financial statements 2012

Sunland Group

ESTABLISHED 1983

ABN 65 063 429 532

CONTENTS

DIRECTORS
Terry Jackman
Soheil Abedian (Chairman)
Ron Eames
Sahba Abedian
Craig Carracher

COMPANY SECRETARY
Grant Harrison

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS
Royal Pines Resort
Marina Village
Benowa Qld 4217
Telephone 07 5564 3700
Facsimile 07 5564 3777
www.sunlandgroup.com.au

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Level 2, 480 St Kilda Road
Melbourne Vic 3004
Telephone 03 9825 4700
Facsimile 03 9825 4777

SYDNEY
Suite 101, 5 Celebration Drive
Bella Vista NSW 2153
Telephone 02 8814 6618
Facsimile 02 8814 5971

SECURITIES EXCHANGE
The Company is listed on the Australian Securities Exchange.

SHARE REGISTRY
Link Market Services Limited
Locked Bag A14, Sydney South, NSW 1235 Australia
Telephone 1300 655 149 (Australia)
(+612) 8280 7917 (Overseas)

AUDITORS
Ernst & Young
Level 51
111 Eagle Street
Brisbane Qld 4000

SOLICITORS
Thomsons Lawyers
Level 16 Waterfront Place
1 Eagle Street
Brisbane Qld 4000

BANKERS
ANZ Banking Group Ltd
324 Queen Street
Brisbane Qld 4000

Westpac Banking Corporation
260 Queen Street
Brisbane Qld 4000

	Year Ended 30 June			
	2012	2011	2010	2009
Financial Position ($ millions)				
Shareholders' Equity	345.0	343.5	344.2	384.6
Total Assets	508.0	801.0	903.9	897.0
Cash [1]	31.1	48.8	71.5	170.1
Financial Performance ($ millions)				
Total Revenues	211.0	256.1	241.1	506.0
Statutory Profit/(loss) after tax	14.5	21.4	18.3	(145.1)
Market Performance				
Market capitalisation at balance date ($ millions)	179.6	136.1	168.3	214.7
Share price at balance date ($)	0.93	0.615	0.68	0.67
Key Measures				
Basic earnings per share (cents)	7.2	9.3	6.4	(44.9)
Net tangible assets per share ($)	1.79	1.55	1.39	1.20
Gearing				
- (debt/equity)	11%	16%	28%	11%
- (debt/assets)	8%	7%	11%	5%
Interest cover (times)[3]	7.6	7.6	6.1	4.5
Return on equity	4%	6%	5%	(38%)
Fully franked ordinary dividend per share (cents)[2]	-	-	-	10.0

(1) The 2012 cash balance includes nil restricted cash (2011: $8.6m). Restricted cash represents instalments made by purchasers in relation to Dubai sales which are administered by an external Trustee and can be used by the Group to fund Dubai construction costs.

(2) Dividend payment reflects dividends declared and paid during the year. No final dividend has been declared for this period.

(3) Interest cover is calculated by adding back to Statutory Profit amounts for finance costs, depreciation and amortisation then dividing by finance costs.

This statement outlines the extent to which the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (ASX CGC) have been followed. Commentary has been made where a particular CGC Recommendation has not been met.

Sunland recognises that good corporate governance is about doing the right things for the shareholders and other stakeholders in the business. It extends far beyond compliance with regulations and penetrates deep within the organisation. At the core is a sound culture that allows the principles of good corporate governance to thrive.

Throughout the year, the Board, through the Corporate Governance and Audit Committee, has continued to manage and focus on existing and emerging corporate governance issues. Sunland Group Limited's corporate governance practices were in place throughout the year ended 30 June 2012 and were compliant with the Council's principles and recommendations except where noted below.

1. ROLE AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

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

Role of the Board

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

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

Delegation of Board Authority

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

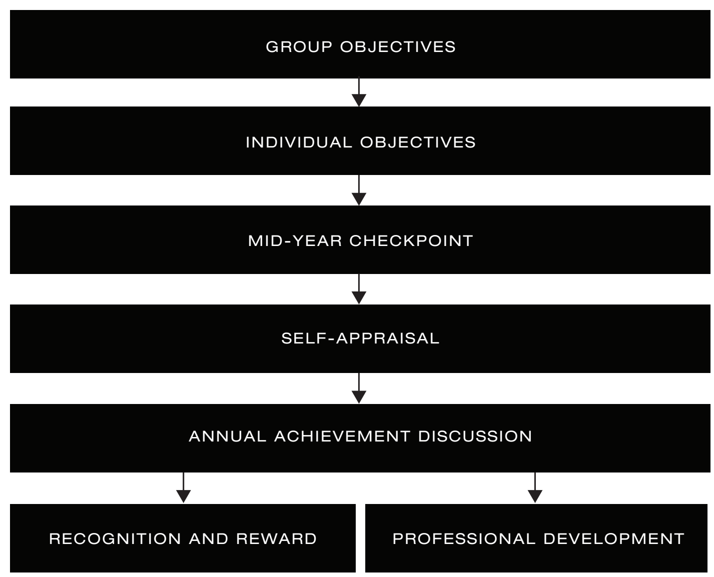
Appointment and Induction

Each Director is provided with a formal appointment letter setting out the key terms and conditions of their appointment. In addition all senior executives are also provided with formal appointment letters, which include expectations of their role, term of appointment, termination entitlements and rights and responsibilities. On appointment, all senior executives are provided with an induction program to allow them to participate fully in the decision making and management of the company as soon as possible.

