

Sunland Group

APPENDIX 4D

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

RESULTS FOR ANNOUNCEMENT TO THE MARKET

ASX CODE SDG ABN 65 063 429 532

	\$A'000	UP/DOWN	%MOVEMENT
Revenues from ordinary activities	102,723	up	22.0%
Profit from ordinary activities after tax	5,009	up	58.1%
Net profit for the period attributable to members	5,009	up	58.1%

DIVIDEND INFORMATION (AMOUNT PER SECURITY)	31 DECEMBER 2016	31 DECEMBER 2015
Interim dividend- fully franked at 30%	4 cents	3 cents

INTERIM

Date the dividend is payable	23 March 2017
Record date for determining entitlements to the dividend	9 March 2017

DIVIDEND PAID

A final fully franked dividend for the 2016 financial year of 5 cents per share (\$8,191,490) was paid on 22 September 2016.

EARNINGS PER SECURITY (EPS)	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Basic EPS	3.1 cents	1.8 cents
Diluted EPS	3.1 cents	1.8 cents

NET TANGIBLE ASSETS PER SECURITY	31 DECEMBER 2016	31 DECEMBER 2015
Net Tangible Assets	220 cents	206 cents

Sunland Group

APPENDIX 4D

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Acquisition of controlled entities during the period

There were no acquisitions of controlled entities.

Details of entities over which control has been lost during the period

Sunland Funds Management Limited was sold to an unrelated party on 13 July 2016.

The below entities were dormant as a result of ceasing operations and were deregistered during the period.

NAME	DATE CONTROL LOST
Stanride Pty Ltd	10 August 2016
Mordella Pty Ltd	10 August 2016
Sunland Group UAE (Australia) Pty Ltd	10 August 2016
Palazzo Versace Australia Pty Ltd	10 August 2016
Sunland Foundation (GC) Pty Ltd	10 August 2016

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 2016.

**SUNLAND GROUP LIMITED
and its Controlled Entities**

ABN 65 063 429 532

**Consolidated interim financial report
for the half-year ended
31 December 2016**

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 2016 and the independent auditor's report thereon.

Directors

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

Mr 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 are residential property development and construction, for which there was no significant change during the period. The Group conducts these activities through its two core business segments of "Residential Housing and Urban Development" and "Multi-Storey Development". 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 16 storeys and above. 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.

Consolidated result

The consolidated profit after income tax for the half-year attributable to members of Sunland Group Limited was \$5.0 million (1H 2016: \$3.2 million).

Operating and Financial Review

Operating and financial highlights

- Net profit after tax of \$5.0 million with earnings weighted to the second half of the financial year as existing projects such as Abian (QLD), Magnoli Residences (QLD), Carré Residences (VIC) and Dahlia Residences (NSW) are delivered and settlements commence
- Directors reaffirm full year guidance of \$35 million net profit after tax
- The Group declared a fully franked, interim dividend of 4 cents per share to be paid 23 March 2017
- Strong balance sheet capacity, with \$4.1 million in cash and \$82.3 million in undrawn working capital lines.
- New site acquisitions in Sydney, Gold Coast and Brisbane totaling \$47 million for the period
- Basic earnings per share of 3.1 cents (1H 2016: 1.8 cents)
- Gearing remains at acceptable levels with debt to assets 42% and debt to equity 81%. It is forecasted that debt levels will decrease significantly following the settlements scheduled to occur during the second half of the year
- Development margins across the portfolio represent a return on costs of 18%. This is slightly below the target return on costs of 20%, however we expect the result will improve as settlements progress during the second half of the year
- Abian, Sunland's luxury tower in the Brisbane CBD is nearing completion, with settlements anticipated in late FY17 and beyond
- Strong forecast cash flow generated from existing projects during the second half of the year
- Net tangible assets per share of \$2.20

Group Operating Activities

Development Portfolio

As at 31 December 2016, Sunland's development pipeline comprised 5,800 land, housing and multi-storey products with a total end value of \$3.8 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 \$47 million in Sydney (Mount Annan), Gold Coast (Greenmount Resort) and Brisbane (Everton Hills), adding 425 allotments to the portfolio with an estimated end value of \$389 million.

