# Sunland Group

# APPENDIX 4D

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET
**ASX CODE** SDG **ABN** 65 063 429 532

| | $M | UP/DOWN | %MOVEMENT |
|---|---|---|---|
| Revenues from ordinary activities | 86,079 | down | (15.5%) |
| Profit after tax from ordinary activities after tax | 3,169 | down | (3.0%) |
| Net profit for the period attributable to members | 3,169 | down | (3.0%) |

| DIVIDEND INFORMATION (AMOUNT PER SECURITY) | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
|---|---|---|
| Interim dividend- fully franked at 30% (announced on 25 February 2016) | 3 cents | 2 cents |

| | INTERIM |
|---|---|
| Date the dividend is payable | 23 March 2016 |
| Record date for determining entitlements to the dividend | 9 March 2016 |

| DIVIDEND PAID |
|---|
| Nil |

| EARNINGS PER SECURITY (EPS) | CURRENT PERIOD | PREVIOUS CORRESPONDING PERIOD |
|---|---|---|
| Basic EPS | 1.8 cents | 1.8 cents |
| Diluted EPS | 1.8 cents | 1.8 cents |

| NET TANGIBLE ASSETS PER SECURITY | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
|---|---|---|
| Net Tangible Assets | 206 cents | 196 cents |

## Acquisition of controlled entities during the period

| NAME | DATE OF ACQUISITION | OWNERSHIP AT 31 DECEMBER 2015 | OWNERSHIP AT 30 JUNE 2015 |
|---|---|---|---|
| Sunland No. 33 Pty Ltd | 20 October 2015 | 100% | 0% |
| Sunland No. 34 Pty Ltd | 20 October 2015 | 100% | 0% |
| Sunland No. 35 Pty Ltd | 20 October 2015 | 100% | 0% |
| Sunland No. 36 Pty Ltd | 20 October 2015 | 100% | 0% |
| Sunland No. 37 Pty Ltd | 20 October 2015 | 100% | 0% |

There were no disposals of controlled entities

This information should be read in conjunction with the most recent annual financial report. Additional information supporting the Appendix 4D disclosures can be found in the Financial Statements for the half-year ended 31 December 2015

# SUNLAND GROUP LIMITED
# and its Controlled Entities

ABN 65 063 429 532

# Interim financial report
# for the half-year ended
# 31 December 2015

# 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 half-year ended 31 December 2015 and the independent auditor's report thereon.

## Directors

The following persons held office as Directors of Sunland Group Limited during the financial period:

Dr Soheil Abedian, Executive Chairman
Mr Sahba Abedian, Managing Director
Mr Ron Eames, Non Executive Director
Mr Craig Carracher, Non Executive Director
Mr Chris Freeman AM, Non Executive Director

## 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 medium density integrated housing developments and land subdivision. The Multi-Storey segment comprises medium-rise projects generally between five and 15 storeys, and high-rise developments above 15 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 desired project returns.

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

## Consolidated result

The consolidated profit after income tax for the half-year attributable to members of Sunland Group Limited was $3.2 million (1H 2015: $3.3 million).

## Review and results of operations

- Net profit after tax of $3.2 million with earnings weighted to the second half of the financial year as existing projects such as The Lakes (QLD), The Heights (QLD), and Dahlia Residences (NSW) are delivered and settled.
- Directors confirm full year guidance in the range of $25 million to $29 million.
- The Group declared a fully franked dividend of 3 cents per share to be paid 23 March 2016.
- Good balance sheet capacity, with $15.9 million in cash and $82.0 million in undrawn working capital lines.
- Surplus cash and increased gearing is being utilised to replenish and deliver the Group's development portfolio.
- New site acquisitions in Sydney and Brisbane total $29 million for the period, with an additional $11 million invested during January and February 2016.
- Basic earnings per share of 1.8 cents (1H 2015: 1.8 cents)
- Gearing remains at acceptable levels with debt to assets 35% and debt to equity 60%. Debt is being increasingly utilised to deliver the portfolio, particularly with the delivery of Abian.
- Development margins across the portfolio represent a return on costs of 25%.
- Construction of the luxury Abian tower in Brisbane is progressing through level 10, with the project entirely presold.
- Strong forecast cash flow generated from existing projects in the second half of the year.
- Net tangible assets per share increased to $2.06 (1H 2015: $1.96).