Performance and Evaluation of Executives

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

SUNLAND GROUP PEOPLE DEVELOPMENT SYSTEM



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

Governance Document

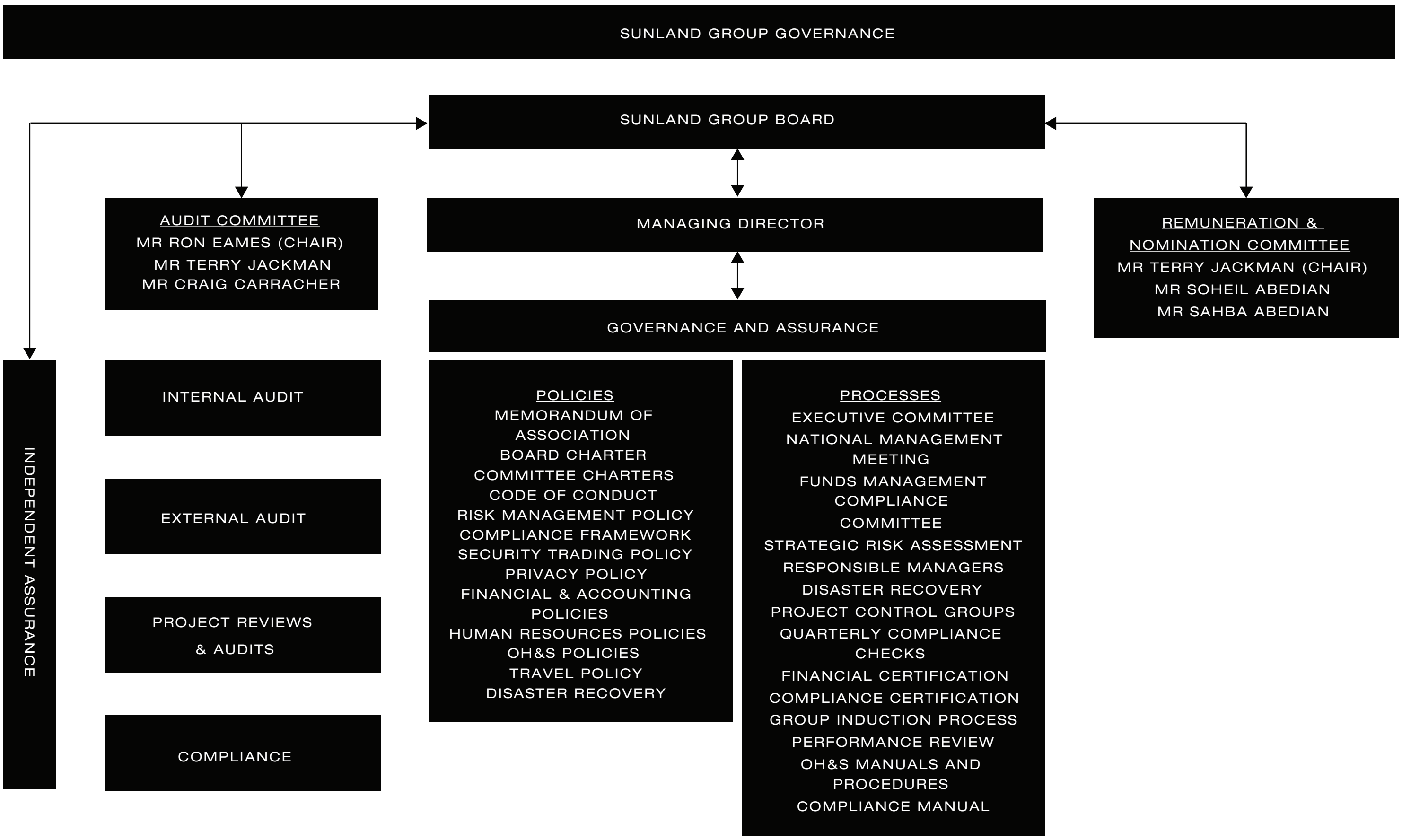
The Board Charter is available at

http://investors.sunlandgroup.com.au/Corporate-Governance/?page=Corporate-Governance.html

2. COMPOSITION OF THE BOARD

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

The Group governance arrangements are summarised in the chart below.



