no longer be exposed to foreign currency movements.

During the 2014 financial year the Group expensed legal costs of \$8.1 million, which included \$6.5 million of the Respondents' costs awarded against Sunland in respect to the trial conducted in the Victorian Supreme Court. This is an accumulation of several years' costs incurred by the Respondents during the course of the trial and expensed this period. The Court of Appeal has also awarded costs against Sunland in respect to the appeal. Directors have provisioned an amount of \$1.75 million pending an assessment of the costs claimed by the Respondents.

#### **Capital management**

Sunland concluded the Group's share buy back strategy in July 2013 with the purchase of 7.7 million shares for \$10.0 million. This brought the acquisition program, which commenced in 2009, to a total of 145.2 million shares for \$118.0 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%. The strategy has significantly enhanced earnings and net tangible assets per share, from \$1.20 in 2009 to \$1.96 as at June 2014, and also reiterates the directors' confidence in the Group's financial position and long-term prospects of the Company's operations.

Directors have initiated a dividend payment regime following the completion of the share buy back. A final fully franked dividend of 2 cents per share has been declared bringing the total dividend for the financial year to 4 cents per share.

The Group intends to pay fully franked dividends of between 40% and 50% of net operating earnings as a dividend payment policy.

During the 2014 financial year Sunland increased the use of its debt facilities to fund the Group's increased development activities, particularly in relation to the acquisition of various multi-storey projects. The Abian residential tower project in the Brisbane CBD will require debt facilities of approximately \$130 million and indicative terms have been agreed with one of Australia's major trading banks in respect to the development facility to complete the project. There is a strong appetite from Australia's lending institutions to support clients with a strong track record in delivery of projects.

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

#### **Dividends**

In March 2014, directors declared and paid an interim dividend of 2 cents per share fully franked. Directors have returned to a more permanent dividend payment philosophy now that the share buyback program has been finalised. Directors have declared a final dividend for this financial year of 2 cents per share fully franked, to be paid 25 September 2014.

The suspension of the Group's dividend reinvestment plan continues.



### Group vision and future outlook

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

Sunland is currently in a good position to achieve its vision.

After several years of consolidation and portfolio replenishment, the Group is now firmly focused on delivery. The size, value and geographic diversification of Sunland's projects in its core activities of medium density housing, land subdivisions, high-rise and medium-rise projects, provide strong earnings visibility in the medium-term and the Group is well placed to share in the increased confidence of the investor and owner-occupier markets.

Sunland's return to multi-storey developments with the luxury 40-storey Abian residential tower in the Brisbane CBD and the medium-rise Marina Residences project on the Gold Coast, 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 the market conditions.

Concurrent to Sunland's sales and delivery program is an unrelenting focus on growth. In the 2015 financial year the Group will continue to actively monitor the market for new opportunities to increase its national development pipeline in strong-performing markets in south-east Queensland, Sydney and Melbourne. Sunland's growth strategy is both organic and opportunistic, focusing on premium quality sites in emerging and established growth markets, with natural and built amenity.

While the prevailing market conditions present ongoing challenges for the development industry, the directors believe Sunland's healthy balance sheet, access to capital and strong cash flow forecast provide a stable platform from which to improve profitability and deliver sustainable shareholder returns.

### Significant Changes in the State of Affairs

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

### Environmental Regulation and Performance

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

### Likely Developments and Expected Results

Directors continue to be mindful of enhancing shareholder return and the return to a dividend payment regime will assist in achieving that goal. The Company must continue with its strategy of replenishing the portfolio across key locations in Queensland, New South Wales and Victoria to continue and enhance operations. Existing projects will be delivered and the cash generated from these, together with the capacity provided by the Group's debt lines, will assist in this strategy. The Group has a number of projects and other opportunities in hand which provide the foundation for future operations of the Group.

### Directors' Interests

The relevant interest of each Director in the shares and options over such shares of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares
Mr Ron Eames	30,000
Mr Craig Carracher	14,000
Dr Soheil Abedian	46,533,000
Mr Sahba Abedian	7,520,000

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

### Indemnification and Insurance of Officers

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

Under the insurance policy the insurer will pay to or on behalf of an insured person or reimburse Sunland for which it has indemnified an insured person, any amount which an insured person is legally liable to pay resulting from a claim, defense cost, and any other awards of damages, costs or settlements including investigation costs, asset and liberty expenses and other defined losses.

Under Sunland's constitution Directors and Officers are entitled to be indemnified out of the assets of the Company against certain losses incurred in relation to the execution of their duties. There were no indemnity payments by Sunland to its Directors or Officers during the period.

### Indemnification of auditors

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

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

### Remuneration Philosophy

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

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

Sunland has undertaken to reward the executive management team through a remuneration framework consisting of a fixed annual remuneration package complemented by the recently implemented long term incentive programme. The long term incentive programme extends to all eligible employees of the company.

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

The principles of the framework incorporate:

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

### Remuneration and Nomination Committee

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

### Details of Key Management Personnel

Key Management Personnel including Directors and Executives have authority and responsibility for planning, directing and controlling the activities of the Company and Group. These are the following personnel as at 30 June 2014:

#### Directors

Mr Sahba Abedian	Managing Director
Dr Soheil Abedian	Chairman (Executive)
Mr Ron Eames	Director (Non-Executive)
Mr Craig Carrache	Director (Non-Executive)

#### Executives

Mr Grant Harrison	Company Secretary and Chief Financial Officer
Mr David McMahon	National Director Communities
Mr David Brown	Executive Development Manager

There were no changes of Key Management Personnel after reporting date and the date the financial report was authorised for issue.

### Long Term Incentives ('LTI')

#### Objectives

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

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

A LTI plan was approved by Directors on 15 June 2011. The Program has been established through a discretionary trust deed which is operated independently from Sunland's Board by a Trustee appointed by the Eligible Employees. The purpose of the discretionary trust is to provide eligible termination payments to Eligible Employees. Eligible Employees are not restricted to Key Management Personnel and include Executive Directors. An employee's eligibility to participate in the Program is tested periodically and various criteria must be met, such as minimum continuous service (generally three years) and satisfactory employment performance. Funds are contributed to the discretionary trust at the discretion of the Board and are invested by the Trustee of the discretionary trust on behalf of the Eligible Employees. Distributions to Eligible Employees are also made at the discretion of the Trustee. Directors have historically assessed the contribution in September each year and have paid up to 1% of net profit after tax. No contributions have been made for the financial years ended 30 June 2013 or 30 June 2014.

## Non-Executive Director Remuneration

### Objective

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

### Structure

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

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

## Executive Director Remuneration

### Objective

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

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

### Structure

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

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

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

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

## Executive Remuneration

### Objective

The Group's executive reward structure is designed to:

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

### Structure

The remuneration structure for the Executive consists of:

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

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

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

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

**Compensation of Key Management Personnel (KMP)**

Remuneration of KMP is detailed in the following table:

		Short term		Post employment	Share based Payments	
		Salary & Fees	Non-monetary benefits	Superannuation	Options	Total
Non-Executive Directors						
Terry Jackman (resigned 31 January 2013)	2014	-		-		-
	2013	27,073		2,437		29,510
Ron Eames	2014	45,870		4,245		50,115
	2013	45,872		4,128		50,000
Craig Carracher	2014	45,870		4,245		50,115
	2013	45,872		4,128		50,000
Sub-total Non-Executive Directors	2014	91,740	-	8,490	-	100,230
	2013	118,817	-	10,693	-	129,510
Executive Directors						
Sahba Abedian	2014	723,506		17,775		741,281
	2013	583,530		16,470		600,000
Soheil Abedian	2014	732,225		17,775		750,000
	2013	583,530		16,470		600,000
Other Key Management Personnel (Group)						
David McMahon	2014	282,225		17,775		300,000
	2013	258,530		16,470		275,000
David Brown	2014	282,225		17,775		300,000
	2013	258,530		16,470		275,000
Grant Harrison	2014	258,530		17,775		276,305
	2013	258,530		16,470		275,000
Total Key Management Personnel compensation (Group)	2014	2,370,451	-	97,365	-	2,467,816
	2013	2,061,467	-	93,043	-	2,154,510

Dr Soheil Abedian salary sacrificed the sum of \$725,000 to the Abedian Foundation (FY13: \$583,530 across the Abedian and Sunland Foundations).

**Shareholdings of Key Management Personnel**

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

	Balance 1 July 2013	Net on market acquisitions / disposals	Balance 30 June 2014
<b>Directors</b>			
Ron Eames	30,000	-	30,000
Soheil Abedian	45,700,000	833,000*	46,533,000
Sahba Abedian	7,500,000	20,000	7,520,000
Craig Carracher	14,000	-	14,000
*Inclusion of related party holding			
<b>Executives</b>			
David McMahon	-	-	-
David Brown	1,908,557	(120,000)	1,788,557
Grant Harrison	659,178	-	659,178
Total	55,811,735	733,000	56,544,735

**Group performance**

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

	2014	2013	2012	2011	2010
Basic Earnings Per Share	8.0c	7.2c	7.2c	9.3c	6.4c
Earnings Per Share growth (%)	11.1%	0%	(22.6%)	45.3%	114.3%
Security price – at 30 June	\$1.56	\$1.41	\$0.93	\$0.62	\$0.68
Change in security price (%)	10.6%	51.6%	51.2%	(9.6%)	1.5%
Dividend per share (full year fully franked)	4.0c	2.0c	0.0c	0.0c	0.0c
Dividend per share growth (%)	100%	100%	N/A	N/A	N/A
Net Tangible Assets per share	\$1.96	\$1.87	\$1.79	\$1.55	\$1.39
Change in Net Tangible Assets (%)	4.8%	15.5%	11.5%	15.8%	(29.0%)

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

**Compensation options: Granted and cancelled during the year**

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

**Rounding**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

**Non-Audit Services**

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that audit independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance and advice	\$347,086
Other assurance services	-
Accounting advice	\$51,080

**Audit Independence and Non-Audit Services**

The Directors received the following declaration from the auditor of Sunland Group Limited and forms part of the Director's Report for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors.



