# **SUNLAND GROUP LIMITED**

ABN 65 063 429 532

ASX CODE: (SDG)

# **Appendix 4D**

# Half year report for the 6 months ended 31 December 2012

### Results for announcement to the market

\$A'000 Revenues from ordinary activities 26.1% to 99,395 Profit from ordinary activities after tax attributable to 4,446.5% to 8,411 members Net profit for the period attributable to members 4,446.5% to 8,411 up Franked amount per Dividends (distributions) Amount per security security Interim dividend nil Previous corresponding period nil Special dividend (announced on 14 February 2013) 100% 2 cents Date the dividend is payable 22 March 2013 Record date for determining entitlements to the dividend 8 March 2013 1 March 2013 Trading ex-dividend

Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS	4.4 cents	0.1 cents
Diluted EPS	4.4 cents	0.1 cents

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 19 of AASB 133: Earnings Per Share are as follows:

Earnings reconciliation:	Dec- <u>2012</u> Dec- <u>2011</u>	
Net profit for basic and diluted earnings	\$'000 \$'000 8,411 185	
Weighted average number of shares used as the denominator:	Number Number	
Ordinary shares	189,851,997 207,415,747	
Number for diluted earnings per share	189,851,997 207,415,747	

# Sunland Group Limited Appendix 4D Half year report for the 6 months ended 31 December 2012 (continued)

Net Tangible Assets per security	Current period	Previous corresponding period
Net Tangible Assets	186 cents	169 cents

# **Dividends**

Date the dividend is payable 22 March 2013

\*Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if \*securities are not \*CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if \*securities are \*CHESS approved)

8 March 2013

If it is a final dividend, has it been declared? (Preliminary final report only)

N/A	

# Acquisition/disposal of controlled entities

The following controlled entities were disposed of during the period:

Name	Date of loss of control	Ownership at 30 June 2012	Ownership at 31 December 2012
Sunland Developments (QLD) Pty Ltd*	4 July 2012	100%	0%
Sunland Retail Pty Ltd*	4 July 2012	100%	0%
Sunland Developments No 2 Pty Ltd*	4 July 2012	100%	0%
Abian (QLD) Pty Ltd*	11 July 2012	100%	0%
Odyssey Condominium Hotels Pty Ltd*	11 July 2012	100%	0%
Sunland Joinery Pty Ltd*	11 July 2012	100%	0%
Sunland Group (NSW) Pty Ltd*	11 July 2012	100%	0%
Sunland Hotel Management Pty Ltd	13 December 2012	100%	0%

<sup>\*</sup> These companies were de-registered

Control was acquired of the following entities during the period:

Name	Date of gain of control	Ownership at 30 June 2012	Ownership at 31 December 2012
SDG Constructions Pty Ltd	28 November 2012	0%	100%

# Sunland Group

ESTABLISHED

14 February 2013

The Manager
Company Announcements
Australian Securities Exchange

Dear Sir/Madam

# SUNLAND GROUP ANNOUNCES HALF YEAR NET PROFIT OF \$8.4 MILLION AND A SPECIAL DIVIDEND OF 2 CENTS

- Net profit after tax of \$8.4 million;
- Net profit before tax of \$1.1 million;
- Group consolidated Net Tangible Asset backing of \$1.86 per share, an increase of 7 cents (4%) from \$1.79 on 30 June 2012;
- Basic earnings per share of 4.4 cents;
- Strong and flexible balance sheet with \$32.2 million in free cash and \$94.6 million in undrawn credit lines;
- Gearing levels remain conservative at 4% debt to assets and 5% debt to equity;
- Tranche 4 of the Share buy-back program continues (as approved at November 2012 AGM) with 7.3 million shares purchased and cancelled. Total \$7.0 million spent on Tranche 4 - representing an average of 96 cents per share paid. 40.7 million shares remain to be purchased under the current share buyback program reducing shares to 150 million;
- Strong forecasted cash flow generating from existing projects;
- Directors have declared a special fully franked dividend of 2 cents per share following the sale of the Palazzo Versace Gold Coast.

Sunland Managing Director Mr Sahba Abedian said that the result was positive in light of the continued difficulties in respect to market conditions both domestically and internationally.

The Group has continued to focus on its core portfolio of residential land and housing, whilst maintaining at all times stringent capital management initiatives and a conservative balance sheet.