Board Composition

The Board composition ensures a balance of diversification – by skills and experience as well as geographically. Sunland's existing Board structure comprises three non-executive Directors (all of whom are independent) and two executive Directors. The names, skills and experiences of the Directors who held office during the financial year and as at the date of this Statement, and the period of office of each Director, are set out in the directors' report.

Mr Terry Jackman retired from the position of independent Chairman at the 2011 Annual General Meeting and was replaced by Sunland's founder, Mr Soheil Abedian. Consequently the Company does not meet the CGC Recommendations of having an independent chairman. Mr Jackman continues as an independent director and the Board considers that given the composition of the Board comprises a majority of non-Executive Directors and has an appropriate mix of skills and expertise, a Board comprising three out of five independent directors is appropriate for the effective direction of the Group.

Board Members

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

Director	Independent	Appointed
Executive Directors		
Mr Sahba Abedian	No	January 2001
Mr Soheil Abedian	No	March 1994
Non-Executive Directors		
Mr Terry Jackman	Yes	May 2004
Mr Ron Eames	Yes	March 2006
Mr Craig Carracher	Yes	July 2010

Directors' independence

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

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

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

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

During the year Mr Ron Eames has been a partner Thomsons Lawyers, a national law firm utilised by the Group. There is however, a number of law firms that provide legal advisory services to Sunland Group and Thomsons Lawyers are not exclusive providers of legal services to Sunland Group. They provide legal services to Sunland on normal commercial terms and conditions through various Partners depending on the area of law that advice is sought. Thomsons Lawyers have advised that the materiality assessed by the Board in relation to percentage of revenue generated by Sunland Group is not breached. Directors confirm the materiality in relation to expenses of Sunland Group is not breached The Board therefore considers that, having regard to Mr Eames' limited direct advice to Sunland Group, the amount of fees paid to these two firms and the varied nature of the services provided, Thomsons Lawyers is not a material professional adviser for the purposes of independence, and Mr Eames is therefore an independent director.

Having regard to the above factors, the Board considers that three non-executive Directors, and therefore a majority, are independent.

The Chairman

The Chairman, Mr Soheil Abedian, is an executive Director which results in Sunland not meeting the CGC Recommendations of a company retaining an independent Chairman. Mr Abedian is the founder of Sunland Group and contains a vast experience in the property industry and the business operations of Sunland. Mr Soheil Abedian, as Chairman, plays a crucial role in ensuring the Board works effectively and responsibly.

Separation of duties

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

Independent professional advice

Directors may seek independent advice on business acquisitions or for strategic direction at the Company's expense, following the Chairman's consent.

Conflicts of Interest

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

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

Terms and conditions of appointment, re-election and retirement

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

Remuneration of Directors

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

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

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

Performance of the Board

It is the role of the Remuneration and Nomination Committee to evaluate the Board's performance, ensuring that appropriate procedures exist to assess the performance of Directors, Executive Committee members and the Board as a whole. The Committee meets annually to consider Board and director performance.

Board and Committee meetings

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

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

Board Committees

The Board has established two standing committees, each of which has a formal charter detailing its role. Each Committee reports back to the board after each meeting and recommends items to the board for decision as appropriate. Detail in regard to the number of meetings, and attendance by members, is detailed below.

Director	Board Meetings		Audit Committee Meetings		Remuneration and Nominations Committee Meetings	
	Number Attended	Number Held	Number Attended	Number Held	Number Attended	Number Held
Mr Terry Jackman	6	7	2	2	1	1
Mr Sahba Abedian	7	7	-	-	1	1
Mr Soheil Abedian	6	7	-	-	1	1
Mr Ron Eames	7	7	2	2	-	-
Mr Craig Carracher	7	7	2	2	-	-

Corporate Governance and Audit Committee

Sunland established a Corporate Governance and Audit Committee in December 2002 and it comprises independent non-executive Directors Mr Ron Eames (Chair), Mr Terry Jackman and Mr Craig Carracher. Further details are set out in Principle 4.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises Non-executive Director Mr Terry Jackman (Chair) and Executive Directors Mr Sahba Abedian and Mr Soheil Abedian. Its charter includes the assessment of new Board candidates and making recommendations to the Board for consideration, evaluation and formal approval. When a Board vacancy occurs Directors are asked to nominate suitable candidates. Respective Directors are not present when their own remuneration is being considered.

Further details are set out in Principle 8.

Governance Document

The Corporate Governance and Audit Committee Charter is available at

http://investors.sunlandgroup.com.au/Corporate-Governance/?page=Corporate-Governance.html

3. ETHICAL AND RESPONSIBLE DECISION MAKING

ASX CGC Principle No. 3

Promote ethical and responsible decision-making

Code of Conduct

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

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

Security Trading Policy

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

Directors and designated officers may trade in Sunland shares, without notification during nominated trading 'windows' which are typically of four weeks duration and follow Sunland's announcements of its half year and annual profit results, and the Annual General Meeting. Irrespective of these approval stipulations, if any individual is in possession of any non-public, price-sensitive information relating to Sunland, then that person is prohibited from trading.