**Mr Sahba Abedian**

*Managing Director*

Dated at Brisbane this 20 August 2014



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

In relation to our audit of the financial report of Sunland Group Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink that reads 'Alison de Groot' in a cursive, stylized font.

Alison de Groot  
Partner  
20 August 2014

**SUNLAND GROUP** LIMITED

ABN 65 063 429 532

**ANNUAL REPORT YEAR ENDED 30 JUNE 2014**CONTENTS

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Sunland Group Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Sunland Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Director's Report.

The financial statements were authorised for issue by the Directors on 20th August 2014. The Directors have the power to amend and reissue the financial statements.



		2014 \$'000	2013 \$'000
	Notes		Restated
Revenue from the sale of properties		178,025	155,940
Revenue from project services		2,573	13,431
Revenue from hotel services		-	11,856
Other revenue from operations	6(a)	7,394	8,081
<b>Total Revenues</b>		<b>187,992</b>	<b>189,308</b>
Other income/(expense)	6(b)	8,630	(2,974)
Share of profits/(losses) of associates		(1,763)	(231)
Changes in inventories of finished goods and work in progress	6(c)	(144,796)	(130,840)
Cost of project services		(2,330)	(12,171)
Cost of other operations		(4,256)	(4,352)
Cost of hotel supplies		-	(6,183)
Employee benefits expense		(8,430)	(13,228)
Finance costs	6(d)	(19)	(794)
Depreciation and amortisation expense	6(e)	(1,038)	(2,297)
Diminution of inventory		(1,498)	2,509
Administration and other expenses		(13,817)	(8,841)
<b>Profit/(loss) before income tax</b>		<b>18,675</b>	<b>9,906</b>
Income tax benefit/(expense)	8	(4,425)	3,686
<b>Net profit/(loss) attributable to members of Sunland Group Limited</b>		<b>14,250</b>	<b>13,592</b>
<b>Total comprehensive income attributable to members of Sunland Group Limited</b>		<b>14,250</b>	<b>13,592</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Group:</b>			
Basic earnings per share	10	8.0	7.2
Diluted earnings per share	10	8.0	7.2
^ Franked dividends per share		-	-

^ Includes final dividends declared and paid after year end and excludes final dividends declared and paid after the comparative year end

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

		2014 \$'000	2013 \$'000
	Notes		Restated
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	14,657	29,340
Trade and other receivables	13	19,105	9,520
Inventories	14	135,671	84,554
Current tax receivables		3,534	1,762
Other current assets	15	2,705	8,452
<b>Total current assets</b>		<b>175,672</b>	133,628
<b>Non-current assets</b>			
Receivables	13	301	2,426
Inventories	14	284,870	294,334
Property, plant and equipment	16	4,891	3,118
Investment properties	17	4,586	4,728
Investments accounted for using the equity method	18	232	1,986
Construction advances and property deposits		4	517
<b>Total non-current assets</b>		<b>294,884</b>	307,109
<b>Total assets</b>		<b>470,556</b>	440,737
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	18,040	12,027
Interest bearing liabilities	20	33,078	5,556
Provisions	21	9,361	9,708
Other current liabilities	22	560	49
<b>Total current liabilities</b>		<b>61,039</b>	27,340
<b>Non-current liabilities</b>			
Trade and other payables	19	2,000	45,131
Interest bearing liabilities	20	51,268	6,000
Provisions	21	248	549
Deferred tax liabilities	8(c)	6,511	5,429
Revenue received in advance		-	1,952
Other liabilities	22	-	1,946
<b>Total non-current liabilities</b>		<b>60,027</b>	61,007
<b>Total liabilities</b>		<b>121,066</b>	88,347
<b>Net assets</b>		<b>349,490</b>	352,390
<b>EQUITY</b>			
Issued Capital	23	195,662	205,688
Reserves	24(a)	-	6,779
Retained earnings		153,828	139,923
<b>Total equity</b>		<b>349,490</b>	352,390

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

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		194,120	198,294
Cash payments to suppliers and employees		(259,459)	(214,106)
Interest received		598	1,053
Interest and other finance costs paid		(5,771)	(3,181)
Income taxes (paid)/refunded		(5,115)	(11,654)
<b>Net cash (outflow) from operating activities</b>	27	<b>(75,627)</b>	<b>(29,594)</b>
<b>Cash flows from investing activities</b>			
Cash paid on acquisition of property, plant and equipment		(2,797)	(479)
Proceeds from the sale of property, plant and equipment		310	68,582
Consideration for contingent obligation		-	(5,948)
Repayments of loans by third parties		3,248	2,328
Proceeds from sale of subsidiary		3	-
Cash paid on acquisition of debt instrument		(7,000)	-
Proceeds from sale of debt instrument		11,543	-
<b>Net cash inflow from investing activities</b>		<b>5,307</b>	<b>64,483</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		236,500	6,000
Repayment of borrowings		(163,711)	(31,892)
Purchase of shares through share buy-back		(10,020)	(7,015)
Payment of share buy-back costs		(8)	(10)
Dividends paid to company's shareholders	9	(7,124)	(3,717)
<b>Net cash inflow (outflow) from financing activities</b>		<b>55,637</b>	<b>(36,634)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(14,683)</b>	<b>(1,745)</b>
Cash and cash equivalents at the beginning of the financial year		29,340	31,085
<b>Cash and cash equivalents at end of period</b>	12	<b>14,657</b>	<b>29,340</b>

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

		Attributable to owners of Sunland Group Limited			
	Notes	Ordinary shares \$'000	Share Option Reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2012</b>		212,713	6,779	125,469	344,961
Changes in accounting policies	1(a)(i)	-	-	4,579	4,579
<b>Restated total equity at the beginning of the financial year</b>		<b>212,713</b>	<b>6,779</b>	<b>130,048</b>	<b>349,540</b>
Profit for the year as reported in the 2013 financial statements		-	-	13,592	13,592
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>13,592</b>	<b>13,592</b>
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	9	-	-	(3,717)	(3,717)
Share buy-back		(7,015)	-	-	(7,015)
Transaction costs of share buy-back		(10)	-	-	(10)
<b>Balance at 30 June 2013</b>		<b>205,688</b>	<b>6,779</b>	<b>139,923</b>	<b>352,390</b>
<b>Balance at 1 July 2013</b>		205,688	6,779	139,923	352,390
Changes in accounting policies	1(a)(i)	-	-	-	-
<b>Restated total equity at the beginning of the financial year</b>		<b>205,688</b>	<b>6,779</b>	<b>139,923</b>	<b>352,390</b>
Profit for the year as reported in the 2014 financial statements		-	-	14,250	14,250
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>14,250</b>	<b>14,250</b>
Transactions with owners in their capacity as owners:					
Transfer of share option reserve	24	-	(6,779)	6,779	-
Dividends provided for or paid	9	-	-	(7,124)	(7,124)
Share buy-back		(10,020)	-	-	(10,020)
Transaction costs of share buy-back		(6)	-	-	(6)
<b>Balance at 30 June 2014</b>		<b>195,662</b>	<b>-</b>	<b>153,828</b>	<b>349,490</b>

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

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Sunland Group Limited and its controlled entities ("Group") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of Directors on 20th August 2014.

Sunland Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian securities exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The operating cycle of the business varies and may be less than 12 months for housing construction and staged land subdivision. High rise developments span greater than 12 months and depend upon the construction time for a project, usually between 12 months and 36 months.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for the change in revenue accounting policy detailed in Note 4. The financial statements are for the consolidated entity consisting of Sunland Group Limited and its subsidiaries.

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Sunland Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on a historical cost basis, except for held for sale assets that have been measured at the lower of carrying value and fair value less cost to sell.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

*(i) New and amended standards adopted by the group*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- » AASB 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 7*
- » AASB 10 *Consolidated Financial Statements, AASB 127 Separate Financial Statements*
- » AASB 11 *Joint Arrangements, AASB 128 Investments in Associates and Joint Ventures*
- » AASB 12 *Disclosure of Interests in Other Entities*
- » AASB 13 *Fair Value Measurement*
- » AASB 119 *Employee Benefits (Revised 2011)*
- » *Improvements to AASBs 2009-2011 Cycle*
- » AASB 2011-4 *Amendment to remove individual Key Management Personnel disclosure requirements*

The adoption of the above standards or interpretations with the exception of AASB 11 had no material impact on the financial position or performance of the Group.

The Group applied, for the first time, certain standards and amendments that require restatement of the previous financial statements. These were AASB 11 Joint Arrangements.

The impact of the application of these standards has been described below:

**AASB 11 Joint Arrangements and AASB 128 Investment in Associates and Joint Ventures**

The application of AASB 11 impacted the Group's accounting of its interest in Sunland DWF (BVI) Limited and its joint agreement with Peacock Ventures Limited, forming Waterfront Development (BVI) Limited, known as Waterfront 1 (WF1). Sunland DWF (BVI) Limited contributed 50% of the joint venture share capital.

The application of AASB 11 also impacted the Group's accounting of its interest in Sunland CV (BVI) Limited and its joint agreement with Peacock Ventures Limited, forming Sunland Nur (JOC) Limited, known as the Nur Project (Nur). Sunland CV (BVI) Limited contributed 50% of the joint venture share capital.

Prior to the transition to AASB 11, both Sunland DWF (BVI) Limited and Sunland CV (BVI) Limited were classified as jointly controlled entities and the Group's share of assets, liabilities, revenue, income and expenses was proportionately consolidated in the consolidated financial statements.