The Board of Directors have previously advised shareholders that it is their intention to return to a structured dividend payment regime upon the successful completion of Tranche 4 of the Share buy-back program.

As a consequence of the sale of Palazzo Versace Gold Coast, the Board of Directors wish to announce a one off special dividend of 2 cents fully franked. This dividend will be recognised from the cash released by the sale of the asset and it is intended that the payment shall be made by 22 March 2013.

# Sunland Group

# Operational highlights for the half-year ended 31 December 2012

- Portfolio enhanced through further acquisitions totalling \$37.8 million (Point Cook, Melbourne and North Kellyville Sydney);
- The Group achieved 111 contracted sales totalling \$59 million and 204 settlements generating \$77.4 million;
- The portfolio currently has 330 contracted pre-sales totalling \$183 million;
- The Brisbane CBD Carrington Site is in its final stages of design and approval with an anticipated market release date in the second half of 2013. The Group is also in the early conceptual design phase for the prestigious Mariners Cove project on the Gold Coast's Broadwater precinct.

# **Development Operations**

Sunland's development operations contributed revenue of \$77.4 million for the six months ending 31 December 2011 (31 December 2011: \$59.4 million). A significant number of settlements have been pushed into the second half of the financial year and Directors expect revenue for the second half to June 30, to be approximately \$100 million.

Sunland's development portfolio comprises 3,110 apartments, residential homes and land allotments with a combined end value of \$1.3 billion (excluding the multi storey).

Group cash has been utilised to fund the fourth Tranche of the share buy-back which totalled \$7.0 million during the period. The Group also accessed cash reserves and some of its debt facilities, to replenish its development portfolio in acquiring \$37.8 million of new project sites. A further \$20.3 million has been utilised in the delivery of various projects ahead of recognising any revenue from settlements. It is expected that the portfolio will continue to generate strong revenue during the second half of the year, enabling the Group to continue to focus on maintaining a conservative balance sheet, continuing with the share buy-back program and strategically replenishing the portfolio.

# Non Development Operations

On 13 December 2012, Sunland settled the transaction for the sale of Palazzo Versace Gold Coast for the contracted price of \$68.5 million. The sale resulted in a gain of \$1.5m on property plant and equipment. Proceeds of the sale repaid the \$27.4 million borrowings against the asset and the balance shall be utilized for the ongoing operations of the Group.

Previous capital losses retained by the Group have resulted in the reversal of deferred tax liabilities formerly accumulated by Palazzo Versace. This has benefited the Group's net profit after tax by \$6.2 million.

# Sunland Group

# **Future Outlook**

As the market continues to remain challenging and subdued, it is the view of the Board of Directors and Management that operating conditions will remain difficult.

The Board of Directors remain committed to the Group's strategy of completing Tranche 4 of the Share buy-back program coupled with an ongoing focus of maintaining a conservative balance sheet.

The Group will continue to focus and replenish its portfolio opportunistically and organically in niche growth markets.

Yours faithfully,

SAHBA ABEDIAN MANAGING DIRECTOR

For media enquiries please contact:

Mr Sahba Abedian

# **SUNLAND GROUP LIMITED** and its Controlled Entities

ABN 65 063 429 532

Interim report for the half-year 31 December 2012

# Sunland Group Ltd ABN 65 063 429 532

# Interim report - 31 December 2012

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These interim financial statements are the consolidated interim financial statements of the consolidated entity consisting of Sunland Group Ltd and its controlled entities. The interim financial statements are presented in the Australian currency.

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

Sunland Group Ltd Royal Pines Resort Marina Precinct Benowa Qld 4217

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these interim financial statements.

The interim financial statements were authorised for issue by the Directors on 14 February 2013.

# Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Sunland Group Ltd and the entities it controlled at the end of, or during, the half-year 31 December 2012.

The following persons were Directors of Sunland Group Ltd during the whole of the financial period and up to the date of this report:

Mr Soheil Abedian Mr Sahba Abedian Mr Terry Jackman Mr Ron Eames Mr Craig Carracher

The Directors accepted Mr Jackman's resignation on 14 January 2013, with an effective date of 31 January 2013.

### Principal activities

The principal activities of the Sunland Group and its controlled entities during the course of the period were property development and construction. The hotel investment and operations activities operated through to 13 December 2012 when Sunland's hotel interests were sold.

Apart from the sale of its hotel investment and operations (refer Non development operations below) there was no significant change in the nature of the activity of the Group during the period.