As at the date of this report, Sunland had 14 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), The Heights (QLD), Carré Residences (VIC) and The Gardens (VIC) 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 enhancing contributions from this segment with the reintroduction of medium-rise projects such as Marina Concourse (under construction) and future projects at Palm Beach and The Lakes in Mermaid Waters. These medium-rise projects will contribute significantly to Group earnings in the future years. In addition, forecast contributions from Sunland's high-rise projects will be significant, with Abian which is anticipated to commence settlements in the second half of FY17 (depending on timing of completion and settlements) and then from the proposed developments at One Marine Parade Labrador that has development approval, and Grace on Coronation and Greenmount, which are pending final planning approvals from the respective authorities. Sunland awaits clarity from the local authority and state government on the Gold Coast Spit master plan before determining the approach for development of Mariners' Cove, which continues as an operating retail and marina precinct, generating holding income for the Group. The Group's Residential Housing and Urban Development segment continues to deliver through various stages of each project, supporting underlying earnings and cash flow.

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

Development activities

Sunland's development activities will generate strong earnings for the Group with a weighting towards the second half of the 2017 financial year.

Sales volume for the first half more than doubled compared to the same period last year, following the release of various Queensland projects at The Heights, The Lakes Residences, Magnoli Residences and the multi-storey development Marina Concourse. The Group completed 281 sales to the value of \$200 million during the period (1H 2016: 134 sales to the value \$106 million). Contracted presales for projects that have been released across the development portfolio total 825 as at 31 December 2016, with a combined value of \$669 million.

Several multi-storey projects are currently in the pipeline, with the Group's luxury Abian residential tower in the Brisbane CBD now structurally complete, with finishing works being undertaken throughout the building. It is anticipated settlements commence late in the 2017 financial year and continue into the 2018 financial year. Construction of the six storey, mid-rise apartment buildings at Marina Concourse, located adjacent to the Royal Pines Marina, has recently commenced with the project nearly one quarter sold.

Multi-storey projects in the preliminary design and approval stages include Greenmount (medium-rise), The Lakes (medium-rise) and Palm Beach (medium-rise) on the Gold Coast. One Marine Parade Labrador (high-rise), also on the Gold Coast, is approved and we anticipate its release to the market soon. The Grace on Coronation project in Toowong has been approved by Brisbane City Council, however Sunland is dealing with an appeal through the Land and Environment Court and a judgement is not expected until mid 2017. The development application for the Mariner's Cove project has been withdrawn whilst the local and state governments discuss master planning opportunities for the area surrounding the project at "The Spit", Gold Coast.

These multi-storey projects will not generate revenue until they are completed and settled. Sunland is focused on finalising the design and approvals for these projects to release them to the market and achieve the presales required for funding and commencement of construction. In the meantime, One Marine Parade, Mariner's Cove and Greenmount Resort generate revenue streams that cover the holding costs of these development sites.

The Group generated revenue from property sales of \$95.4 million from 204 settlements during the period (1H 2016: \$79.9 million from 120 settlements). Major contributors from the Residential Housing and Urban Development segment include The Heights and The Terraces (QLD), The Gardens and Carré Residences (VIC), and Dahlia Residences (NSW).

The Residential Housing and Urban Development segment achieved a development margin (return on cost) across the segments of 18%, which is slightly below the Group's target return of 20%. The target development return is expected to be exceeded as settlements occur through the second half.

Other Group Operations

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

Other revenues include (net) holding incomes generated by various sites until the approvals are held and the development commences. These include One Marine Parade, Mariner's Cove and Greenmount.

Investment properties held by the Group also generate ongoing investment income and these properties include Royal Pines Marina and The Lakes, both located on the Gold Coast. The Royal Pines Marina is occupied by Sunland's Gold Coast office, as well as other retail and commercial tenants, generating a net revenue of some \$0.3 million. The Lakes retail area currently comprises some 3,000 square metres of lettable area generating \$1.2 million of net income. The Group is assessing a strategy to deliver a further 17,000 square metres of retail and commercial space at this location called "The Lanes", which has the potential to diversify the Group's earnings profile.

The current action against the Group is a claim by Mr Marcus Ramon Lee (proceeding number 982/15) made against Sunland and some of its Directors and officers. In November 2015 there was a hearing of an application to strike out Mr Lee's claim and judgement was given in June 2016. The application by Sunland was successful, parts of the statement of claim were struck out and Mr Lee was ordered to pay Sunland's costs associated with the application. Sunland is proceeding to recover its costs associated with the application. Mr Lee is appealing the amount of the costs awarded against him.