Upon adoption of AASB 11, the Group determined that its interest in Nur and WF1 be classified as a joint venture and it is required to be accounted for using the equity method (refer comments below).

The transition was applied retrospectively as required by AASB 11 and the comparative information for the immediately preceding period (2013) is restated. The effect of applying AASB 11 on the Group's financial statements is as follows:

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Impact on statement of profit or loss (increase/(decrease) in profit):**

	30 June 2013 \$000
Reversal of impairment of land/(impairment of land)	1,331
Net gain/(loss) of foreign exchange	(1,335)
<b>Profit before tax</b>	<b>(4)</b>
Income tax	-
<b>Net impact on profit for the year</b>	<b>(4)</b>

The transition did not have any material impact on either the statement of other comprehensive income (OCI) for the period or the Group's basic or diluted EPS.

**Impact on equity (increase/(decrease) in net equity):**

	30 June 2013 \$000	1 July 2012 \$000
Cash and cash equivalents	-	(6)
Other current assets	-	(615)
<b>Total current assets</b>	<b>-</b>	<b>(621)</b>
Non-current receivables	(280)	(252)
Non-current inventories	(19,605)	(18,270)
Investment in joint ventures	-	-
<b>Total non-current assets</b>	<b>(19,885)</b>	<b>(18,522)</b>
Trade and other payables	736	661
Provisions	35	35
<b>Total current liabilities</b>	<b>771</b>	<b>696</b>
Trade and other payables	13,205	11,874
Revenue received in advance	10,484	11,152
<b>Total non-current liabilities</b>	<b>23,689</b>	<b>23,026</b>
<b>Net impact on equity</b>	<b>4,575</b>	<b>4,579</b>

The transition did not have any impact on the cash flow statements.

The net liability on transition was not recognised as Sunland has no legal or constructive obligation to settle the negative value of the equity accounted investment. No profit or loss in respect of the investment was taken up for the June 2013 year as a result of this.

*(ii) Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(b) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and beyond. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date commencing for the Group
AASB 2012-3	<i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	Nil	1 July 2014
AASB 9	<i>Financial Instruments</i>	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2018	No assessment made as at 30 June 2014.	1 July 2018
AASB 2013-3	<i>Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</i>	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	Nil	1 July 2014
AASB 1031	<i>Materiality</i>	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.	1 January 2014	Nil	1 July 2014
IFRS 15	<i>Revenue from Contracts with Customers</i>	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	1 January 2017	No assessment made as at 30 June 2014.	1 July 2017



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(c) Principles of consolidation***(i) Subsidiaries*

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- » De-recognises the assets and liabilities of the subsidiary
- » De-recognises the carrying amount of any non-controlling interests
- » De-recognises the cumulative translation differences recorded in equity
- » Recognises the fair value of the consideration received
- » Recognises the fair value of any investment retained
- » Recognises any surplus or deficit in profit or loss
- » Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

*(ii) Investments in associates and joint ventures*

*An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Jointly controlled assets and jointly controlled operations are referred to as joint operations conducted under a general arrangement considering joint and several liability or guarantees. This is a legal form under which all parties generally are jointly and severally liable for mutual commitments connected with the performance of the project.

When determining whether a joint arrangement is a joint operation or a joint venture, joint and several liability and any guarantees issued need to be carefully considered to determine whether they indicate that the parties have rights to the assets and obligations for the liabilities (a joint operation) or rights to the net assets (a joint venture).

The Group's investments in its associate and joint venture are accounted for using the equity method. Joint operations are accounted recognising its assets, liabilities, revenues and expenses, and/or its relative shares of those items.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group's share of the results of operations of the associate or joint venture and any change in other comprehensive income of those investees is presented as part of the Group's statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as Share of profits/(losses) of an associate and a joint venture in the statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the profit and loss.

**(d) Segment reporting**

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

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

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

- » Nature of the products and services,
- » Nature of the production processes,
- » Type or class of customer for the products and services,
- » Methods used to distribute the products or provide the services, and if applicable
- » Nature of the regulatory environment.

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

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

**(e) Foreign currency translation****(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Sunland Group Limited's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets which are recognised in other comprehensive income.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(f) Revenue recognition**

The Group recognises revenue when the amount of revenue is received, or where receivable it can be reliably measured, is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Refer to change in note 4.

Revenue is recognised for the major business activities as follows:

*(i) Sale of properties and goods*

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

*(ii) Forfeited deposits*

Where deposits are forfeited on pre-completion contracts due to purchaser default, revenue is recognised as income in the period in which it is received.

*(iii) Revenue from other operations**Rendering of services*

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

*Interest income*

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

*Rental Income*

Rental income is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

*Sale of debt instrument*

Revenue is recognised on the sale of a debt instrument held for trading in the near term as a financial asset designated upon initial recognition at fair value through profit and loss.

*(iv) Dividends*

Dividends are recognised as revenue when the right to receive payment is established.

**(g) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax liabilities are recognised for all taxable temporary differences:

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sunland Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(h) Leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the 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 expensed directly against income.

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 benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

**(i) Impairment of assets**

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

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

**(j) Cash and cash equivalents**

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

**(k) Trade and other receivables**

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

**(l) Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, and for development properties also includes development, holding costs and borrowing costs incurred from commencement of construction until the point of time that construction of the property is completed and the property is ready for sale. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(m) Other financial assets**

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

**(n) Derecognition of financial assets and financial liabilities****(i) Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- » the rights to receive cash flows from the asset have expired;
- » the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- » the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

**(o) Property, plant and equipment and held for sale**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – over 20 to 40 years

Plant and equipment – over 1 to 15 years

Land is not depreciated.

*Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In 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.

An impairment exists when the carrying value exceeds the estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

*Derecognition and disposals*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognised.

Property assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised and must be available for immediate sale in its present condition.

**(p) Investment properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset. The useful life ranges from 5 to 40 years.

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

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

**(q) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(r) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

**(s) Finance costs**

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



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(t) Provisions**

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

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

Warranty provision

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

**(u) Employee benefits***(i) Short-term obligations*

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

*(iii) Other long-term employee benefit obligations*

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

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

**(v) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Group purchases the Group's equity instruments, for example as the result of a share buy-back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Sunland Group Limited.

**(w) Dividends**

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

**(x) Earnings per share***(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

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

*(ii) Diluted earnings per share*

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

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

**(y) Goods and Services Tax (GST)**

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(z) Rounding of amounts**

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(aa) Fair value measurement**

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

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

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

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

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

- » Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- » Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- » Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

**(a) Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*(i) Warranty provision*

In determining the level of provision required to warranty provisions the Group has made judgements in respect of the expected performance of the product, number of customers who will actually use the warranty provision and how often, and the costs of fulfilling the performance of the warranty. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are disclosed in note 19.

*(iii) Net realisable value of inventories*

At each reporting date, the Group assesses whether inventory is held at the lower of cost or net realisable value. Where an indicator exists that is not held at lower of cost or net realisable value, the Group makes a formal estimate of the net realisable value. Where the carrying amount of an asset exceeds its net realisable value the asset is considered impaired and is written down to its net realisable value. Items that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

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

*(iii) Basis for assessment that the Group's exit from Dubai is not a discontinued operation*

At the date of the sale of shares in Sunland International BFJV (BVI) P/L ("SDG BFJV") and Sunland Development Dubai (BVI) P/L ("SDG Dubai"), the Group was not actively pursuing direct operations in Dubai. The Group's investment in Dubai was effectively 'dormant'.

Whilst previously disclosed as a separate segment for financial reporting purposes, management did not consider the Dubai investment separately when reviewing its Group performance.

Also, at the date of sale, the net assets of SDG BFJV and SDG Dubai was negative \$1.888m, representing negative 0.5% of Group net assets as at 30 June 2013, adding further emphasis to the fact that the Dubai operations did not represent a major line of business for the Group.

## 3. FAIR VALUE MEASUREMENTS

The group does not have any financial instruments measured at fair value.

The fair value of current and non-current borrowings approximates the carrying amount, as the impact of discounting is not significant due to the current interest rate approximating the market rate.

## 4. CHANGE IN ACCOUNTING POLICY

**Revenue recognition - property sales**

Sunland recognises revenue on the sale of properties in accordance with note 1(f). Historically, Sunland considered the transfer of the significant risks and rewards of ownership to be at the point of settlement with the buyer. Through considering industry practice and also analysing the various aspects of the group's sales contracts, including the relevant jurisdictional laws, Sunland has determined that the significant risks and rewards of ownership are at times transferred at points earlier than settlement. By applying this to the policy on revenue recognition, the group has found the point of revenue recognition better reflects the economic substance of the transaction. The new approach to revenue recognition by Sunland represents a voluntary change in accounting policy and is consistent with the requirements of AASB 118 Revenue.

For the current year the following adjustment amounts result from this policy change:

	30 June 2014 (Old policy) \$'000	Increase/ (Decrease) \$'000	30 June 2014 (New policy) \$'000
<b>Consolidated statement of financial position (extract)</b>			
Trade and other receivables	7,509	12,582	20,091
GST related to change in accounting policy	-	(986)	(986)
Inventories - current	145,327	(9,657)	135,670
<b>Net assets</b>	<b>152,836</b>	<b>1,939</b>	<b>154,775</b>
<b>Consolidated income statement (extract)</b>			
Revenue from sale of properties	166,429	11,596	178,025
Changes in inventories of finished goods and work in progress	(135,139)	(9,657)	(144,796)
<b>Profit before income tax</b>	<b>31,290</b>	<b>1,939</b>	<b>33,229</b>

There was no material affect on the amounts disclosed for the prior year ending 30 June 2013.