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

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

Gender Diversity

Sunland has an open view to gender diversity throughout the organisation and whilst there are no specific targets at this point, nevertheless actively assesses candidates to broaden its gender diversity as positions become available. This includes positions at board, management and support levels throughout the organisation with a focus on obtaining an appropriate set of skills that will benefit the Group with that appointment. The Group currently employs in its overall development operations 44% women with 41% of management roles taken up by women.

Governance Document

The Security Trading Policy is available at

http://investors.sunlandgroup.com.au/Corporate-Governance/?page=Corporate-Governance.html

Governance Document

The Code of Conduct is available at

http://investors.sunlandgroup.com.au/Corporate-Governance/?page=Corporate-Governance.html

4. INTEGRITY IN FINANCIAL REPORTING

ASX CGC Principle No. 4

Independently verify and safeguard integrity in financial reporting

Certification of financial reports

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

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

Corporate Governance and Audit Committee

Under its charter, the Corporate Governance and Audit Committee (Audit Committee) must comprise at least three non-Executive Directors, with a majority of independent Directors. The Chairman of the Audit Committee must be an independent non-executive Director and must not be the Chairman of the Board.

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

The Sunland Group Audit Charter provides for the following:

Role of the Audit Committee

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

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

» Monitoring compliance with laws and regulations and code of conduct for the Sunland Group;

» Monitoring the integrity of the Sunland Group's statutory financial reports and statements and financial and accounting controls; and

» Reviewing the achievement of best practice in the implementation of corporate policies and compliance processes.

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

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

5. CONTINUOUS DISCLOSURE TO ASX

ASX CGC Principle No. 5

Make timely and balanced disclosure

The company believes that shareholders, regulators, rating agencies and the investment community generally, should be informed of all major business events and risks that influence the company in a factual and timely manner. It is important that all investors have equal and timely access to material information concerning Sunland. To that end, a process is in place to ensure that any issues regarding ASX Listing Rules and/or material change in the Company's business including, but not limited to, project budget or delivery changes, site acquisition, revised forecasts, sales performance, changes in Directors' interests, half yearly and annual results, and shareholder information, are announced through the ASX. All ASX announcements are available on the Group's website.

The Group's Company Secretary is responsible for communication with the ASX including responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and oversight of information distributed to the ASX. Development of a documented market disclosure policy commenced in 2008/2009.

Stakeholders

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

6. THE RIGHTS OF SHAREHOLDERS

ASX CGC Principle No. 6

Respect the rights of shareholders

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

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification with the Group's direction, strategy and goals. In particular, shareholders are responsible for voting on the appointment /re-election of Directors.

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

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

7. RISK MANAGEMENT

ASX CGC Principle No. 7

Recognise and manage risk

Establish Risk Policies

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

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

» Those residual risks requiring management action / attention in order to reduce the level of risk to an acceptable level; and

» Those risk areas with a strong reliance on internal controls and processes to bring the risk to an acceptable level. This enables management to identify those key controls and/or processes requiring regular monitoring and/ or independent assessment as to their effectiveness.

Risk Management

The implementation of strategies and controls to mitigate risk is the responsibility of the Board and Management. Executive Committee meetings chaired by Managing Director, Mr Sahba Abedian, meet monthly to ensure close monitoring of each and every project, along with review of critical business issues. This includes cash flow forecasts, debt management, risk management and project status, sales rates, construction progress/costs to complete, as well as the assessment of future developments and feasibilities.

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

A formal report against the Strategic Risk Assessment is provided to the Audit Committee on an annual basis. The Board also receives a report from Management in regard to the effectiveness of the Company's management of its material business risks on an annual basis. The Board receives assurance from the Managing Director and Chief Financial Officer that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control, and that system is operating effectively in all material respects in relation to financial reporting risks.

Governance Document

The Risk Management Policy is available at:

http://investors.sunlandgroup.com.au/Corporate-Governance/?page=Corporate-Governance.html

8. REMUNERATION

ASX CGC Principle No. 8

Remunerate fairly and responsibly

Directors Remuneration - Constitution

Under the Company's Memorandum of Association and Constitution (Constitution), the Directors are to be paid as remuneration for ordinary services such sum as may from time to time be determined by a meeting of members. In accordance with the Constitution, such sum is to be divided among them in such proportion and manner as the Directors agree and, in default of agreement, equally. If a Director performs extra services or makes special exertions in relation to the affairs of the Company, they may be entitled to a special remuneration, either in addition to or as a substitution for that Director's remuneration. In addition to this, the Directors may decide to pay a pension or lump sum payment in respect of past services, for those Directors who have died or otherwise have ceased to hold office. Although bonus and pension payments are provided for in the Constitution, there is no current intention to implement such a scheme.

Non-Executive Directors

Director's fees are allocated among the Non-Executive Directors. Those fees are disclosed in the Remuneration Report included in the directors' report.