The Court gave Mr Lee leave to re-plead his case, which he has done with the filing of a Fifth Amended Statement of Claim (some of the previous claims were found to be defective and therefore restated by Mr Lee). Sunland and its various Directors and officers have filed a defence to the claims. We await a reply from Mr Lee to the defence. The trial of the case is expected to commence later this calendar year or early 2018. Sunland and its various Directors and officers continue to vigorously defend the case. At this point in the proceedings, and given the current status of the statement of claim, orders of the Court as to costs, and the filing of the defence, the Board of Directors have determined that there is no provision or contingent liability to be reported in respect to this matter.

Capital Management and Dividends

The Group has undertaken a series of share buyback programs over the past several years which have halved the consolidated shares on issue. The shares have been purchased at an average price of \$0.89 over the course of these programs, which is a significant discount to the Group's net tangible asset base per share. It has also contributed to the Group's increase in earnings per share and net asset value per share, delivering significant long-term benefit and value to its shareholders. This capital management strategy has continued with Sunland announcing a further on market buyback of up to 16.4 million shares over 12 months. As at the date of this report, Sunland has bought back 4.6 million shares to the value of \$7.5 million at an average price of \$1.65 per share.

Directors have previously stated that the Group intends to pay fully franked dividends of between 40% and 50% of net operating earnings as a dividend payment policy. An interim fully franked dividend of 4 cents per share has been announced for this period, payable 23 March 2017.

Sunland utilises debt facilities to assist in the funding of its development projects. The approach differs between each operational segment. The Residential Housing and Urban Development segment is generally leveraged to around 35% of inventory value. A greater leverage is sought for Multi-Storey projects as the development programs are longer and equity can be retained to pursue other opportunities.

The Group will continue to manage its capital base by utilising various structures that diversify the project and funding risks across the portfolio.

Events occurring after the balance sheet date

On 23 February 2017, the directors declared an interim dividend of 4 cents per fully paid ordinary share (1H 2016: 3 cents), fully franked at a rate of 30%.

Rounding

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

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 23 February 2017

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 2016, 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.

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



Ernst & Young



Alison de Groot
Partner
Brisbane
23 February 2017

Sunland Group Limited
Consolidated statement of comprehensive income
For the half-year 31 December 2016

	Notes	31 December 2016 \$'000	31 December 2015 \$'000
Revenue from the sale of properties		95,407	79,896
Revenue from project services		5,025	2,050
Other revenue from operations	3(a)	2,291	2,266
Total revenues		<u>102,723</u>	<u>84,212</u>
Gain on disposal of a subsidiary	9	169	-
Cost of goods sold - property developments	3(b)	(82,967)	(69,166)
Cost of project services		(4,051)	(2,045)
Cost of other operations	3(b)	(504)	(524)
Employee benefits expense		(4,933)	(5,187)
Depreciation and amortisation expense		(794)	(514)
Administration and other expenses		(3,151)	(2,460)
		<u>(96,400)</u>	<u>(79,896)</u>
Profit before income tax		6,492	4,316
Income tax expense		(1,483)	(1,147)
		<u>5,009</u>	<u>3,169</u>
Net profit attributable to members of Sunland Group Limited		<u>5,009</u>	<u>3,169</u>
Total comprehensive income attributable to members of Sunland Group Limited		<u>5,009</u>	<u>3,169</u>
		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		3.1	1.8

Sunland Group Limited
Consolidated statement of financial position
As at 31 December 2016