### Consolidated result

The consolidated profit after income tax for the half-year attributable to members of Sunland Group Limited was \$8,411,000 (2011: \$185,000).

### Review and results of operations

- · Net profit after tax of \$8.4 million
- Net profit before tax of \$1.1 million
- Strong and flexible balance sheet with \$32.1 million in free cash and \$94.6 million in undrawn credit lines
- Basic earnings per share of 4.4 cents
- Gearing levels remain conservative at 4% debt to assets and 5% debt to equity
- Group consolidated Net Tangible Asset backing of \$1.86 per share, an increase from \$1.79 on 30 June 2012
- 7.3 million shares have been purchased and cancelled under the share buy back approved by shareholders during the 2012 AGM. Consideration for these shares has totalled \$7.0 million representing an average of 96 cents per share paid for this period
- Strong forecast cash flow generated from existing projects
- · Directors have declared special fully franked dividend of 2 cents per share following the sale of the Palazzo Versace Gold Coast

### Australia

- · New acquisitions adding to the Company's development portfolio total \$37.8 million and include acquisitions at Point Cook in Melbourne, and North Kellyville in Sydney
- · Sales activity has slowed over the period, with the Group completing 111 sales to the value of \$59 million
- Settlements for the first half totalled 204 generating revenue from the development portfolio of \$77.4 million.
- · Revenue for the first half was generated by settlements from:
  - Residential Housing -Glades (QLD), Gardene (QLD), Royal Pines (QLD) and Kellyville (NSW)
     Urban Development Bushland Beach (QLD), Bluestone Green (VIC)
- · Contracted presales from projects that have been released across the land and housing portfolio currently totals 330 product comprising a value of \$183 million (including joint venture projects)
- Multi-storey portfolio projects continue to undergo approval processes. The Brisbane CBD "Carrington" site is in its final stages of design and approval with market release expected mid 2013. The Group is also in the early stages of conceptual design plans for the prestigious Mariners Cove project on the Gold Coast's Broadwater precinct

# Review and results of operations (continued) Dubai

- Remaining land holdings include Nur and Waterfront 1, which are 50% owned by Sunland, and "Waterfront 2" which is wholly owned by Sunland. These projects are not active and will continue to be proportionally consolidated
- The remaining projects are held in special purpose vehicles and there is no recourse to the Australian operations

### Capital management

A further tranche of the buy back program was approved at the October 2012 AGM for the acquisition of 42.2 million shares. This capital management strategy has been ongoing with issued shares reduced from a peak of some 320 million shares to 185.9 million shares currently on issue as at 31 December 2012. The successful completion of the current share buy back will see issued shares reduce to approximately 150 million.

Directors have previously advised shareholders that it is the intention to return to dividend payments upon completion of the share buy back program. Following the sale of Palazzo Versace Gold Coast, the Directors believe it is appropriate to reward shareholders with a special dividend recognising the cash released from the sale of the asset.

### **Development operations**

Sunland's Australian land and housing development operations contributed revenue of \$77.4 million for the six months ended 31 December 2012 (31 December 2011: \$59.4 million). Settlements for some projects have been pushed into the second half of the financial year and Directors expect revenue in the second half to be approximately \$100 million. Margins continue to be squeezed with the difficult market conditions. The timing of expensing marketing costs ahead of recognising revenue from settlements of various projects have also contributed to lower margins in the first half. EBIT margin achieved for the first half amounts to 16% for the land and housing portfolio. We expect an improvement in the second half as additional projects are delivered and settled. Settlements in the second half of the financial year are expected to be generated primarily from housing developments located at Royal Pines and the Glades (QLD), Kellyville (NSW) and Chancellor (VIC).

Sunland has a robust Australian development pipeline with an inventory of 3,110 proposed allotments providing a combined end value of \$1.3 billion. This excludes the multi level projects which remain in the early design phase being the Labrador and Mariners Cove projects on the Gold Coast.

Cash has been utilised to fund the share buy back which totalled \$7.0 million during the period. The Group has also utilised cash and some of its debt facilities to replenish its development portfolio, acquiring \$37.8 million of new project sites. In addition, some \$20.3 million has been utilised in the delivery of various projects ahead of recognising any revenue from settlements. It is expected that some of these developments will be completed during the second half of this financial year and cash generated from the settlements of these projects will provide additional funds to continue with the capital management and portfolio replenishment strategies of the Group.