Executive Directors

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

Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee at the date of this statement are identified under Principle 2 together with details of meetings attended. The Committee consists of three directors and is chaired by an independent Director. The Chairman and Managing Director where applicable abstain from any decision regarding their remuneration. Recommendations are passed to the Board by the Committee for approval by the Board. In regard to remuneration the Committee's role is to:

(a) make recommendations to the Board on:

- (i) executive remuneration and incentive policies;
- (ii) the remuneration packages of Executive Committee members and senior management;
- (iii) recruitment, retention and termination policies for Executive Committee members and senior management;
- (iv) incentive schemes;
- (v) superannuation arrangements; and
- (vi) the remuneration framework for directors.

(b) ensure that reporting disclosures related to remuneration comply with the Corporations Act and ASX Listing Rules, noting particularly continuous disclosure and corporate governance guideline requirements.

Executive Remuneration

An executive share option scheme was introduced in November 1998. Sunland's Constitution enables the implementation of an executive share option scheme. The share plan was approved by Directors and advised to shareholders at the Company's Annual General Meeting in 1998. This scheme was suspended/cancelled during financial year 2009 and whilst some options that were previously issued remain unexercised, no further options have been issued since the scheme was cancelled.

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

SUNLAND GROUP LIMITED

AND ITS CONTROLLED ENTITIES

ABN 65 063 429 532

STATUTORY FINANCIAL REPORT YEAR ENDED 30 JUNE 2012

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SUPPLEMENTARY INFORMATION

The Directors present their report together with the financial report of Sunland Group Limited and its controlled entities, for the year ended 30 June 2012 and the independent audit report thereon.

Directors

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

Soheil Abedian

Chairman (Executive Director) – Director since March 1994.

Dip Arch Masters Degree in Architecture with Honours (University of Graz, Austria), Aged 63.

Honorary Professor Griffith University (Business School – Gold Coast)

Mr Soheil Abedian was educated in Vienna, Austria and moved to Queensland's Gold Coast in 1983 where he co-founded Sunland Homes Pty Limited to develop luxury housing projects. He has over 20 years experience in architectural design, construction and project management in a wide range of developments.

Sahba Abedian

Managing Director – Director since January 2001.
LLB (Bond University), Aged 36.

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

Terry Jackman

Non-Executive Director – Director since May 2004.
Aged 71.

Mr Jackman brings a wealth of tourism, leisure and entertainment expertise to the Board, with a career stemming from an early involvement in the entertainment industry through Birch Carroll and Coyle Cinemas, and later becoming the Managing Director of Hoyts Theatres. For eight years he was Chairman of Tourism Queensland and was also a Director of Prime Television Limited from 1996 to 2008.

Ron Eames

Non-Executive Director – Director since March 2006.
LLB (Queensland University of Technology), Aged 55.

Mr Eames is a lawyer with specialist experience in front end projects and project and structured financing.

Craig Carracher

Non-Executive Director – Director since July 2010.
LLB (Sydney), University Medal; BCL, Oxon, 1st Class Hons, Aged 46

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

Company Secretary

Grant Harrison

Company Secretary – Secretary since December 2003.
Associate Diploma Business (Accounting), MDIA, Aged 45.

Mr Harrison joined the Sunland Group during 2000, following 16 years experience in banking with Westpac, specialising in commercial, property and corporate finance transactions. He has been responsible for debt and capital raising for the Group. Mr Harrison was appointed Chief Financial Officer in December 2004.

Directors' Meetings

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

Director	Board Meetings		Audit Committee Meetings		Remuneration and Nominations Committee Meetings	
	Number Attended	Number Held	Number Attended	Number Held	Number Attended	Number Held
Mr Terry Jackman	6	7	2	2	1	1
Mr Sahba Abedian	7	7	-	-	1	1
Mr Soheil Abedian	6	7	-	-	1	1
Mr Ron Eames	7	7	2	2	-	-
Mr Craig Carracher	7	7	2	2	-	-

Principal Activities

Sunland Group Limited is a company limited by shares that is incorporated and domiciled in Australia. The principal activities of the consolidated entity during the course of the financial year were property development and construction together with project services and hotel investments and operations. There were no significant changes in the nature of those activities during the year.

Consolidated Result

The consolidated profit after income tax for the year attributable to members of Sunland Group Limited was $14.5 million a decrease of 32% from previous year net profit $21.4 million.