Earnings per share calculated on the above with a change in net profit after tax \$12,891,700 and a weighted average number of shares at 30 June 2014 178,207,562 is 7.23 cents per share. This change in accounting policy increased earnings per share by 0.77 cents per share resulting in a final earnings per share of 8.0 cents per share at year end. Refer to note 10.



## 5. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

**(a) Interest Rate Risk**

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

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	14,657	28,818
<b>Financial liabilities</b>		
Interest bearing liabilities	(84,346)	(12,000)
<b>Net exposure</b>	<b>(69,689)</b>	16,818

The Group's policy in regards to interest rate hedging is dependent upon the purpose of the funding for short or long term development projects. The Group had no interest rate hedging products in place at balance date.

*Project specific funding*

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

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

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher / (Lower)		Equity Higher / (Lower)	
Consolidated	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Judgements of reasonably possible movements:				
+0.5% (50 basis points)	-	59	-	59
-0.5% (50 basis points)	-	(59)	-	(59)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

**(b) Foreign Currency Risk**

The Group's exposure during the year was in relation to its interest in Dubai assets and liabilities which were denominated in AED. The Group has no material foreign currency risk given its interest in its Dubai assets and liabilities were sold on 24 November 2013, see note 6.

**(c) Liquidity risk**

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

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

- » A 3-year evergreen facility of \$126 million expiring 29 July 2016; and
- » A 2-year evergreen facility of \$30 million expiring 12 December 2014.

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

*Maturities of consolidated financial assets and financial liabilities*

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

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

**Maturity analysis of consolidated financial assets and financial liabilities**

	Less than 1 year \$'000	1 - 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At 30 June 2014</b>					
<b>Financial assets</b>					
Cash assets	14,657	-	-	-	14,657
Receivables	19,105	-	301	-	19,406
	33,762	-	301	-	34,063
<b>Financial liabilities</b>					
Payables *	18,040	-	2,000	-	20,040
Bank loans	38,304	9,576	45,558	-	93,438
	56,344	9,576	47,558	-	113,478
<b>Net maturity</b>	(22,582)	(9,576)	(47,257)	-	(79,415)

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Less than 1 year \$'000	1 - 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At 30 June 2013</b>					
<b>Financial assets</b>					
Cash assets	29,340	-	-	-	29,340
Receivables	9,520	-	2,706	-	12,226
	38,860	-	2,706	-	41,566
<b>Financial liabilities</b>					
Payables *	12,762	58,340	-	-	71,102
Bank loans	7,100	8,313	-	-	15,413
Other liabilities (advance)	49	1,946	-	-	1,995
	19,911	68,599	-	-	88,510
Net maturity	18,949	(68,599)	2,706	-	(46,944)

\* Payables maturing between 1 and 5 years was \$2.0M (2013: \$2.0M) in other creditors and accruals relating to Australian housing developments not due for completion until 2017 when repayment is scheduled to be made. Dubai land liabilities were extinguished during the current year (2013: \$56.3M) as part of the related sale of subsidiary. Refer to Note 6 (b).

*Financing arrangements*

The Group had access to the following undrawn borrowing facilities at the end of the reporting year:

	2014 \$'000	2013 \$'000
Total facilities available	202,137	124,000
Facilities utilised at balance date	85,041	12,000
Bank guarantees	4,344	6,806
Facilities not used at balance date	112,752	105,194

(i) In the current period, \$4,344,416 (30 June 2013: \$6,806,000) provided as bank guarantees have reduced the bank loan facilities availability. The Directors may choose to transfer the amount to another credit provider agency which would increase the facility not utilised by the equivalent. Details of contingent liabilities are set out in Note 26.

The carrying value of the Group's current and non-current borrowings approximate their fair value. Pre-paid borrowing costs explains any difference between the proceeds and the redemption amount over the period of the borrowings using the effective interest method.

The terms of the extended facilities entered into during the current year have terms which are similar to facilities already held by Sunland at the end of the previous financial year.

**(d) Credit risk**

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

Receivables primarily take the form of:

- » Loans to unrelated parties that may be provided in the consideration for development rights over land;
- » Contracts over the sale of developed product; and
- » Where obligations under contracts of sale of developed product have not been fulfilled

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

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

In respect of joint venture receivables the credit risk is mitigated as all services are performed under contracts which can only be amended by both parties mutually. In the joint ventures each party shares equally in the assets and liabilities, therefore the Group has an equal and offsetting liability to the joint venture partner which mitigates the Group's credit risk.

The Group's exposures at balance date are addressed in each applicable note.

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

## 6. REVENUE AND EXPENSES

**(a) Other revenues**

	2014 \$'000	2013 \$'000
Rental income	2,605	2,899
Interest: Other parties	598	1,049
Rendering of services	4,191	4,133
	<b>7,394</b>	8,081
<b>(b) Other income</b>		
Net gain/(loss) of foreign exchange	175	(4,423)
Net gain on sale of subsidiary *	1,888	-
Net gain/(loss) on disposal of property, plant and equipment	(10)	1,449
Net gain on debt forgiveness^	2,034	-
Net gain on sale of debt instrument **	4,543	-
	<b>8,630</b>	(2,974)

\* On 1 January 2013, the new Australian accounting standard AASB 11 Joint Arrangements came into effect. The application of this new standard impacted the Group's accounting of its joint venture interests in Waterfront 1 and Nur from proportionate consolidation to the equity method of accounting. When changing from the proportionate consolidation method to the equity method, the Group had to recognise its investment in the joint venture as at the beginning of the immediately preceding period. Hence, at 1 July 2012 the Group recognised a \$4,579,000 increase in its retained earnings opening balance, as the Waterfront 1 and Nur investments were in a net liability position. Under equity accounting the net liability was not recognised as Sunland has no legal or constructive obligation to settle the negative value of the equity accounted investment. Following the Group's application of the new AASB 11 standard the remaining Dubai assets and liabilities on the Group's balance sheet were in respect of its 100% interest in its Waterfront 2 project until 24 November 2013.

The Group exited the balance of its Dubai exposure on 24 November 2013 through a sale of its shares in the Dubai holding entities to a UAE based investor for a nominal sum. The holding entities owned the Group's 50% interests in the Waterfront 1 and Nur projects and its wholly owned entities interests in Waterfront 2 projects. At the date of exit, the deconsolidation of the remaining assets \$42,954,000 and liabilities \$44,834,000 resulted in a \$1,888,000 profit contribution, attributed to the net liabilities of Waterfront 2 relinquished as part of the transaction, as disclosed above "net gain on sale of subsidiary". There was no gain or loss on the Waterfront 1 or Nur interests as they were held at a nil value as outlined above.

\*\* The net gain on the sale of debt instrument resulted from the acquisition of a debt instrument for the Waterline Estate, Redland Bay, Brisbane, for the sum of \$7,000,000 and the subsequent recovery of the debt for \$11,543,000, resulting in a net gain of sale of the debt instrument of \$4,543,000.

^ Refer to Note 30(d). The outstanding balance of the loan associated with Loxwood Pty Ltd in respect to Sunland Diversified Land Fund No. 2 has been forgiven as part of a series of transactions resulting from impairment testing conducted by Sunland Diversified Land Fund.

**(c) Change in inventories of finished goods and work in progress**

	2014 \$'000	2013 \$'000
Cost of goods sold excluding finance costs	141,419	128,386
Finance costs	3,377	2,454
	<b>144,796</b>	130,840
<b>(d) Reconciliation of finance costs</b>		
Finance costs included in change in inventories of finished goods and work in progress	3,377	2,454
Finance costs	19	794
Total finance costs	<b>3,396</b>	3,248

## 6. REVENUE AND EXPENSES (CONTINUED)

**(e) Depreciation and amortisation included in the Statement of Comprehensive Income**

	2014 \$'000	2013 \$'000
Plant and equipment	1,038	2,297
<b>(f) Other expenses included in the Statement of Comprehensive Income</b>		
Net expense/(benefit) from movements in provision for employee benefits	286	(697)
<i>Operating lease rental payments</i>		
Minimum lease payments	407	273
<b>(g) Administration and other expenses</b>		
Legal expenses	10,041	2,800
Other administration expenses	3,777	6,041
Total administration and other expenses	13,818	8,841

Legal expenses relate primarily to costs incurred in respect of the trial, appeal and cost order against Sunland associated with the Supreme Court of Victoria concerning Sunland's claim of misrepresentation. Please refer to note 21(b) for further information.