<u>Group Development Portfolio</u>

As at 31 December 2015, Sunland's development pipeline comprised 6,000 land, housing and multi-storey products with a total end value of $3.7 billion, providing a healthy portfolio of premium quality projects to be delivered over the next three to five years. Sunland continued to replenish its development portfolio during the period, with new site acquisitions totaling $40 million (including acquisitions made in January and February 2016) in Brisbane (St Lucia) and Sydney's Northern Beaches (Ingleside), adding 181 allotments to the portfolio with an estimated end value of $217 million.

As at the date of this report, Sunland had 15 active projects in Queensland, New South Wales and Victoria. These projects include land, housing and multi-storey projects at various points in their delivery cycle. Projects such as Dahlia Residences (NSW), Whyte Residences, Carré Residences (VIC), Marina Residences and Quays Hope Island (QLD) have contributed to revenue during this period.

The Group's multi-storey portfolio will become more active and make a greater contribution to earnings as 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 (completed) and future projects at Palm Beach, Marina Central and The Lakes. Marina Residences contributed revenue for the multi-storey segment of $5.5 million this period and is now fully settled. These medium-rise projects will contribute significantly to Group earnings, particularly through the Palm Beach and The Lakes projects. In addition, forecast contributions from Sunland's high-rise projects will be significant, commencing with Abian which is anticipated during FY17 (depending on timing of completion and settlements) and then from the proposed developments at Grace on Coronation, Mariner's Cove and Labrador which are pending final approvals from the respective authorities. The Group's Residential Housing and Urban Development segment continues to deliver through various stages of each project, supporting underlying earnings and cash flow.

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

Development activities

Sunland's development activities will generate strong earnings for the Group with a weighting towards the second half of the 2016 financial year. Whilst sales and settlement volumes are down in comparison to the same period last year, this is largely due to the sellout of medium density housing in Melbourne (Carré Residences and The Gardens) in the previous period and these projects will be delivered through financial years 2016 and 2017. In addition, the Group's multi-storey projects are entirely sold with Marina Residences now fully settled and Abian under delivery, with settlements anticipated in June 2017.

Multi-storey projects in the preliminary design and approval stages include Labrador (high-rise), Mariner's Cove (high-rise) and Palm Beach (medium-rise) on the Gold Coast. The Grace on Coronation project has been approved by Brisbane City Council, however Sunland is dealing with an appeal against the approval that has delayed the launch. These multi-level projects will not generate revenue until the projects are completed and settled. 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 funding and commencement of construction.

The Group generated revenue from its property sales of $79.9 million from 120 settlements (1H 2015: $97.3 million from 195 settlements). Despite the comparatively lower settlements, the development profit generated was slightly above the previous period at $17.9 million (1H 2015: $17.2 million) and the development margin of 25% continues to exceed the Group's desired 20% return on development cost. Major contributors from first half activities include Marina Residences, Concourse Villas, The Glades and Quays Hope Island (QLD), Dahlia Residences (NSW), Whyte Residences and Carré Residences (VIC).

The Group has scheduled the launch of six new projects during the second half of this financial year, including Shea Residences (St Lucia), The Heights Residences (Pimpama), The Park Terraces (Pimpama), Housing at The Lakes (Mermaid Waters) and Magnoli Residences (Palm Beach). The Group therefore anticipates achieving some 530 sales for the full financial year. Existing projects will continue to be delivered and depending on timing, an estimated 500 settlements are anticipated for the full financial year to achieve the Group's guidance range. The Group currently has 855 contracts in hand with a value of $663 million.

## Capital Management and Dividends

Directors declared a fully franked interim dividend of 3 cents per share, to be paid 23 March 2016. Directors expect to maintain a dividend payout ratio of approximately 40% - 50% of net operating earnings, potentially returning an overall fully franked dividend of 7 cents per share for the 2016 financial year.