# Non development operations

Sunland settled the sale of Palazzo Versace Gold Coast on 13 December 2012 for the contracted price of \$68.5 million. The sale resulted in a gain on property plant and equipment of \$1.5 million. Proceeds of the sale repaid the \$27.4 million of borrowings against the asset and the balance is available for the Group's operations.

Capital losses retained by the Group has resulted in the reversal of deferred tax liabilities previously accumulated for the Palazzo Versace Hotel which has benefited net profit after tax by \$6.2 million.

Project Services operations provide a modest contribution and are related to the management of projects for "joint ventures" undertaken by the Group. This will continue to run off as existing projects are delivered.

# Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

**Sunland Group Ltd** Director's Report 31 December 2012 (continued)

Rounding of amounts
The Group is of a kind referred to in Class Order 98/100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Mr Sahba Abedian Director

Royal Pines, Gold Coast 14 February 2013



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

In relation to our review of the financial report of Sunland Group Limited for the half-year ended 31. December 2012, 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.

Ernst & Young

Alison de Groot Partner

14 February 2013

# Sunland Group Ltd Consolidated statement of comprehensive income For the half-year 31 December 2012

	Notes	31 December 2012 \$'000	31 December 2011 \$'000
Revenue from the sale of properties Revenue from project services Revenue from funds management Revenue from hotel services Other revenue from operations	2(a)	77,412 5,675 181 11,856 4,271	61,812 2,511 116 11,787 2,573
Total Revenues	• • •	99,395	78,799
Share of profits/(losses) of Associates Other income/(expense) Changes in inventories of finished goods and work in progress Cost of project services Cost of hotel supplies Employee benefits expense Depreciation and amortisation expense Reversal of impairment on receivables Diminution of inventory Finance costs Administration and other expenses	2(b) 2(c)	(162) 2,590 (69,545) (5,251) (6,095) (8,844) (2,052) (1,942) (7,95) (6,187) (98,283)	4,070 (58,609) (1,292) (5,415) (8,807) (2,062) 21 (707)
PROFIT BEFORE INCOME TAX		1,112	57
Income tax benefit/(expense) NET PROFIT ATTRIBUTABLE TO MEMBERS OF SUNLAND GROUP LIMITED	3	7,299 8,411	128 185
Other comprehensive income - items that may subsequently be recla	ssified	to profit and lo	ess:
Foreign currency translation Release of FCTR upon exit of Dubai Other comprehensive income for the period			836 6,885
Other comprehensive income for the period		•	7,721
Total comprehensive income attributable to members of Sunland Group Limited		8,411	7,906
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the			
Group: Basic earnings per share Diluted earnings per share		4.4 4.4	

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

# Sunland Group Ltd Consolidated statement of financial position As at 31 December 2012

	Notes	31 December 2012 \$'000	30 June 2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	32,105	31,085
Trade and other receivables		9,681	7,577
Current tax receivables	•	2,938	04.004
Inventories	6	90,452	91,881 2,912
Other current assets Assets held for sale		1,980 499	499
Total current assets		137,655	133,954
Total current assets		101,000	100,001
Non-current assets		4 = 4 = 4	4.005
Receivables		1,790	4,235
Inventories	6 7	311,476	290,041
Property, plant and equipment Investment properties	,	2,555 4,071	69,827 4,113
Investments accounted for using the equity method	8	2,042	2,098
Construction advances and property deposits	•	895	3,760
Total non-current assets		322,829	374,074
		,	
Total assets		460,484	508,028
LIABILITIES			
Current liabilities	•	40.000	04.000
Trade and other payables	9 10	12,339	24,893
Interest bearing liabilities Current tax liabilities	10	6,000	5,713
Provisions		9,094	6,239
Other current liabilities	11	576	5,942
Total current liabilities		28,009	42,787
		- ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Non-current liabilities Trade and other payables	9	51,602	53,000
Interest bearing liabilities	10	12,737	37,892
Deferred tax liabilities	10	5,994	13,294
Provisions		496	802
Revenue received in advance		13,527	13,530
Other liabilities	11	1,772	1,762
Total non-current liabilities		86,128	120,280
Total liabilities		114,137	163,067
Net assets		346,347	344,961
FOURTY			
EQUITY Issued Capital	12	205,688	212,713
Reserves	12	6,779	6,779
Retained earnings		133,880	125,469
		,	
Total equity		346,347	344,961