## 7. REMUNERATION OF AUDITORS

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

**Ernst & Young**

	30 June 2014 \$	30 June 2013 \$
<i>Amounts received or due and receivable by Ernst &amp; Young:</i>		
Audit and review of financial statements	200,000	275,400
Total remuneration for audit and other assurance services	200,000	275,400
<i>Taxation services</i>		
Tax compliance services	60,840	29,885
Income tax advice	286,246	25,644
Total remuneration for taxation services	347,086	55,529
<i>Other services</i>		
Accounting advice services	51,080	83,500
Total remuneration for other services	51,080	83,500
Total remuneration	598,166	414,429

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

## 8. INCOME TAX EXPENSE

**(a) Income tax expense**

	2014 \$'000	2013 \$'000
Income tax benefit/(expense)	3,737	4,179
Deferred tax	1,080	(7,865)
Adjustments for current tax of prior periods	(392)	-
	4,425	(3,686)
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	4,425	(3,686)
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	18,675	9,906
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	5,603	2,972
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other	385	(34)
Income of foreign operations not assessable for income tax purposes	-	(1,726)
Reversal of deferred tax liabilities relating to capital allowances	-	(6,200)
Capital gain on sale of assets (PV) not assessable for income tax	-	(415)
Impairment of Dubai inventory	-	1,707
Other expenditure not allowable for income tax purposes	5	10
Gain on deconsolidation of Dubai JV not assessed for income tax	(566)	-
Gain on debt forgiveness SDLF#2 not assessed for income tax	(610)	-
Adjustment in respect of current income tax of previous years	(392)	-
Income tax expense/(benefit)	4,425	(3,686)

## 8. INCOME TAX EXPENSE (CONTINUED)

## (c) Consolidated deferred income tax

	Statement of financial position		Statement of comprehensive income	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Deferred tax liabilities</i>				
Accelerated depreciation for tax purposes	-	-	-	(6,124)
Items deductible for tax but capitalised for accounting	(10,779)	(8,986)	1,793	(1,433)
Income not currently assessable for tax	(433)	(868)	(435)	208
	(11,212)	(9,854)		
<i>Deferred tax assets</i>				
Warranty provision not deductible for tax	1,829	565	(1,264)	934
Other provisions not deductible for tax	1,293	699	(594)	(97)
Expenses not currently deductible	1,224	1,542	318	(1,326)
Share issue costs	-	17	17	7
Tax on unrealised accounting profit	-	582	582	(34)
Tax losses acquired	355	1,020	663	-
	4,701	4,425		
Total deferred tax	(6,511)	(5,429)		
Deferred income tax			1,080	(7,865)

**Tax consolidation**

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

The Group has revenue based tax losses of \$1,189,070 (2013: \$3,400,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has capital losses of \$39,857,833 (2013: \$39,857,833) that are available for offsetting against future capital gains of the Group that are not recognised as deferred tax assets under the basis it is not considered probable of recovery.

**Tax effect accounting by members of the tax consolidated group**

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

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

## 9. DIVIDENDS

**(a) Declared and paid during the year**

	2014 \$'000	2013 \$'000
Dividends on ordinary shares:		
Final franked dividend for 2013: 2.0 cents per share (2012: nil cents per share)	3,562	-
Special franked dividend for 2014: nil cents per share (2013: 2.0 cents per share)	-	3,717
Interim franked dividend for 2014: 2.0 cents per share (2013: nil cents per share)	3,562	-
	<b>7,124</b>	3,717
<b>(b) Proposed and not recognised as a liability</b>		
Dividends on ordinary shares:		
Final franked dividends 2014: 2.0 cents (2013: 2.0 cents)	3,563	3,563
<b>(c) Franked dividends</b>		
The amount of franking credits available for the subsequent financial year are:		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2013 - 30.0%)	71,268	73,275
Franking credits that will arise from the payment or reduce with the refund of income tax as at the end of the financial year	(3,616)	(1,762)
	<b>67,652</b>	71,513

The tax rate at which dividends have been franked is 30% (2013: 30%). Under the Australian Taxation Office Pay as You Go (PAYG) system, the consolidated entity will pay tax throughout the 2014 financial year which would provide sufficient franking credits to enable any dividends declared and paid throughout the 2014 financial year to be franked to 30%.

## 10. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2014 \$'000	2013 \$'000
Net profit/(loss) for basic and diluted earnings	14,250	13,592
Weighted average number of shares used as the denominator for the calculation of basic earnings per share		
Ordinary shares	178,208	187,868
<b>Number used for the calculation of diluted earnings per share</b>	<b>178,208</b>	187,868
Earnings per share (cents per share)	8.0	7.2



## 11. SEGMENT INFORMATION

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

The operating segments are identified by management based on the manner in which the product is sold, the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

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

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

### Operating Segments

The consolidated entity comprises the following main segments:-

- » Land and Housing - development and sale of land (urban development) and medium density housing products
- » Multistorey - development and sale of medium rise projects generally between five and ten stories and high rise projects above ten stories.
- » Hotel investments and operations - hotel ownership and management - ceased from sale date of 13 December 2012

The Group no longer considers Multistorey International and Project Services as separate operating segments. These previously disclosed segments are now included within the other segment, which is consistent with the internal reports that are reviewed and used by the executive management team. The comparative segment disclosures have been restated in accordance with these changes.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- » Legal fees
- » Employee benefits expenses
- » Group corporate marketing expenses
- » Accounting and audit fees
- » Office administration expenses and outgoings

The Group has historically disclosed segment information based on geographical locations, being Australia and Middle East. As a result of the initial application of AASB 11: Joint Arrangements in this period, the Group's Middle East segment no longer meets the quantitative thresholds to be considered an operating segment. As disclosed in note 4b, the Group's Middle East assets and liabilities were disposed of during the year.

## 11. SEGMENT INFORMATION (CONTINUED)

The segment information provided by management for the year ended 30 June 2014 is as follows:

Operating Segments 30 June 2014	Land & Housing \$'000	Multi- Storey \$'000	Other \$'000	Consolidated \$'000
<b>Revenue</b>				
Sales to external customers	163,252	14,773	9,369	187,394
Total segment revenue	163,252	14,773	9,369	187,394
Interest revenue				598
<b>Total consolidated revenue</b>	<b>163,252</b>	<b>14,773</b>	<b>9,369</b>	<b>187,992</b>
<b>Result</b>				
Segment result before finance costs and impairment	36,558	49	1,745	38,352
Finance costs after capitalisation	(3,157)	(220)	(19)	(3,396)
Reversal of diminution of inventory/(diminution)	(1,498)	-	-	(1,498)
<b>Segment results after finance costs and diminution</b>	<b>31,903</b>	<b>(171)</b>	<b>1,726</b>	<b>33,458</b>
Gain on sale of subsidiary				1,888
Gain on sale of debt instrument				4,543
Gain on debt forgiveness				2,034
Loss on sale of property, plant and equipment				(10)
Share of net profit/(loss) from associate				(1,763)
Net gain/(loss) on foreign exchange				175
Interest revenue				598
Unallocated corporate expenses*				(22,248)
<b>Profit from ordinary activities before tax</b>				<b>18,675</b>
Income tax expense				(4,425)
<b>Net profit for the year</b>				<b>14,250</b>
Depreciation and amortisation	-	442	596	1,038
<b>30 June 2014</b>				
<b>Assets</b>				
Segment assets	324,740	111,967	10,554	447,261
Investment in associate				232
Unallocated corporate assets				23,063
<b>Consolidated total assets</b>				<b>470,556</b>
<b>Liabilities</b>				
Segment liabilities	76,866	27,317	202	104,385
Unallocated liabilities				16,681
<b>Consolidated total liabilities</b>				<b>121,066</b>
*Unallocated corporate expenses				
Employee benefits expenses				8,430
Administration and other expenses				13,818
				<b>22,248</b>

## 11. SEGMENT INFORMATION (CONTINUED) (CONTINUED)

Operating Segments	Land & Housing \$'000	Multi- Storey \$'000	Hotel Investments and Operations \$'000	Other \$'000	Consolidated \$'000
<b>30 June 2013</b>					
<b>Revenue</b>					
Sales to external customers	155,940	-	11,856	20,464	188,260
Total segment revenue	155,940	-	11,856	20,464	188,260
Interest revenue					1,048
<b>Total consolidated revenue</b>					<b>189,308</b>
<b>Result</b>					
Segment result before finance costs and impairment	27,406	[2,233]	(1,495)	2,311	25,989
Finance costs after capitalisation	[2,454]	-	(781)	[13]	[3,248]
Reversal of impairment of land/(impairment of land)	-	-	-	4,356	4,356
<b>Segment results after finance costs and diminution</b>	24,952	[2,233]	(2,276)	6,654	27,097
Gain on sale of subsidiary					-
Gain on sale of property, plant and equipment					1,449
Share of net profit/(loss) from associate					[231]
Net gain/(loss) on foreign exchange					[4,375]
Interest revenue					1,049
Unallocated corporate expenses					[15,083]
<b>Profit from ordinary activities before tax</b>					9,906
Income tax expense/(benefit)					3,686
<b>Net profit for the year</b>					<b>13,592</b>
Depreciation and amortisation	-	-	1,770	527	2,297
<b>30 June 2013</b>					
<b>Assets</b>					
Segment Assets	287,640	54,468	106	50,064	392,278
Investment in associate					1,986
Unallocated corporate assets					46,473
<b>Consolidated total assets</b>					<b>440,737</b>
<b>Liabilities</b>					
Segment liabilities	9,382	28	-	45,037	54,447
Unallocated liabilities					33,900
<b>Consolidated total liabilities</b>					<b>88,347</b>

## 12. CASH AND CASH EQUIVALENTS

	2014 \$'000	2013 \$'000
Cash	14,657	29,340

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

## 13. TRADE AND OTHER RECEIVABLES

**Current**

Trade receivables	4,219	5,948
Other receivables on accrued revenue	12,582	-
Less: Allowance for impairment losses (a)	-	(121)
	16,801	5,827

Loans to third parties	1,351	2,306
Amounts receivable from associates	86	228
Vendor finance	112	159
Other receivables	755	1,000
	19,105	9,520

**Non-current**

Loans to third parties	81	2,174
Amounts receivable from joint ventures	220	252
	301	2,426

Further information relating to loans to related parties and Key Management Personnel is set out in notes 31 and 30 respectively. Further information about accrued revenue is set out in policy note 4.

**(a) Allowance for impairment loss**

At 30 June, the ageing analysis of trade receivables is as follows:

0 - 30 days	16,801	5,827
31 - 60 days	-	-
61 - 90 days	-	-
+91 days	-	-
	16,801	5,827

Trade receivables past due but not considered impaired are \$nil (2013: \$nil). The Group has reviewed all trade receivables classified as past due but not impaired and is satisfied that the amounts will be received in full.

None of the non-current receivables are impaired or past due but not impaired.

**(b) Risk exposure**

Detail regarding foreign exchange and interest risk exposure is disclosed in Note 5.

The maximum exposure to credit risk at reporting date is the higher of the carrying value and fair value of each class of receivable.