	Notes	31 December 2016 \$'000	30 June 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		4,100	19,949
Trade and other receivables	5	30,039	27,849
Inventories	6	311,677	248,103
Current tax receivables		1,955	6,014
Other current assets		536	382
Total current assets		<u>348,307</u>	<u>302,297</u>
Non-current assets			
Inventories	6	299,432	280,008
Property, plant and equipment		9,505	9,120
Investment properties		23,779	20,992
Total non-current assets		<u>332,716</u>	<u>310,120</u>
Total assets		<u>681,023</u>	<u>612,417</u>
LIABILITIES			
Current liabilities			
Trade and other payables		9,694	24,715
Interest bearing liabilities	8	157,391	47,673
Provisions		3,346	3,169
Other current liabilities		1,100	1,043
Total current liabilities		<u>171,531</u>	<u>76,600</u>
Non-current liabilities			
Trade and other payables		2,000	2,000
Interest bearing liabilities	8	129,116	153,632
Deferred tax liabilities		24,297	22,817
Provisions		554	549
Other non-current liabilities		291	403
Total non-current liabilities		<u>156,258</u>	<u>179,401</u>
Total liabilities		<u>327,789</u>	<u>256,001</u>
Net assets		<u>353,234</u>	<u>356,416</u>
EQUITY			
Issued Capital	7	167,709	167,709
Retained earnings		185,525	188,707
Total equity		<u>353,234</u>	<u>356,416</u>

Sunland Group Limited
Consolidated statement of cash flows
For the half-year 31 December 2016

Notes	31 December 2016 \$'000	31 December 2015 \$'000
Cash flows from operating activities		
Cash receipts from operations	111,947	77,235
Cash payments to suppliers and employees	(199,897)	(146,945)
Interest received	239	170
Interest and other finance costs paid	(7,117)	(4,816)
Income taxes (paid) / refunded	4,058	(6,058)
Net cash inflow / (outflow) from operating activities	(90,770)	(80,414)
Cash flows from investing activities		
Cash paid on acquisition of property, plant and equipment	(1,422)	(1,736)
Cash paid for construction of investment properties	(2,567)	-
Repayments of joint venture contributions	1,720	105
Cash receipts from the sale of a subsidiary, net of cash disposed	9 177	-
Net cash inflow / (outflow) inflow from investing activities	(2,092)	(1,631)
Cash flows from financing activities		
Purchase of shares through share buy-back	-	(20,612)
Proceeds from borrowings	85,204	92,356
Dividends paid to company's shareholders	4 (8,191)	-
Net cash inflow / (outflow) from financing activities	77,013	71,744
Net increase / (decrease) in cash and cash equivalents	(15,849)	(10,301)
Cash and cash equivalents at the beginning of the financial year	19,949	26,238
Cash and cash equivalents at end of period	4,100	15,937

Sunland Group Limited
Consolidated statement of changes in equity
For the half-year 31 December 2016

	Attributable to equity holders of Sunland Group Limited		
	Ordinary	Retained	Total
	Shares \$'000	earnings \$'000	
Notes			\$'000
Balance at 1 July 2015	<u>195,662</u>	<u>162,159</u>	<u>357,821</u>
Profit for the period	-	3,169	3,169
Total comprehensive income for the period	<u>-</u>	<u>3,169</u>	<u>3,169</u>
Transactions with owners in their capacity as owners:			
Share buy-back	(20,612)	-	(20,612)
Balance at 31 December 2015	<u>175,050</u>	<u>165,328</u>	<u>340,378</u>
Balance at 1 July 2016	<u>167,709</u>	<u>188,707</u>	<u>356,416</u>
Profit for the period	-	5,009	5,009
Total comprehensive income for the period	<u>-</u>	<u>5,009</u>	<u>5,009</u>
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	-	(8,191)	(8,191)
Balance at 31 December 2016	<u>167,709</u>	<u>185,525</u>	<u>353,234</u>

4

1 Segment Information

Operating Segments	Land & Housing \$'000	Multi-Storey \$'000	Other \$'000	Consolidated \$'000
31 December 2016				
Revenue				
Revenue recognised from operations	100,432	-	2,052	102,484
Development costs incurred in delivery				
Finance costs expensed	(2,653)	-	-	(2,653)
Other development costs expensed	(82,401)	-	(942)	(83,343)
Total development costs	(85,054)	-	(942)	(85,996)
Segment result - development return				
Return on development costs	15,378	-	1,110	16,488
Overall return for combined development operations: 18%	18%	-		
Other transactions during period				
Marketing	1,369	435		(1,804)
Net realisable value of inventory adjustments and warranties	(143)	(17)		(160)
Gain on disposal of a subsidiary				169
Interest Income				239
Unallocated corporate expenses				(8,440)
Profit from ordinary activities before tax				6,492
31 December 2016				
Assets				
Segment Assets	362,395	281,480	24,656	668,531
Unallocated corporate assets				12,492
Consolidated total assets				681,023

The consolidated entity comprises the following main segments:

- Land and Housing - development and sale of land (urban development), medium density residential housing products and project services
- Multistorey - development and sale of medium rise projects (generally between five and fifteen storeys) and high rise projects (above fifteen storeys)
- Other- Operating results from investment properties and net holding income

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

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

Unallocated corporate expenses are generally corporate overhead costs being employee benefits and administration expenses that are not directly attributable to the operating segments.