Sunland increased the use of its debt facilities to fund the Group's increasing development activities. The Group completed its first debt capital markets issue, raising $50 million in unsecured notes with a term of five years at a competitive coupon of 7.55%. The raising assists in diversifying the Group's debt capital sources and assists with the funding of the longer term medium-rise projects. The notes, together with senior debt facilities, provide a favourable cost of debt capital for the Group.

The cashflow generated from existing projects has also provided the opportunity to complete the share buyback announced in September 2015. As at the date of this report, 15.6 million shares of the allowable 17.8 million shares have been acquired at an average price of $1.59, representing a discount of 23% to the net tangible asset base of the Group.

## Events occurring after the balance sheet date

On 25 February 2016, the directors declared an interim dividend of 3 cents per fully paid ordinary share (1H 2015: 2 cents), fully franked at a rate of 30%.

## 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.

## Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

The report is made in accordance with a resolution of the Directors.

Mr Sahba Abedian
Managing Director
Dated at Brisbane this 25 February 2016

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

As lead auditor for the review of Sunland Group Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane
25 February 2015

| | Notes | 31 December 2015 $'000 | 31 December 2014 $'000 |
|---|---|---|---|
| Revenue from the sale of properties | | 79,896 | 97,323 |
| Revenue from project services | | 2,050 | 993 |
| Other revenue from operations | 3(a) | 4,133 | 3,539 |
| Total revenues | | 86,079 | 101,855 |
| | | | |
| Changes in inventories and work in progress | 3(b) | (69,256) | (83,419) |
| Cost of project services | | (2,045) | (957) |
| Cost of other operations | | (1,634) | (2,002) |
| Employee benefits expense | | (5,351) | (5,363) |
| Depreciation and amortisation expense | | (514) | (607) |
| Administration and other expenses | | (2,963) | (3,116) |
| | | (81,763) | (95,464) |
| Profit before income tax | | 4,316 | 6,391 |
| Income tax expense | 4 | (1,147) | (3,123) |
| Net profit attributable to members of Sunland Group Limited | | 3,169 | 3,268 |
| Total comprehensive income attributable to members of Sunland Group Limited | | 3,169 | 3,268 |
| | | Cents | Cents |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Group: | | | |
| Basic and diluted earnings per share | | 1.8 | 1.8 |

Sunland Group Limited
Consolidated statement of financial position
As at 31 December 2015

| | Notes | 31 December 2015 $'000 | 30 June 2015 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 15,937 | 26,238 |
| Trade and other receivables | 6 | 19,550 | 3,330 |
| Current tax receivables | 4 | 8,073 | - |
| Inventories | 7 | 158,584 | 104,253 |
| Other current assets | | 1,123 | 1,094 |
| **Total current assets** | | 203,267 | 134,915 |
| **Non-current assets** | | | |
| Receivables | | 261 | 347 |
| Inventories | 7 | 346,678 | 340,920 |
| Property, plant and equipment | | 5,698 | 4,192 |
| Investment properties | | 24,903 | 24,970 |
| **Total non-current assets** | | 377,540 | 370,429 |
| **Total assets** | | 580,807 | 505,344 |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 11,813 | 13,580 |
| Interest bearing liabilities | 9 | 15,122 | 6,676 |
| Current tax liabilities | | - | 4,216 |
| Provisions | | 3,822 | 4,573 |
| Other current liabilities | | 412 | 431 |
| **Total current liabilities** | | 31,169 | 29,476 |
| **Non-current liabilities** | | | |
| Trade and other payables | | 2,000 | 2,000 |
| Interest bearing liabilities | 9 | 190,566 | 106,655 |
| Deferred tax liabilities | | 15,752 | 8,374 |
| Provisions | | 437 | 414 |
| Other non-current liabilities | | 505 | 604 |
| **Total non-current liabilities** | | 209,260 | 118,047 |
| **Total liabilities** | | 240,429 | 147,523 |
| | | | |
| **Net assets** | | 340,378 | 357,821 |
| | | | |
| **EQUITY** | | | |
| Issued Capital | 8 | 175,050 | 195,662 |
| Retained earnings | | 165,328 | 162,159 |
| | | | |
| **Total equity** | | 340,378 | 357,821 |