Collateral is held against a third party loan of \$1,035,000 (2013: \$2,180,000). The Group has collateral over this loan in the form of a second mortgage.

## 14. INVENTORIES

	2014 \$'000	2013 \$'000
<b>Current</b>		
Development properties, including land subdivision, other land and buildings under construction, at lower of cost and net realisable value	90,086	58,206
Finished goods at the lower of cost and net realisable value	45,585	26,348
	135,671	84,554
<b>Non-current</b>		
Development properties, including land subdivision, other land and buildings under construction, at lower of cost and net realisable value	284,186	294,334
Finished goods at the lower of cost and net realisable value	684	-
	284,870	294,334
Costs of acquisition	392,845	353,087
Development costs capitalised	24,223	67,654
Finance costs capitalised	10,397	8,019
Diminution of inventory to net realisable value	(6,924)	(49,872)
	420,541	378,888

Borrowing costs were capitalised at a weighted average rate of 5.93% (2013: 4.76%).

See Note 20(c) for details of the above inventories that are held as security over various finance facilities.

See Note 28(c) for details of the above inventories that are held as security over various development agreements with SDLF2 Pty Ltd.

## 15. OTHER CURRENT ASSETS

	2014 \$'000	2013 \$'000
Prepayments	431	2,166
Construction bonds	209	338
Cash restricted or pledged	-	5,948
Construction advances and property deposits	2,065	-
	2,705	8,452

The construction bonds relate to cash held on deposit as performance security for various projects. These amounts will be receivable within 12 months.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and Buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>At 30 June 2014</b>			
Cost	841	9,980	10,821
Accumulated depreciation	(452)	(5,478)	(5,930)
Closing net book amount	389	4,502	4,891
<b>At 30 June 2013</b>			
Cost	1,307	6,998	8,305
Accumulated depreciation	(587)	(4,600)	(5,187)
Closing net book amount	720	2,398	3,118
<b>Year ended 30 June 2014</b>			
Opening net book amount	720	2,398	3,118
Additions	-	2,982	2,982
Disposals	(321)	-	(466)
Depreciation charge	(10)	(878)	(743)
Closing net book amount	389	4,502	4,891
<b>Year ended 30 June 2013</b>			
Opening net book amount	67,091	2,736	69,827
Additions	236	244	480
Transfer into property, plant and equipment	720	-	720
Disposals	(65,530)	(82)	(65,612)
Depreciation charge	(1,797)	(500)	(2,297)
Closing net book amount	720	2,398	3,118

## 17. NON-CURRENT ASSETS - INVESTMENT PROPERTIES

	2014 \$'000	2013 \$'000
<b>At cost</b>		
Gross carrying amount	4,983	4,975
Accumulated depreciation	(397)	(247)
Closing balance at 30 June	4,586	4,728

The Group has no restrictions on the ability to realise its investment property and no contractual obligations to either purchase, construct or develop its investment property or for repairs, maintenance and enhancements. Investment property are carried at cost, less accumulated depreciation and any impairment losses. Using current prices in an active market for similar properties, the Group used a Director's valuation process to estimate the fair market value of the investment property is \$4.6m (level 3). The Director's valuation considers rental income streams, income capitalisation rates and comparable property values.

## 18. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

	2014 \$'000	2013 \$'000
Investment in Associate	232	1,986
	Ownership Interest Held	
	2014 %	2013 %
<b>(a) Interest in associate</b>		
Sunland Diversified Land Fund No.2 (i)	19.9	19.9
Sunland Diversified Land Fund No.2 is an unlisted Australian public trust.		
<i>(i) The Group has significant influence over the Sunland Diversified Land Fund No.2 through ownership of the fund's responsible entity, Sunland Funds Management Limited.</i>		
	2014 \$'000	2013 \$'000
Carrying amount of investment in associates		
Balance at the beginning of the financial year	1,986	2,098
>> Recognition of realised profits on sales made to the associates	15	170
>> Deferred tax asset recognised on realised profits	(6)	(51)
>> Share of associate's profit / (loss)	(1,763)	(231)
	232	1,986
<b>Share of associate's assets and liabilities</b>		
Current assets	1,188	2,304
Non-current assets	-	1,109
Current liabilities	(618)	(534)
Non-current liabilities	-	(497)
Net assets	570	2,382
<b>Share of the associate's profit or loss</b>		
Revenue	64	1,176
Profit/(loss) before income tax	(1,549)	(305)
Income tax expense/(benefit)	(214)	74
Profit/(loss) after income tax	(1,763)	(231)

## 19. TRADE AND OTHER PAYABLES

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade creditors	11,820	6,613
Other creditor and construction accruals	6,220	5,414
	18,040	12,027
<b>Non-current</b>		
Other creditors	2,000	2,000
Property settlement creditor (i)	-	43,131
	2,000	45,131

Trade creditors are non-interest bearing and are normally settled on a 30 to 60 day term. For terms and conditions relating to related party payables refer to Note 30.

(i) The vendor has security or other rights over the land acquired until full payment has been made.

## 20. INTEREST BEARING LIABILITIES

	2014 \$'000	2013 \$'000
<b>Current</b>		
<b>Secured</b>		
Interest bearing bank loans	33,078	5,556
Total secured current interest bearing liabilities	33,078	5,556
<b>Non-current</b>		
<b>Secured</b>		
Interest bearing bank loans	51,268	6,000
Total secured non-current interest bearing liabilities	51,268	6,000

Further information relating to loans from related parties is set out in note 30.

**(a) Fair value**

The carrying value of the Group's current and non-current borrowings approximates their fair value.

**(b) Risk exposures**

Information about the Group's exposure to interest rate and foreign exchange risk is provided in note 5.

**(c) Assets pledged as security**

All bank loans are denominated in Australian dollars.

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

At 30 June 2014 bank loans of \$33,078,000 (2013: \$6,000,000) are due and payable within the next twelve months. The weighted average effective interest rate at balance date was 5.93% (2013: 4.76%), and is payable monthly. The discount rate used to measure the fair value of the debt is not materially different to the effective interest rate.



## 20. INTEREST BEARING LIABILITIES (CONTINUED)

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

	2014 \$'000	2013 \$'000
<i>First mortgage</i>		
Inventories	412,164	320,124
Investment properties	4,586	4,411
	416,750	324,535

**(d) Defaults and breaches**

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

## 21. PROVISIONS

	2014 \$'000	2013 \$'000
<b>Current liabilities</b>		
Employee benefits	1,534	762
Warranty costs (a)	6,077	8,474
Legal claim (b)	1,750	-
Other provisions	-	472
	9,361	9,708
<b>Non-current liabilities</b>		
Employee benefits	63	549
Make good provision	185	-
	248	549

**(a) Warranty costs**

Provision is made for the estimated warranty claims in respect of property sold which are still under warranty at the end of the reporting period. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

**(b) Legal claim**

During the 2014 financial year the Group expensed legal costs of \$8.1 million, which included \$6.5 million of the Respondents' costs awarded against Sunland in respect to the trial conducted in the Victorian Supreme Court. This is an accumulation of several years' costs incurred by the Respondents during the course of the trial and expensed this period. The Court of Appeal has also awarded costs against Sunland in respect to the appeal. Directors have provisioned an amount of \$1.75 million pending an assessment of the costs claimed by the Respondents.

## 21. PROVISIONS (CONTINUED)

**(c) Movements in provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Service warranties \$'000	Legal claim \$'000	Make good \$'000	Other \$'000	Total \$'000
<b>2014</b>					
Carrying amount at the start of the year	8,474	-	-	472	8,946
- additional provisions recognised	296	1,750	185	-	2,231
Amounts used during the year	(2,693)	-	-	(472)	(3,165)
Carrying amount at end of period	6,077	1,750	185	-	8,012
Carrying amount at the start of the year	4,998	-	-	-	4,998
- additional provisions recognised	4,467	-	-	472	4,939
Amounts used during the year	(991)	-	-	-	(991)
Carrying amount at end of period	8,474	-	-	472	8,946

## 22. OTHER LIABILITIES

	2014 \$'000	2013 \$'000
<b>Current</b>		
Advance - Sunland Diversified Land Fund No. 2 (secured)	-	49
Other liabilities	560	-
	560	49
<b>Non-current</b>		
Advance - Sunland Diversified Land Fund No.2 (secured)	-	1,946

For terms and conditions relating to related party liabilities refer to Note 30.

## 23. CONTRIBUTED EQUITY

**(a) Share capital**

	Notes	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares - fully paid	23(b), 23(c)	185,851,810	193,151,947	205,688	212,713
Share buy-back plan		(7,707,587)	(7,300,137)	(10,026)	(7,025)
		178,144,223	185,851,810	195,662	205,688

## 23. CONTRIBUTED EQUITY (CONTINUED)

**(b) Movements in ordinary share capital**

Date	Details	Number of shares	\$'000
1 July 2012	Opening balance	193,151,947	212,713
	Share buy-back	(7,300,137)	(7,015)
	Less: Transactions costs of buy-back (tax effected)	-	(10)
30 June 2013	Balance	185,851,810	205,688
	Share buy-back	(7,707,587)	(10,020)
	Less: Transactions costs of buy-back (tax effected)	-	(6)
30 June 2014	Balance	178,144,223	195,662

**(c) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

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

The Company's Constitution is available on the web site.

**(d) Options**

At 30 June 2014, no options (2013: nil) were outstanding over unissued ordinary shares of the Group.

**(e) Share buy-back**

During the year ended 30 June 2014, the Group purchased and cancelled 7,707,587 (4.33%) ordinary shares on-market. The buy-back and cancellation were approved by Shareholders at 2012 year annual general meeting. The shares were acquired at a price of 1.30 cents per share in a single transaction on 3 July 2013. Shareholders equity has reduced by \$10,026,000 (including costs) as a consequence of the share buy-back plan.