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

# Sunland Group Ltd Consolidated statement of changes in equity For the half-year 31 December 2012

# Attributable to equity holders of Sunland Group Ltd

			Julilalit	u Group Liu		
				ı	Foreign Currency	
	Notes	Contributed equity \$'000	Retained earnings \$'000	Other reserves \$'000	Translation Reserve \$'000	Total \$'000
Balance at 1 July 2012		212,713	125,469	6,779	(編)	344,961
Profit for the period			8,411			8,411
Total comprehensive income for the period			8,411		598	8,411
Transactions with owners in their capacity as owners:						
Share buy-back		(7,015)	~		<b>(4)</b>	(7,015)
Payment of share buy-back costs (tax effected)		(10)			170	(10)
		(7,025)			SA	(7,025)
Balance at 31 December 2012		205,688	133,880	6,779		346,347
Balance at 1 July 2011		233,456	110,975	6,778	(7,721)	343,488
Profit for the period			185		1961	185
Other comprehensive income					7,721	7,721
Total comprehensive income for the period			185	•	7,721	7,906
Transactions with owners In their capacity as owners:						
Share buy-back		(16,375)	340	-		(16,375)
Share option expense				1	(≆)	1
Payment of share buy-back costs (tax effected)	)	(25)		<u> </u>		(25) (16,399)
		(10,400)		· ·	-	(10,000)
Balance at 31 December 2011		217,056	111,160	6,779	0%)	334,995

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

# Sunland Group Ltd Consolidated statement of cash flows For the half-year 31 December 2012

	Notes	31 December 2012 \$'000	31 December 2011 \$'000
Cash flows from operating activities Cash receipts in the course of operations Cash payments in the course of operations Interest received Interest and other finance costs paid Income taxes (paid)/refunded Net cash (outflow) from operating activities		104,675 (137,008) 649 (2,328) (8,603) (42,615)	83,880 (126,274) 1,185 (1,063) (7,751) (50,023)
Cash flows from investing activities Cash paid on acquisition of property, plant and equipment Sale of property, plant and equipment Net cash inflow (outflow) from investing activities	7	(195) 68,500 68,305	(1,374)
Cash flows from financing activities Payment of share buy-back costs Purchase of share through share buy-back Proceeds from borrowings Repayment of borrowings Net cash (outflow) inflow from financing activities		(10) (7,015) 113,021 (130,644) (24,648)	(25) (16,375) 88,000 (39,274) 32,326
Net increase (decrease) in cash and cash equivalents  Cash and cash equivalents at the beginning of the financial year  Net foreign exchange differences  Cash disposed on sale of subsidiary  Cash and cash equivalents at end of period	5	1,042 31,085 (22) 	(19,071) 48,808 (117) (9,033) 20,587

Impact

# 1 Basis of preparation of half-year report

The half-year financial report of Sunland Group Limited (the "Group") does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Sunland Group Limited as at 30 June 2012.

It is also recommended that the half-year financial report be considered together with any public announcements made by Sunland Group Limited and its controlled entities during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

# (a) Basis of accounting

The half-year financial report is a general purpose 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 and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis and is presented in Australian dollars.

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

### (b) Significant accounting policies

The accounting policies applied in the half-year financial report are the same as those applied by the consolidated entity in the Financial Report of Sunland Group Limited for the year ended 30 June 2012, except for our first time application of the amendments to AASB 101: Presentation of financial statements, which established a new requirement for entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit and loss and those that will not. The adoption of this standard had no effect on the financial performance or position of the group.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the period ended 31 December 2012:

				Application date for
Reference Title	Summary	standard	report	the Group
AASB 10 Consolidated	AASB 10 establishes a new control model that applies to all	1 January	Nil	1 January
Financial	entities. It replaces parts of AASB 127 Consolidated and	2013		2013
Statements	Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities.			