| | Notes | 31 December 2015 $'000 | 31 December 2014 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from operations | | 77,235 | 113,683 |
| Cash payments to suppliers and employees | | (146,945) | (138,976) |
| Interest received | | 170 | 252 |
| Interest and other finance costs paid | | (4,816) | (3,198) |
| Income taxes paid | | (6,058) | (431) |
| **Net cash inflow / (outflow) from operating activities** | | (80,414) | (28,670) |
| **Cash flows from investing activities** | | | |
| Cash paid on acquisition of property, plant and equipment | | (1,736) | (842) |
| Repayments of loans by third parties | | 105 | 425 |
| **Net cash inflow / (outflow) inflow from investing activities** | | (1,631) | (417) |
| **Cash flows from financing activities** | | | |
| Purchase of shares through share buy-back | | (20,612) | - |
| Proceeds from borrowings | | 92,356 | 40,464 |
| Repayment of borrowings | | - | (11,456) |
| Dividends paid to company's shareholders | 5 | - | (3,563) |
| **Net cash inflow / (outflow) from financing activities** | | 71,744 | 25,445 |
| **Net increase / (decrease) in cash and cash equivalents** | | (10,301) | (3,642) |
| Cash and cash equivalents at the beginning of the financial year | | 26,238 | 14,657 |
| **Cash and cash equivalents at end of period** | | 15,937 | 11,015 |

| | Notes | Attributable to equity holders of Sunland Group Limited Ordinary Shares $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2014 | | 195,662 | 153,829 | 349,491 |
| Profit for the period | | - | 3,268 | 3,268 |
| Total comprehensive income for the period | | - | 3,268 | 3,268 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 5 | - | (3,563) | (3,563) |
| Shares issued | 8 | 5,950 | - | 5,950 |
| Treasury shares | 8 | (5,950) | - | (5,950) |
| Balance at 31 December 2014 | | 195,662 | 153,534 | 349,196 |
| | | | | |
| Balance at 1 July 2015 | | 195,662 | 162,159 | 357,821 |
| Profit for the period | | - | 3,169 | 3,169 |
| Total comprehensive income for the period | | - | 3,169 | 3,169 |
| Transactions with owners in their capacity as owners: | | | | |
| Share buy-back | 8 | (20,612) | - | (20,612) |
| Balance at 31 December 2015 | | 175,050 | 165,328 | 340,378 |

## 1 Segment Information

| Operating Segments | Land & Housing | Multi-Storey | Other | Consolidated |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| 31 December 2015 | | | | |
| **Revenue** | | | | |
| Revenue recognised from operations | 74,445 | 5,451 | 6,013 | 85,909 |
| Interest revenue | | | | 170 |
| Total operating revenue | | | | 86,079 |
| **Development costs incurred in delivery** | | | | |
| Finance costs expensed | (1,727) | (75) | - | (1,802) |
| Other development costs expensed | (57,206) | (4,792) | (4,178) | (66,176) |
| Total development costs | (58,933) | (4,867) | (4,178) | (67,978) |
| **Segment result - development return** | 15,512 | 584 | 1,835 | 17,931 |
| Return on development costs | 26% | 12% | | |
| Overall return for combined development operations: 25% | | | | |
| **Other transactions during period** | | | | |
| Marketing | (1,232) | (303) | - | (1,535) |
| Net realisable value of inventory adjustments and warranties | 320 | - | | 320 |
| Interest revenue | | | | 170 |
| Unallocated corporate expenses | | | | (12,570) |
| Profit from ordinary activities before tax | | | | 4,316 |
| Depreciation and amortisation* | - | - | 189 | 189 |
| 31 December 2015 | | | | |
| **Assets** | | | | |
| Segment Assets | 338,903 | 174,629 | 37,496 | 551,028 |
| Unallocated corporate assets | | | | 29,779 |
| Consolidated total assets | | | | 580,807 |

* Depreciation of $325,000 is included within unallocated corporate expenses.

The consolidated entity comprises the following main segments:-
- Land and Housing - development and sale of land (urban development) and medium density residential housing products
- Multistorey - development and sale of medium rise projects (generally between five and fifteen storeys) and high rise projects (above fifteen storeys).