1 Segment Information (continued)

Operating Segments	Land & Housing \$'000	Multi-Storey \$'000	Other \$'000	Consolidated \$'000
31 December 2015				
Revenue				
Revenue recognised from operations	76,490	5,451	2,101	84,042
Development costs incurred in delivery				
Finance costs expensed	(1,727)	(75)	-	(1,802)
Other development costs expensed	(59,177)	(4,792)	(541)	(64,510)
Total development costs	(60,904)	(4,867)	(541)	(66,312)
Segment result - development return	15,586	584	1,560	17,730
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 income				170
Unallocated corporate expenses				(12,369)
Profit from ordinary activities before tax				4,316
31 December 2015				
Assets				
Segment Assets	350,007	174,629	26,392	551,028
Unallocated corporate assets				29,779
Consolidated total assets				580,807

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

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. In preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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 2016 and considered together with any public announcements made by the Group.

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 2016.

3 Revenue and expenses

(a) Other revenue from operations

	31 December 2016 \$'000	31 December 2015 \$'000
Investment property income	838	1,274
Holding income *	846	689
Interest income	239	170
Other revenue	368	133
	2,291	2,266

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

(b) Cost of goods sold

Cost of goods sold- property developments	80,314	67,364
Finance costs	2,653	1,802
	82,967	69,166

Cost of other operations

Cost of investment property operations	290	515
Cost of goods sold- Other operations	214	9
	504	524

4 Dividends

	For the six months ended	
	31 December	31 December
	2016	2015
	\$'000	\$'000
Dividends on ordinary shares		
Final 2016 dividend paid this period	8,191	-
Dividends on ordinary shares approved but not recognised as a liability as at 31 December:		
Interim dividend: 4.0 cents* (1H 2016: 3.0 cents)	6,371	4,982

* On 23 February 2017, the directors declared an interim dividend of 4 cents per fully paid ordinary share (1H 2016: 3 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.

5 Trade and other receivables

	31 December	30 June
	2016	2016
	\$'000	\$'000
Current		
Development receivables	2,041	6,625
Amounts receivable from joint operations	3,755	5,902
Settlement receivables on accrued revenue	23,676	14,893
Other receivables	567	429
	30,039	27,849

6 Inventories

Current		
Development costs and land held for development and sale	311,677	248,103
Non-current		
Development costs and land held for development and sale	299,432	280,008

7 Contributed equity

(a) Movements in ordinary share capital

There have been no movements in ordinary share capital since 30 June 2016. Subsequent to year end, the company repurchased 4,561,488 shares on market at an average rate of \$1.65. The company has applied for cancellation of these shares with the Australian Securities and Investments Commission.

8 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 2016 \$'000	30 June 2016 \$'000
Working capital facilities available	226,600	213,600
Facilities utilised at balance date	(140,787)	(105,727)
Bank guarantees	(3,476)	(10,434)
Available working capital facilities not utilised at balance date	82,337	97,439
Project specific facilities available	138,000	138,000
Facilities utilised at balance date	(97,703)	(47,953)
Available project specific facilities not utilised at balance date	40,297	90,047
Unsecured notes available	50,000	50,000
Facilities utilised at balance date	(50,000)	(50,000)
Available unsecured notes not utilised at balance date	-	-

During the period an additional amount of \$13,000,000 was made available under Sunland's working capital facilities. This is under the same terms and conditions as Sunland's existing working capital facilities.

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

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

9 Disposal of a subsidiary

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

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 2016 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 2016 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
23 February 2017

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 2016 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 2016 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.

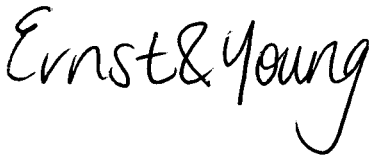
Independence

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.

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 2016 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



Alison de Groot
Partner
Brisbane
23 February 2017