Review and Results of Operations

- Basic Earnings Per Share of 7.2 cents
- Group consolidated Net Tangible Assets increased by 15% to $1.79 cents per share (cps) from $1.55 cps on 30 June 2011
- Gearing levels are modest with 8% debt to assets and 11% debt to equity
- Strong balance sheet presented with $31.1 million in cash reserves
- Strong capacity with $104.0 million in undrawn credit lines
- Share buy-back acquired a total of 28.2 million shares for a value of $20.7 million (average 73 cents per share), which resulted in the reduction of issued shares by 13% and contributing toward enhanced earnings per share

Operational highlights for the year ended 30 June 2012

- Conservative capital management and strategic positioning of the Australian development portfolio
- The Group achieved 503 sales and 552 settlements. Previous corresponding period resulted in 536 sales and 672 settlements
- Residential development margins (earnings before interest and tax) achieved for the Australian portfolio was 18%, down from 23% achieved in the previous period
- The cashflow generated by the settlements over the year has enabled the Group to maintain conservative gearing levels for the development portfolio, replenish the Australian portfolio and continue with the share buyback program approved at the last Annual General Meeting
- Australian residential house and land portfolio comprises an inventory of 2,889 dwellings and land allotments with a combined end value of $1.1 billion

Capital Management

Sunland continued with its share buyback program following Shareholders' approval at the last Annual General Meeting to purchase an additional 48 million shares. The buyback program originally commenced with 320.4 million issued shares. Issued shares as at balance date is 193.1 million and the shares bought back have been at significant discount to the Group's net tangible asset position. The strategy is significantly enhancing earnings and net tangible assets per share. It also reiterates the Directors' confidence in the Group's financial position and long term prospects of the Company's operations.

Sunland also manages its capital base by undertaking appropriate projects in joint venture with other reputable partners. This strategy spreads the project and funding risks associated with those projects and opportunities continue to be assessed.

Development Operations

Australia

Sunland's Australian development operations contributed revenue of $170.2 million (FY11: $198.2 million). Major profit contributors were from Residential Housing development known as Royal Pines, The Glades and Cassia (QLD) and Eton (VIC), together with Urban Developments at Chancellor and Bluestone Green (VIC). As at 30 June 2012 the Group had 398 unconditional presales valued at $189.8m (inclusive of various joint venture projects).

Sunland has a robust Australian housing and land pipeline with an inventory of 2,889 products with a combined end value of $1.1 billion.

The multi-storey portfolio inventory is excluded from the above numbers as many of the key projects are still undergoing approval processes. This includes the Brisbane CBD Carrington high-rise site in its final stages of design, with market release anticipated in mid-2013. Further, the Mariners Cove site acquired during the past financial year, is recognised as a significant project for the Group, with the opportunity to develop an iconic precinct on the Gold Coast's Broadwater. Conceptual plans for the prestigious waterfront site are still in the early stages of design.

Cash has been utilised to fund the share buyback of $20.7m during the period. The Group has also utilised cash and some of its debt facilities to replenish its development portfolio, acquiring $38.5 million of new project sites. These comprise residential housing sites in Melbourne and the redevelopment site discussed above at Mariners Cove. The Group delivered and settled projects across QLD, NSW and VIC and those settlements have maintained project debt at conservative levels and replenished the cash held by the Group after the various acquisitions. This available cash, together with undrawn bank facilities, places the Group in a strong financial position to continue with the delivery of existing projects, replenish the development portfolio and continue with the capital management program.

Dubai

Consistent with Sunland's strategy to exit its Dubai operations, the Group announced on 17 October 2011 that it had entered an agreement with Enshaa Group to exchange its joint venture development projects in Dubai (including Palazzo Versace Dubai and D1 Tower) in exchange for 100% ownership of Palazzo Versace Gold Coast. That transaction resulted in the deconsolidation of all Enshaa Group joint ventures which included Palazzo Versace Dubai, D1 Dubai, the construction joint venture with Arabtec and the administrative arm for the ventures. Palazzo Versace Gold Coast is now wholly owned by Sunland Group. Refer to Note 25 for further details.

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.

Non Development Operations

Sunland's non-development operations continue to make a modest contribution to revenue. These operations mainly comprise project services for various joint ventures and the overall contribution has decreased since selling out of the Dubai operations.

Project services (including property management services and construction management services) contributed revenue of $7.5 million (2011: $29.1 million). Revenue will vary with the number of joint venture projects undertaken by the Group.

Palazzo Versace Gold Coast, of which Sunland Group acquired the remaining interest and now controlling 100%, contributed revenue of $24.8 million during the financial year (2011: $14.7 million).

Dividends

The Directors have not declared a final dividend for 2012 financial year. The suspension of the Group's dividend reinvestment plan continues.

Significant Changes in the State of Affairs

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

Environmental Regulation and Performance

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

Likely Developments and Expected Results

The Group will complete existing projects and continue to pursue other quality property developments to enhance profitability. The Group has a number of projects and other opportunities at hand which provide the foundation for future operations of the Group.

Directors' Interests

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

Director	Ordinary Shares	Unlisted Options over Unissued Ordinary Shares
Mr Terry Jackman	300,000	-
Mr Ron Eames	30,000	-
Mr Craig Carracher	14,000	-
Mr Soheil Abedian	45,700,000	-
Mr Sahba Abedian	7,500,000	-

Indemnification and Insurance of Officers

Since the end of the previous year the Company has paid insurance premiums of $120,650 in respect of Directors' and Officers' liability and Company reimbursement insurance, for all Directors, senior executives and Company secretaries including Directors of subsidiary companies, Directors and officers who have retired or relinquished their position prior to the inception of or during the policy period, and Directors who have been appointed during the policy period. The insurance cover also extends to outside Directorships held by insured persons for the purpose of representing the Company.