**(f) Capital risk management**

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

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

The Group has a modest approach to debt against its inventory managing leverage against its land and medium density housing developments, historically at below 50%. The multi-storey projects are typically for a longer term and debt is therefore more fully utilised to develop these projects. The Group mitigates various project risks on a per project basis in order to attain a greater leverage.

## 24. RESERVES

**(a) Other reserves**

	2014 \$'000	2013 \$'000
<b>Movements:</b>		
Share-based payments*		
Employee Share Options	6,779	6,779
Transfer to retained earnings	(6,779)	-
Balance 30 June	-	6,779

The last of the executive share options expired in 2013. AASB 2 does not preclude an entity from recognising a transfer within equity hence management has transferred the expired balance of \$6,779,000 in other reserves to retained earnings at 30 June 2014.

## 25. CONTROLLED ENTITIES

**(a) Significant investments in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Equity holding	
		2014 %	2013 %
Abian (QLD) Pty Limited	Australia	-	100
Abian Residences Pty Ltd	Australia	100	100
Bolger Cove Pty Limited	Australia	100	100
Camryville Pty Limited	Australia	100	100
Carlyndale Pty Limited	Australia	100	100
Carnriver Pty Limited	Australia	100	100
Carnriver Retail Pty Limited	Australia	100	100
Dalestan Pty Limited	Australia	100	100
Emirates Sunland Management Pty Ltd	Australia	100	100
Haddenham Pty Limited	Australia	-	100
Harrovale Pty Limited	Australia	100	100
Hayberry Pty Limited	Australia	100	100
Inglesun Pty Limited	Australia	100	100
Larrisendale Pty Limited	Australia	-	100
Laughindale Pty Limited	Australia	100	100
Lilibuck Pty Limited	Australia	100	100
Loxwood Pty Limited	Australia	100	100
Mantina Pty Limited	Australia	100	100
Marington Pty Limited	Australia	100	100
Mortdella Pty Limited	Australia	100	100
Mystonia Pty Limited	Australia	100	100
Odyssey Condominium Hotels Pty Limited	Australia	-	100
Palazzo Versace Pty Limited	Australia	100	100
Palazzo Versace Australia Pty Limited	Australia	-	100
Royal Pines Resort Realty Pty Limited	Australia	100	100
Scottsland Pty Limited	Australia	100	100
Stanride Pty Limited	Australia	100	100
Sunland Aquum Limited	Australia	-	100
Sunland Atrium Limited	Australia	-	100
Sunland Capital Pty Limited	Australia	100	100
Sunland Constructions (Abian) Pty Ltd	Australia	100	100
Sunland Constructions (QLD) Pty Limited	Australia	100	100
Sunland Constructions (NSW) Pty Limited	Australia	100	100
Sunland Constructions (VIC) Pty Limited	Australia	100	100
Sunland Corporate Management Pty Ltd	Australia	100	100
Sunland CV (BVI) Limited	British Virgin Islands	-	100
Sunland Design Group (VIC) Pty Limited	Australia	100	100
Sunland Development Dubai (BVI) Limited	British Virgin Islands	-	100
Sunland Developments (Carrington) Pty Limited	Australia	100	100
Sunland Developments No 1 Pty Limited	Australia	100	100

## 25. CONTROLLED ENTITIES (CONTINUED)

Name of entity	Country of incorporation	Equity holding	
		2014 %	2013 %
Sunland Developments No 2 Pty Limited	Australia	-	100
Sunland Developments No 3 Pty Limited	Australia	100	100
Sunland Developments No 5 Pty Limited	Australia	100	100
Sunland Developments No 6 Pty Limited	Australia	100	100
Sunland Developments No 7 Pty Limited	Australia	100	100
Sunland Developments No 8 Pty Limited	Australia	100	100
Sunland Developments No 9 Pty Limited	Australia	100	100
Sunland Developments No 10 Pty Limited	Australia	100	100
Sunland Developments No 11 Pty Limited	Australia	100	100
Sunland Developments No 12 Pty Limited	Australia	100	100
Sunland Developments No 13 Pty Limited	Australia	100	100
Sunland Developments No 15 Pty Limited	Australia	100	-
Sunland Developments No 16 Pty Limited	Australia	100	-
Sunland Developments No 17 Pty Limited	Australia	100	-
Sunland Developments No 18 Pty Limited	Australia	100	-
Sunland Developments No 19 Pty Limited	Australia	100	-
Sunland Developments No 20 Pty Limited	Australia	100	-
Sunland Developments No 21 Pty Limited	Australia	100	-
Sunland Developments No 22 Pty Limited	Australia	100	-
Sunland Developments No 23 Pty Limited	Australia	100	-
Sunland Developments No 24 Pty Limited	Australia	100	-
Sunland Developments No 25 Pty Limited	Australia	100	-
Sunland Developments No 26 Pty Limited	Australia	100	-
Sunland Developments (QLD) Pty Limited	Australia	-	100
Sunland DWF (BVI) Limited	British Virgin Islands	-	100
Sunland Funds Management Limited	Australia	100	100
Sunland Global Rollout Pty Limited	Australia	-	100
Sunland Group (NSW) Pty Limited	Australia	-	100
Sunland Group (Oasis) Pty Limited	Australia	100	100
Sunland Group Project Management Pty Limited	Australia	100	100
Sunland Group (QLD) Pty Limited	Australia	100	100
Sunland Group UAE (Australia) Pty Limited	Australia	100	100
Sunland Gulf Resources Pty Limited	Australia	-	100
Sunland Homes Pty Limited	Australia	100	100
Sunland International Pty Ltd	Australia	100	100
Sunland International BFJV (BVI) Limited	British Virgin Islands	-	100
Sunland International Capital (BVI) Limited	British Virgin Islands	-	100
Sunland International PV Pty Limited	Australia	-	100
Sunland Joinery Pty Limited	Australia	-	100
Sunland JV Development (BVI) Limited	British Virgin Islands	-	100
Sunland Nur (JOC) Ltd	British Virgin Islands	-	100
Sunland Property Trust	Australia	-	100
Sunland PV Investment Pty Limited	Australia	-	100
Sunland Resources Pty Limited	Australia	100	100

## 25. CONTROLLED ENTITIES (CONTINUED)

Name of entity	Country of incorporation	Equity holding	
		2014 %	2013 %
Sunland Southbank Pty Limited	Australia	-	100
SDG Constructions Pty Ltd	Australia	100	100
SDG-PV Pty Limited	Australia	-	100
SDG Robina Management Pty Limited	Australia	100	100
SDG Robina Pty Limited	Australia	100	100
Sunland St Kilda Road Pty Limited	Australia	100	100
Sunland Retail Pty Limited	Australia	-	100
Sunland Waterfront Development Pty Limited	Australia	100	100
Sunland Waterfront Development (BVI) Limited	British Virgin Islands	-	100
Tessonian Pty Limited	Australia	-	100
Tuskabella Pty Limited	Australia	-	100
Tweedstone Pty Limited	Australia	100	100
Viennendale Pty Limited	Australia	100	100
Whittsvilla Pty Limited	Australia	100	100
Yorkmine Pty Limited	Australia	-	100

**(b) Acquisition/disposal of controlled entities**

There were no entities acquired during the 2014 year (2013: nil)

	Date Control Ceased	Company's remaining interest %
<b>2014</b>		
These were jointly controlled:		
Sunland Waterfront (BVI) Limited	24 November 2013	-
Waterfront Development (BVI) Limited	24 November 2013	-
Sunland Nur Limited	24 November 2013	-
These were controlled:		
Sunland Development Dubai (BVI) Limited	24 November 2013	-
Sunland International BFJV (BVI) Limited	24 November 2013	-
Sunland DWF (BVI) Limited	24 November 2013	-
Sunland CV (BVI) Limited	24 November 2013	-

**2013**

Sunland Hotel Management Pty Ltd	13 December 2012	-
----------------------------------	------------------	---

The net assets at the date of disposal of the jointly controlled and controlled subsidiaries which were the Dubai holding entities was \$1,887,958. In the prior year, Sunland Hotel Management Pty Ltd net assets at the date of disposal was \$nil.

## 26. CONTINGENCIES

**(a) Contingent liabilities** The Group had contingent liabilities at 30 June 2014 in respect of:

(i) *Guarantees - Associates and joint ventures*

Bank guarantees for uncompleted works have been provided to local councils and government authorities in respect of property development projects undertaken by wholly owned subsidiaries at \$7,163,202 (2013: \$11,302,000)

The consolidated entity, as a partner in joint venture partnerships are jointly and severally liable for 100% of all liabilities incurred by those joint ventures. The assets of those joint ventures are available to meet such liabilities. The joint venture liabilities not already reflected in the Statement of Financial Position is \$nil (2013: \$23,889,000)

The Group, as a participant in a development agreement guarantees 50% of a landowners borrowings in relation to the development. This loan is solely in the name of the landowner and as at 30 June 2014 Sunland's 50% guarantee is \$712,887 (30 June 2013: \$nil).