# 1 Basis of preparation of half-year report (continued)

			Annliaction	Impact on	Application
			date of		date for
Reference	Title	Summary	standard		the Group
	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities - Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.		Nil	1 January 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information abour joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.		NII	1 January 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.		Nil	1 January 2013

# 2 Revenue and expenses

# (a) Other revenues

	Notes	31 December 2012 \$'000	31 December 2011 \$'000
Rental income Interest: Other parties Other		1,536 649 2,086 4,271	987 1,185 401 2,573
(b) Other income			
Net gain/(loss) of foreign exchange Net gain on disposal of foreign operation Net gain on disposal of property, plant and equipment		1,056 1,534 2,590	1,957 2,113 - 4,070
(c) Change in inventories of finished goods and work in progress			
Cost of goods sold excluding finance costs Finance costs		68,385 1,160 69,545	57,807 802 58,609
(d) Reconciliation of finance costs			
Finance costs included in change in inventories of finished goods and worprogress Finance costs Total finance costs	k in	1,160 795 1,955	802 707 1,509

# 3 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:

Profit from continuing operations before income tax expense	1,112	57
Tax at the Australian tax rate of 30.0% (2011 - 30.0%)	(334)	(17)
Adjustment in respect of current income tax of previous years		364
Income of foreign operations not assessable for income tax purposes	¥	(594)
Reversal of deferred tax liabilities relating to capital allowances	6,200	172
Other deferred tax movements during the period	1,433	203
Income tax benefit/(expense) reported in the profit and loss	7,299	128

4 Dividends		
Ordinary shares		
	31 December 2012 \$'000	31 December 2011 \$'000
(a) Dividends declared and paid during the half-year Franked dividends - 2012 final dividend		——————————————————————————————————————
(b) Dividends proposed and not recognised as a liability Franked dividends (2011: \$nil)	·	<u> </u>
(c) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since period end the Directors have declared the payment of a special dividend of 2.00 cents per fully paid ordinary share (201 - nil cents), fully franked based on tax paid at 30%. The aggregate amount of the special dividend to be paid on 22 March 2013 out of retained earnings at 31 December 2012, but not recognised as a liability at period end, is	3,717	
5 Cash and cash equivalents		
For the purpose of the Cash Flow Statement, cash includes cash on hand, cash at call, net of any outstanding bank overdraft, if any. Cash at the end of the half ye Statement is reconciled to the related items in the balance sheet as follows:	at bank and shor ear as shown in	t term deposits the Cash Flow
Cash	32,105	31,085
6 Inventories		
Current Development properties, including land subdivision, other land and buildings under construction, at lower of cost and net realisable value Finished goods at the lower of cost and net realisable value	90,164 288 90,452	84,763 7,118 91,881
Non-current Development properties, including land subdivision, other land and buildings under construction, at lower of cost and net realisable value	311,476 311,476	290,041 290,041

# 7 Property, plant and equipment

	Freehold land and Buildings \$'000	Plant and equipment \$'000	Total \$'000
At 31 December 2012 Cost Accumulated depreciation Closing net book amount	=======================================	7,208 (4,653) 2,555	7,208 (4,653) 2,555
At 30 June 2012 Cost Accumulated depreciation Closing net book amount	95,359 (28,268) 67,091	7,300 (4,564) 2,736	102,659 (32,832) 69,827
Half Year ended 31 December 2012 Opening net book amount Additions Disposals Depreciation charge Closing net book amount	67,091 161 (65,455) (1,797)	2,736 34 (3) (212) 2,555	69,827 195 (65,458) (2,009) 2,555

Sunland Group sold its 100% interest in the Palazzo Versace Gold Coast Hotel during the period for consideration of \$68,500,000. The proceeds of which were used to repay the borrowings secured against this asset of \$27,350,000.

# 8 Non-current assets - Investments accounted for using the equity method

	31 December 2012 \$'000	
Investment in Associate	2,042	2,098

# Non-current assets - Investments accounted for using the equity method (continued)

	Ownership In 31 December 2012 %	terest Held 30 June 2012 %
(a) Interest in associate Sunland Diversified Land Fund No.2 (i) Sunland Hotel Management Pty Ltd (ii)	19.9	19.9 100

Sunland Diversified Land Fund No.2 is an unlisted Australian public trust.

Sunland Hotel Management Pty Ltd (formerly: Emirates Sunland Management Pty Ltd) is a proprietary limited company incorporated in Australia.

(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.

(ii) The Group acquired the balance of issued shares to gain 100% control of the Company on 17 October 2011, Sunland Group sold 100% of this entity as part of the on-going operations of Palazzo Versace Gold Coast Hotel. Sale transfer of ownership occurred on 13 December 2012.