Under the insurance policy the insurer agrees to pay:

» all losses which each insured person becomes legally obligated to pay on account of any claims for wrongful acts; and

» all losses for which the Company may grant indemnification to each insured person.

The insurance policy outlined above does not provide details of the premium in respect of the individual officers of the Company.

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

Remuneration Philosophy

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

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

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

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

The principles of the framework incorporate:

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

Remuneration and Nomination Committee

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

Details of key management personnel

Key management personnel including directors and executives have authority and responsibility for planning, directing and controlling the activities of the Company and Group.

Directors

Mr Sahba Abedian	Managing Director
Mr Soheil Abedian	Chairman (executive)
Mr Terry Jackman	Director (non-executive)
Mr Ron Eames	Director (non-executive)
Mr Craig Carracher	Director (non-executive)

Executives

Mr David McMahon	General Manager - Residential
Mr David Brown	Executive Development Manager
Mr Grant Harrison	Company Secretary & Chief Financial Officer
Mr Domenic Chirico	National Design Manager

There were no changes of key management personnel after reporting date and the date the financial report was authorised for issue.

Long Term Incentives ('LTI')

Objectives

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

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

The Group previously operated an Executive Options Scheme which was suspended during financial year 2009. Directors therefore will not approve further issues of Options under this plan. Some options remain outstanding, although these are "out of the money". Details of this plan are included below for completeness due to the Options that remain on issue.

An alternative LTI plan was approved by Directors on 15 June 2011. The Programme has been established through a discretionary trust deed which is operated independently from Sunland's Board by a Trustee appointed by the Eligible Employees. The purpose of the discretionary trust is to provide eligible termination payments to eligible employees. Eligible Employees are not restricted to key management personnel. An employee's eligibility to participate in the Programme is tested periodically and various criteria must be met, such as minimum continuous service (generally three years) and satisfactory employment performance. Funds are contributed to the discretionary trust at the discretion of the Board and are invested by the Trustee of the discretionary trust on behalf of the Eligible Employees. Distributions to Eligible Employees are also made at the discretion of the Trustee. The Group contributed an amount of approximately 1% of net profit after tax for the year ended 30 June 2011. Directors do not expect to make any contribution to the discretionary trust for the year ended 30 June 2012.

Share Option Scheme

The suspended plan operated for eligible executive as follows: An eligible executive is a person who is a full time or permanent part time employee of the Group, including an executive director but excluding:

» A non-executive director of the Group; or

» A person who has a relevant interest in greater than 5% of the issued ordinary share capital of the Company.

The Board may not grant options to an eligible executive if upon grant of the options, the eligible executive would hold a relevant interest exceeding 5% of the ordinary issued capital of the Company. Any shares issued upon exercise of Options are done so under the Company's security trading policy and accordingly executives are not permitted to enter into transactions in associated products which limit the economic risk of participating in unvested entitlements under the share option scheme. The options offered to executive directors and executives are exercisable progressively over a five-year period from the third anniversary of their employment. These options do not entitle the holder to participate in any share issue of the Company or any other related body corporate.

At the date of this report there were 500,000 (2011: 800,000) options on issue under this plan at a weighted average exercise price of $1.67 (2011: $1.47) per share. Since the end of the financial year, there have been no forfeiture nor exercise of options.

Non-Executive Director Remuneration

Objective

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

Structure

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

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

Each non-executive director currently receives a fee of $50,000 inclusive of superannuation.

Executive Director Remuneration

Objective

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

» Ensure the pursuit of the Group's long term growth within an appropriate control framework;

» Demonstrate a clear relationship between executive director performance and remuneration; and

» Ensure total remuneration is competitive by market standards and provides sufficient and reasonable rewards for the time and effort required in these roles.

Structure

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

» A base salary; and

» The grant of long term incentives through the LTI plan.

The Managing Director previously participated in the Option plan. On 28 November 2005, shareholders approved the issue of 1,000,000 options to Mr Sahba Abedian over unissued ordinary shares of the Company. The exercise price for the options issued were set at the weighted average share price for the five days up to and including the 28 November 2005 plus a margin of 15%. These options were cancelled 14 October 2010.

In accordance with the Security Trading Policy executives are not permitted to enter into transactions in associated products which limit the economic risk of participating in unvested entitlements under the share option scheme.

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

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

Executive Remuneration

Objective

The Group's executive reward structure is designed to:

» Ensure the pursuit of the Group's long term growth within an appropriate control framework;

» Demonstrate a clear relationship between key executive performance and remuneration; and

» Provide sufficient and reasonable rewards to ensure the Group attracts and retains suitably qualified and experienced people for key roles.