## 27. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 \$'000	2013 \$'000
Profit for the year	14,250	13,592
Depreciation and amortisation	1,038	2,297
Net loss/(gain) on debt forgiveness	(2,034)	-
Net loss/(gain) on disposal of property, plant and equipment	10	(1,449)
Net loss/(gain) on disposal of subsidiary	(1,888)	-
Net loss/(gain) on disposal of debt	(4,543)	-
Amounts set aside to provisions	1,750	(1,525)
Foreign exchange restatement	-	4,423
Impairment/(reversal) of land and receivables	1,498	1,968
Impairment/(reversal of impairment) of Dubai Inventory	-	(1,847)
Loss/(profit) from associate	1,763	230
Net cash provided by operating activities before change in assets and liabilities	11,844	17,689
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,502)	12,625
(Increase)/decrease in inventories	(97,993)	(11,340)
(Decrease)/increase in trade and other payables	15,735	(34,812)
(Decrease)/increase in other liabilities	(648)	(127)
(Decrease)/increase in provision for income taxes payable	(1,772)	(7,477)
(Decrease)/increase in deferred tax liabilities	(1,080)	(7,863)
(Increase)/decrease in prepayments	1,725	(1,530)
(Decrease)/increase in property deposits	(1,936)	3,241
Net cash inflow (outflow) from operating activities	(75,627)	(29,594)

## 28. COMMITMENTS

**(a) Capital commitments**

Certain Group entities have contracts to purchase land and other assets for development leading to the following commitments:

Controlled entities within the Group have entered into various contracts for land or other assets at year end of \$18,340,000 (2013: \$15,645,000). The contracts are conditional upon various criteria being met such as including reconfiguration approval, due diligence etc. All of these contracts are expected to settle over the next 12 months should these conditions be satisfied.

All the above contracts have been entered into in the normal course of business.

**(b) Operating lease commitments***Non-cancellable operating leases*

The consolidated entity leases property under operating leases expiring from one to two years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

Future minimum rentals payable under non-cancellable operating leases at 30 June are as follows:

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2014 \$'000	2013 \$'000
Within one year	826	46
Later than one year but not later than five years	3,114	7
Later than five years	80	-
	4,020	53

**(c) Other commitments**

Land held totalling \$nil (2013: \$1,995,806) is committed under a development agreement with Sunland Diversified Land Fund No.2. The land is security for amounts advanced by this fund under the development agreement. Details of the development agreement are set out in Note 30(d).

## 29. PARENT ENTITY FINANCIAL INFORMATION

**(a) Summary financial information**

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

	2014 \$'000	2013 \$'000
<b>Balance sheet</b>		
Current assets	12,857	25,588
Non-current assets	69,479	145,907
Total assets	82,336	171,495
Current liabilities	2,218	485
Non-current liabilities	4,290	-
Total liabilities	6,508	485
Net assets	75,828	171,010
<i>Shareholders' equity</i>	-	-
Issued capital	195,662	205,687
Reserves		
Share option reserve	-	1,968
Dividends paid	(7,124)	(3,717)
Retained earnings	(30,960)	(32,928)
Total Equity	157,578	171,010
<b>Profit or loss for the period</b>	<b>(81,750)</b>	<b>(21,462)</b>
<b>Total comprehensive income</b>	<b>(81,750)</b>	<b>(21,462)</b>



## 29. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

**(b) Guarantees entered into by the parent entity**

The parent entity has bank guarantees for uncompleted works as described in Note 26(a)(i).

**(c) Contingent liabilities of the parent entity**

The parent entity has contingent liabilities discussed in Note 26(a)(i).

## 30. RELATED PARTY TRANSACTIONS

**(a) Key Management Personnel**

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

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

Directors and Key Management Personnel and close family members of Directors and Key Management Personnel purchased three apartments in the Abian development for a combined total list price of \$4,435,000.

**(b) Loans to/from related parties**

<i>Consolidated</i>	<i>Year (30 June)</i>	<i>Sales \$'000</i>	<i>Amounts owed by related party \$'000</i>	<i>Amounts owed to related party \$'000</i>
Joint venture parties	2014	-	-	-
	2013	-	279	-
Associates	2014	-	-	-
	2013	2,064	228	-

The amounts payable and receivable from Directors and Joint Venture Parties will be payable/receivable upon completion of the project to which the loan relates to.

**(c) Terms and conditions**

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

For the year ended 30 June 2014, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties (2013: Nil).

**(d) Other**

On the 20 December 2007, Loxwood Pty Ltd, Lillibuck Pty Ltd, Haddenham Pty Ltd and Sunland Group (Oasis) Pty Ltd, all of which are wholly owned subsidiaries of Sunland Group Ltd, entered into separate development agreements with SDLF2 Pty Ltd, a wholly owned subsidiary of Sunland Diversified Land Fund No.2 (the "Fund"). The Group owns 19.93% (2013:19.93%) of the issued units in the Fund. The development agreements provide for the assignment of the development rights in parts of the land owned by the Group. SDLF2 Pty Ltd is responsible for developing, marketing and selling the land in return for a development fee. SDLF2 Pty Ltd paid to the Group \$11,407,042 in consideration for the right to develop the land calculated as the present value of the land (including development costs) less present costs of the land. In addition to this amount SDLF2 Pty Ltd advanced \$27,824,958 to the Group representing the development cost of the land and this amount is progressively realised in instalments out of the proceeds of sale. The outstanding balance of this loan as at 30 June 2014 was \$nil (2013: \$1,995,806) as it was forgiven by SDLF2 during the year. SDLF2 Pty Ltd's right to recover the funds is limited to the sale proceeds, less the Group's GST liability in respect to the sale proceeds. Refer Note 6(b).

## 31. KEY MANAGEMENT PERSONNEL DISCLOSURES

**Key Management Personnel***Directors*

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

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

**Key Management Personnel**

Mr David McMahon	Director of Communities
Mr David Brown	Director Special Projects (QLD)
Mr Grant Harrison	Company Secretary & Chief Financial Officer

There were no changes of Key Management Personnel after reporting date and the date to the date the financial report was authorised for issue.

**(a) Key Management Personnel compensation**

	2014 \$	2013 \$
Short-term employee benefits	2,370,451	2,061,467
Post-employment benefits	97,365	93,043
	2,467,816	2,154,510

Detailed remuneration disclosures are provided in the remuneration report.

**(b) Equity instrument disclosures relating to Key Management Personnel***(i) Share holdings of Key Management Personnel*

The numbers of shares in the Group held during the financial year by each Director of Sunland Group Limited and other Key Management Personnel of the Group, including their personally related parties, are 56,544,735 (2013: 55,811,735). There were no shares granted during the reporting period (2013: nil) as compensation.

**(c) Loans to Key Management Personnel**

There were no loans provided to Key Management Personnel during the financial year.

**(d) Indemnity payouts to Key Management Personnel**

Under the Company's constitution Directors and Officers are entitled to be indemnified out of the assets of the Company against certain losses incurred in relation to the execution of their duties. During the period, the Company granted indemnity to various Directors and Officers totalling \$nil (2013: \$232,119). Some or all of these costs may be recovered under the Directors and Officers Liability and Company Reimbursement Insurance Cover.

**(e) Other transactions with Key Management Personnel**

There were no other transactions with Key Management Personnel other than the Abian apartment purchases disclosed in note 30.

## 32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 20 August 2014 the Directors declared the payment of a final dividend of 2.0 cents per fully paid ordinary share, fully franked based on tax paid of 30%. The aggregate amount of the dividend to be paid on 25 September 2014 is \$3,562,884.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years which is not reflected in the financial statements.

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

1. In the opinion of the Directors:

- (a) the financial statements and notes set out on pages 25 to 70 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.



**Mr Sahba Abedian**

*Managing Director*

Dated at Brisbane this 20 August 2014



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## Independent auditor's report to the members of Sunland Group Limited

### *Report on the financial report*

We have audited the accompanying financial report of Sunland Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

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

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

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

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



### Opinion

In our opinion:

- a. the financial report of Sunland Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

### Opinion

In our opinion, the Remuneration Report of Sunland Group Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Alison de Groot  
Partner  
Brisbane  
20 August 2014

The Shareholder information set out below was applicable as at 14th August 2014.

#### A. Distribution of equity securities

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

Holding	Class of equity security	
	Ordinary shares	
	Shares	Options
1 - 1000	457,913	-
1,001 - 5,000	4,078,345	-
5,001 - 10,000	4,391,520	-
10,001 - 100,000	15,146,306	-
100,001 and over	154,070,139	-
	178,144,223	-

#### B. Equity security holders

Twenty largest quoted equity security holders

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

Name	Ordinary shares	
	Number held	Percentage of issued shares
Havannah Pty Limited	29,250,000	16.42
JP Morgan Nominees Australia Limited	22,427,577	12.59
Citicorp Nominees Pty Limited	21,402,247	12.01
Pacific Development Corporation Pty Limited	16,450,000	9.23
National Nominees Limited	11,104,392	6.23
HSBC Custody Nominees (Australia) Limited	9,359,365	5.25
Citicorp Nominees Pty Ltd	4,939,767	2.77
RBC Investor Services Australia Nominees Pty Ltd	4,491,282	2.52
Lloyds & Casanove Investment Partners Limited	4,000,000	2.25
Sahba Abedian	3,657,510	2.05
Mr Sahba Abedian	3,145,032	1.77
Rainham Pty Limited	3,071,875	1.72
BNP Paribas Noms Pty Ltd	1,600,801	0.90
R & M Corporation Pty Ltd	1,103,125	0.62
Mrs Julia Craike	925,000	0.52
Mrs Anne Jamieson	833,000	0.47
David Brown Holdings Pty Ltd	778,800	0.44
PJR Industries Pty Limited	625,000	0.35
David Brown Holdings Pty Ltd	590,257	0.33
QIC Limited	554,521	0.31
	140,309,551	78.75

**C. Substantial holders**

Substantial holders in the company are set out below:

	Number held
Havannah Pty Limited	29,250,000
JP Morgan Nominees Australia Limited	22,427,577
Citicorp Nominees Pty Limited	21,402,247
Pacific Development Corporation Pty Ltd	16,450,000
National Nominees Pty Limited	11,104,392

**D. Voting rights**

There were 3,759 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares are set out in Article 5.8 and 5.9 of The Company's Articles of Association. The articles indicate that:

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

**E. On-Market Buy Back**

During the current year, the Company finalised the market share buy-back approved by shareholders at the 2012 Annual General Meeting.