# 9 Trade and other payables

	31 December 2012 \$'000	30 June 2012 \$'000
Current Trade creditors Other creditor and construction accruals	4,961 7,378 12,339	11,050 13,843 24,893
Non-current	2 000	4.800
Other creditors and construction accruals Property settlement creditor (i)	2,000 49,602 51,602	1,898 51,102 53,000

<sup>(</sup>i) Inventory associated with these creditors is carried at the same value as the property settlement creditor, Should the vendor exercise its rights over the land, the net effect to the Group would be \$nil.

# 10 Interest bearing liabilities

Current liabilities Interest bearing liabilities	6,000		
Non-current liabilities Interest bearing liabilities	12,737	37,892	

# 11 Other liabilities

			31 December 2012 \$'000	30 June 2012 \$'000
Current Revenue received in advance			-	1,065
Advance - Sunland Diversified land Fund No. 2 (se	ecured)		576 576	4,877 5,942
			0,0	0,042
Non-current	· · · · · · · · · · · · · · · · · ·		4 770	1 760
Advance - Sunland Diversified Land Fund No.2 (so	ecurea)		1,772 1,772	1,762 1,762
12 Contributed equity				
(a) Share capital				
	31 December 2012 Shares	30 June 2012 Shares	31 December 2012 \$'000	30 June 2012 \$'000
Ordinary shares - fully paid	193,151,947	221,315,930	212,713	233,456
Share buy-back plan	(7,300,137)	(28,163,983)		(20,743)
	185,851,810	193,151,947	205,688	212,713

As at 31 December 2012, the following options were outstanding over unissued ordinary shares of the company:

				Weighted Average
Number of options - 500,000 options exercisable at \$1.67 per share	Grant Date 15/07/05	Vesting Date 02/05/08	Expiry Date 02/05/13	Exercise Price \$1.67
- coc, coc options exercicable at 4 1.01 per chare	10/0//00	02.00.00	02/00/10	<b>4.113.</b>

# 13 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, and country of origin. 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 and medium density housing products within Australia
- Multistorey Australia development and sale of highrise products within Australia
- Hotel investments and operations hotel ownership and management
- Project services project management and design services to development projects

The Group also chooses to disclose segment information based on geographical locations. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the product or service. Segment assets are based on the geographical location of the assets. These geopgraphic locations are within Australia and Dubai.

The segment information provided by management for the half-year 31 December 2012 is as follows:

# 13 Segment Information (continued)

Operating Segments	Land &	Multistorev	Project	Hotel Investments and		
31 December 2012	Housing \$'000	Australia \$'000	Services \$'000	Operations \$'000	<b>Other</b> \$'000	Consolidated \$'000
Revenue Sales to external customers	77,397	×	5,675	11,856	3,818	98,746
Total segment revenue	77,397	•	5,675	11,856	3,818	98,746
Interest revenue Total consolidated revenue						649 <b>99,395</b>
Result Segment result before finance costs Finance costs after capitalisation Gain on sale of property, plant and equipment Diminution of inventory Segment results after finance costs and	12,726 (1,160) (896)	*	535	(782) 1,534	1,236 (13) - (1,046)	1,534
diminution	10,670	(3,878)	535	(655)	177	6,849
Share of net profit/(loss) from associate Net gain/(loss) on foreign exchange Interest revenue Unallocated corporate expenses Profit from ordinary activies before tax						(162) 1,056 649 (7,280)
Income tax expense/(benefit) Net profit for the half-year	<u> </u>					7,299 <b>8,411</b>
Depreciation and amortisation		2	18 <b>4</b>	1,770	282	2,052
Assets Segments assets Investment in associate Unallocated corporate assets	298,662	53,016	288	1,404	6,381	359,751 2,042 98,691 <b>460,484</b>
Consolidated total assets						700,704

# 13 Segment Information (continued)

Geographical Segments		Middle	
31 December 2012	Australia \$'000	East \$'000	Consolidated \$'000
Revenue Consolidated revenue	99,395		99,395
Result Segment result before finance costs & diminution Finance costs after capitalisation Gain on sale of subsidiary Gain on sale of property, plant and equipment Diminution of inventory Segment results after finance costs & diminution Income tax expense/(benefit) Net profit for the half-year	2,419 (1,955) - 1,534 (896)	1,056 - - - (1,046)	(1,955) 1,534
	1,102 7,299 8,401	10 - 10	1,112 7,299 <b>8,411</b>
Other segment Information Segment Assets Investment in associate Consolidated total assets	400,940	57,502	458,442 2,042 460,484