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

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

## 1 Segment Information (continued)

| Operating Segments | Land & Housing | Multi-Storey | Other | Consolidated |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| 31 December 2014 | | | | |
| . | | | | |
| Revenue | | | | |
| Revenue recognised from operations | 78,286 | 19,037 | 4,280 | 101,603 |
| Interest revenue | | | | 252 |
| Total operating revenue | | | | 101,855 |
| Development costs incurred in delivery | | | | |
| Finance costs expensed | (1,997) | (235) | (12) | (2,244) |
| Other development costs expensed | (63,389) | (15,225) | (3,567) | (82,181) |
| Total development costs | (65,386) | (15,460) | (3,579) | (84,425) |
| Segment result - development return | 12,900 | 3,577 | 701 | 17,178 |
| Return on development costs | 20% | 23% | | |
| Overall return for combined development operations: 20% | | | | |
| Other costs expensed during period | | | | |
| Marketing | (2,077) | (731) | - | (2,808) |
| Net realisable value of inventory adjustments and warranties | 985 | (750) | - | 235 |
| Interest revenue | | | | 252 |
| Unallocated corporate expenses | | | | (8,466) |
| Profit from ordinary activities before tax | | | | 6,391 |
| Depreciation and amortization * | - | - | 63 | 607 |
| 30 June 2015 | | | | |
| Assets | | | | |
| Segment Assets | 278,468 | 160,020 | 36,048 | 474,536 |
| Unallocated corporate assets | | | | 30,808 |
| Consolidated total assets | | | | 505,344 |

* Depreciation of $544,000 is included within unallocated corporate expenses.

## 2 Summary of significant accounting policies

### Basis of preparation of half-year report

#### Corporate information

These interim financial statements are the consolidated interim financial statements of the consolidated entity consisting of Sunland Group Limited and its controlled entities (the "Group") and are presented in Australian dollars.

Sunland Group Limited is a company limited by shares, incorporated and domiciled in Australia. The Group's principal activities are residential property development and construction. Its registered office and principal place of business is:

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

The half-year financial report does not include all notes of the type normally included within the annual financial report. It should be read in conjunction with the annual financial report of Sunland Group Limited as at 30 June 2015 and considered together with any public announcements made by the Group.

#### Basis of accounting

The half-year financial report is an interim consolidated financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 *Interim Financial Reporting.* For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### Changes in accounting policy, disclosures, standards and interpretations

The accounting policies applied in the half-year financial report are consistent to those applied by the consolidated entity in the financial report of Sunland Group Limited for the year ended 30 June 2015.

## 3 Revenue and expenses

### (a) Other revenues

| | 31 December 2015 $'000 | 31 December 2014 $'000 |
|---|---|---|
| Rental income | 2,285 | 1,297 |
| Interest received | 170 | 252 |
| Other revenue | 1,678 | 1,990 |
| | 4,133 | 3,539 |

### (b) Change in inventories and work in progress

| | 31 December 2015 $'000 | 31 December 2014 $'000 |
|---|---|---|
| Cost of goods sold | 67,774 | 82,178 |
| Finance costs | 1,802 | 2,226 |
| Net realisable value of inventory adjustments/(gain) | (320) | (985) |
| | 69,256 | 83,419 |

## 4 Income tax

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

| | 31 December 2015 $'000 | 31 December 2014 $'000 |
|---|---|---|
| Profit from continuing operations before income tax expense | 4,316 | 6,391 |
| Tax at the Australian tax rate of 30.0% (1H 2015 - 30.0%) | (1,295) | (1,917) |
| Expenses not deductible for tax purposes and other non-temporary differences | 19 | (161) |
| Research and development tax benefit | 249 | - |
| Adjustment in respect of current income tax of previous year | (120) | (1,045) |
| Income tax expense reported in the profit and loss | (1,147) | (3,123) |

Current tax assets as at 31 December 2015 total $8,073,000 as a result of a significant volume of development costs that are tax deductible ahead of recognising the related revenues and those costs then being expensed for accounting. Given the Group's full year profit guidance it is expected the Group will be in a tax payable position by 30 June 2016.

## 5 Dividends

| | For the six months ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | $'000 | $'000 |
| **Dividends on ordinary shares:** | | |
| Declared previous year and paid this year | - | 3,633 |
| **Dividends on ordinary shares approved but not recognised as a liability as at 31 December:** | | |
| Interim dividend: 3.0 cents* (1H 2015: 2.0 cents) | 4,982 | 3,633 |

* On 25 February 2016, the directors declared an interim dividend of 3 cents per fully paid ordinary share (1H 2015: 2 cents), fully franked at a rate of 30%.The gross value of this interim dividend disclosed in the note is based on the number of shares outstanding (including treasury shares) as at the date of issue of these financial statements.

## 6 Trade and other receivables

| | 31 December 2015 $'000 | 30 June 2015 $'000 |
|---|---|---|
| **Current** | | |
| Settlement receivables on accrued revenue | 17,130 | - |
| Other receivables | 2,420 | 3,330 |
| | 19,550 | 3,330 |

## 7 Inventories

| | | |
|---|---|---|
| **Current** | | |
| Development costs for land held for development and sale | 158,888 | 104,877 |
| Net realisable value provision | (304) | (624) |
| | 158,584 | 104,253 |
| **Non-current** | | |
| Development costs for land held for development and sale | 346,678 | 340,920 |
| | 346,678 | 340,920 |

## 8 Contributed equity

### (a) Movements in ordinary share capital

| Date | Details | Number of shares | $'000 |
|---|---|---|---|
| 1 July 2014 | Opening balance | 178,144,220 | 195,662 |
| | Shares issued | 3,500,000 | 5,950 |
| | Treasury shares | (3,500,000) | (5,950) |
| 31 December 2014 | Closing balance | 178,144,220 | 195,662 |
| 1 July 2015 | Opening balance | 178,144,220 | 195,662 |
| | Share buy-back | (12,959,214) | (20,612) |
| 31 December 2015 | Closing balance | 165,185,006 | 175,050 |

## 9 Financing arrangements

The Group had access to the following borrowing facilities at the end of the reporting period. The facilities have been split into "working capital" facilities and "project specific" facilities. The undrawn amount of the project specific facilities are available progressively for the purpose of delivering the projects they are funding:

| | 31 December 2015 $'000 | 30 June 2015 $'000 |
|---|---|---|
| Working capital facilities available (i) | 263,600 | 213,600 |
| Facilities utilised at balance date | (174,940) | (102,357) |
| Bank guarantees | (6,680) | (4,252) |
| Available working capital facilities not utilised at balance date | 81,980 | 106,991 |
| Project specific facilities available | 147,900 | 147,900 |
| Facilities utilised at balance date | (33,466) | (12,355) |
| Available project specific facilities not utilised at balance date | 114,434 | 135,545 |

(i) $213.6 million of the working capital facilities are available on a come and go basis.

The carrying value of the Group's current and non-current borrowings approximate their fair value. Prepaid borrowing costs included in the carrying value of interest bearing bank loans under the effective interest method explains the difference between the facilities utilised at balance date and the carrying value of interest bearing liabilities on the balance sheet.

The extended facilities entered into during the current period have terms which are similar to facilities already held by Sunland at the end of the previous financial period, with the exception of the $50 million unsecured note issued on 25 November 2015. The terms of the note are:

Principal: $50 million
Interest rate: Fixed at 7.55%
Maturity: 25 November 2020

Key management personnel purchased $5.18m in the unsecured notes which remains outstanding at balance date. The terms and conditions of this related party transaction were the same as those of the other note holders (as described above).

An interest rate swap was entered into on 25 November 2015 in respect of the $50 million principle swapping the fixed rate interest payments to floating rate interest payments. The term of the swap and interest payment dates match the terms of the unsecured note. The swap had a nominal value at balance date.

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

In the Directors' opinion:

(a) The financial statements and notes of Sunland Group Limited for the half-year ended 31 December 2015 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 31 December 2015 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

Mr Sahba Abedian
Director

25th February 2015

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sunland Group Limited, which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

## Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Sunland Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, 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.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sunland Group Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane
25 February 2016