# 13 Segment Information (continued)

Operating Segments 31 December 2011	Land &	Multi- Storey Australia	Project Services	Hotel Investments and Operations		Consolidated
31 December 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue Sales to external customers Total segment revenue	59,371 59,371	( <b>4</b>	2,511 2,511	11,787 11,787	3,945 3,945	77,614 77,614
Interest revenue Total consolidated revenue						1,185 <b>78,799</b>
Result Segment result before finance costs Finance costs after capitalisation Reversal of impairment on receivables	3,189 (802)		1,300	(377) (702)	1,034 (5) 21	5,436 (1,509) 21
Segment results after finance costs and diminution	2,387	290	1,300	(1,079)	1,050	3,948
Gain on sale of subsidiary Share of net profit/(loss) from associate Net gain/(loss) on foreign exchange Interest revenue Unallocated corporate expenses Profit from ordinary activies before tax						2,113 (921) 1,957 1,185 (8,225)
Income tax expense/(benefit)						128
Net profit for the half-year						185
Depreciation and amortisation		¥	£	1,730	335	2,065
30 June 2012 Assets Segment Assets Investment in associate Unallocated corporate assets Consolidated total assets	278,60	52,203	3 2,04	12 71,70	3 6,52	7 411,077 2,098 94,853 508,028

# 13 Segment Information (continued)

Geographical Segments		Middle	
31 December 2011	Australia \$'000	East \$'000	Consolidated \$'000
Revenue Consolidated revenue	76,454	2,345	78,799
Result Segment result before finance costs & diminution Finance costs after capitalisation Gain on sale of subsidiary Reversal of impairment on receivables Segment results after finance costs & diminution Income tax expense/(benefit) Net profit for the half-year	(415) (1,508) - - (1,923) 128 (1,795)	(153) (1) 2,113 21 1,980	` '
30 June 2012 Other segment information Segment Assets Investment in associate Consolidated total assets	447,069	58,861	505,930 2,098 <b>508,028</b>

# 14 Financing arrangements

The consolidated entity has access to the following lines of credit:

	31 December 2012 \$'000	30 June 2012 \$'000
Total facilities available		
Interest bearing liabilities	124,000	148,550
	124,000	148,550
Facilities utilised to balance date		
Interest bearing liabilities	18,737	37,892
•	18,737	37,892
Facilities not utilised at balance date		
Interest bearing liabilities (i)	94,645	104,075
	94,645	104,075

<sup>(</sup>i) In the current period, \$10,618,096 (30 June 2012: \$6,583,000) 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.

## 15 Contingencies

The Group initiates legal actions to protect its rights and remedies against what the Group deems as wrongful acts against it and costs are expensed as incurred during these actions. Sunland announced on 22 June 2012 that it lodged a notice of appeal against the decision of the Supreme Court of Victoria delivered 8 June 2012 concerning Sunland's claim of misrepresentation and deception against various parties over a land transaction in Dubai in 2007. Sunland identified 61 grounds for the appeal and intends to pursue its rights on the basis of the Notice of Appeal filed with the Court (as amended). The Notice of Appeal includes an appeal against the costs orders made against the Group which is estimated to be a maximum of approximately \$7m. In a related Appeal, the Group is also appealing against an order restraining the Group from pursuing a claim in Dubai. If the parties to the litigation are unable to agree to a stay of the costs order pending determination by the Victorian Court of Appeal, then Sunland intends to apply to court to seek a stay of costs.

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 31 December 2012 Sunland's 50% guarantee is \$1,782,845 (30 June 2011: \$22,000)

The Group had no other contingent liabilities at 31 December 2012 (2011: \$nil).

# 16 Events occurring after the reporting period

On 13 February 2013, the Directors declared the payment of a special dividend of 2.00 cents per fully paid ordinary share (2011 - nil cents), fully franked based on tax paid at 30%. The aggregate amount of the dividend to be paid on 22 March 2013 out of retained earnings at 31 December 2012 will be \$3,717,036.

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 periods.

# In the Directors' opinion:

- the interim financial statements and notes set out on pages 5 to 21 are in accordance with the
  - Corporations Act 2001, including:
    (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year on that date, and there are reasonable grounds to believe that the Group will be able to pay its debts as and when they
- (b) become due and payable.

This declaration is made in accordance with a resolution of Directors.

Mr Sahba Abedian Director

Royal Pines, Gold Coast 14 February 2013



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# To 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 2012, 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 2012 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 2012 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

14 February 2013