Structure

The remuneration structure for executives consists of:

- A base salary; and
- Long term incentives through the LTI plan.

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

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

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

Compensation of key management personnel

The following table details the compensation of Directors and key management personnel including specified Company and Group Executives for the year ended 30 June 2011 and 2012.

			Short term	Post employment	Long Term Incentives	Share based Payments		
		Salary & fees $	Non-monetary benefits $	Superannuation $	Sunland Employee Investment Fund $	Options[1] $	Total $	% Performance Related
Non-Executive Directors								
Terry Jackman	2012	49,656	13,406	344	-	-	63,406	-
	2011	45,872	10,978	4,128	-	-	60,978	-
Ron Eames	2012	44,220	13,406	5,780	-	-	63,406	-
	2011	44,220	10,978	5,780	-	-	60,978	-
Craig Carracher	2012	45,872	13,406	4,128	-	-	63,406	-
	2011	45,872	10,978	4,128	-	-	60,978	-
Executive Directors								
Sahba Abedian	2012	527,080	63,406	22,917	5,325	-	618,728	-
	2011	569,992	15,978	25,000	-	191	611,161	-
Soheil Abedian[2, 3]	2012	234,602	613,406	-	286	-	848,294	-
	2011	600,000	98,077	-	-	-	698,077	-
Total Compensation: Directors								
	2012	901,430	717,030	33,169	5,611	-	1,657,240	
	2011	1,305,956	146,989	39,036	-	191	1,492,172	

(1) The amount shown in the share based payments-options column for each Director does not represent amounts paid to the individual but rather the amount expensed by the Company. Refer to Note 33(b).

(2) During the year ended 30 June 2011 Mr Soheil Abedian was paid 50% by a jointly controlled entity of which the Group had 50% ownership interest and 50% by the Group.

(3) During the year ended 30 June 2012 Mr Soheil Abedian salary sacrificed his Directors Fee of $600,000 to the Sunland Foundation.

		Short term		Post employment	Long Term Incentives	Share based Payments		
		Salary & fees $	Non-monetary benefits $	Superannuation $	Sunland Employee Investment Fund $	Options[1] $	Total $	% Performance Related
Executives								
David McMahon[2]	2012	257,142	13,406	15,775	4,720	6,711	297,754	2%
David Brown[3]	2012	404,377	13,406	21,775	286	-	439,844	-
	2011	555,000	12,625	-	-	-	567,625	-
Anne Jamieson[3,4]	2011	256,500	10,978	-	-	-	267,478	-
Grant Harrison	2012	249,504	13,431	24,497	5,325	-	292,757	-
	2011	238,543	11,178	24,787	-	-	274,508	-
Domenic Chirico	2012	200,967	87,759	24,709	5,113	-	318,548	-
	2011	168,863	72,012	24,731	-	-	265,606	-
Julian Doyle[3]	2011	341,935	139,336	-	-	-	481,271	-
Mark Jewell[5]	2011	488,452	10,576	49,999	-	-	549,027	-
Total Compensation:								
Executives	2012	1,111,990	128,002	86,756	15,444	6,711	1,348,903	
	2011	2,049,293	256,705	99,517	-	-	2,405,515	

(1) The amount shown in the share based payments-options column for each executive does not represent amounts paid to the individual but rather the amount expensed by the Company and excludes amounts disclosed elsewhere in regards to cancellation of options. Refer to Note 33(b).

(2) David McMahon became a member of the key management personnel on 1 July 2011 when he assumed the responsibilities previously held by Mark Jewell.

(3) During the year ended 30 June 2011 these Executives were paid by a jointly controlled entity of which the Group has 50% ownership interest.

(4) Anne Jamieson is no longer deemed to be key management since returning from Dubai on 1 July 2011.

(5) Mark Jewell ceased employment with the Group on 31 May 2011.

Group performance

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

	2012	2011	2010	2009	2008	2007
Basic Earnings Per Share	7.2c	9.3c	6.4c	(44.9c)	30.8c	29.7c
Earnings Per Share growth (%)	(22.6%)	45.3%	114.3%	(245.8%)	4%	3%
Security price – at 30 June	$0.93	$0.615	$0.68	$0.67	$2.27	$4.08
Change in security price (%)	51.2%	(9.6%)	1.5%	(70.5%)	(44%)	87%
Dividend per share	0.0c	0.0c	0.0c	10.0c	14.0c	13.5c
Dividend per share growth (%)	N/A	N/A	N/A	(28.6%)	4%	8%
Net Tangible Assets per share	$1.79	$1.55	$1.39	$1.20	$1.69	$1.57
Change in Net Tangible Assets (%)	15.5%	11.5%	15.8%	(29.0%)	8%	41%

The Group continues to focus its energies on strengthening the balance sheet and growing its development revenue streams.

Compensation options: Granted and cancelled during the year

The Company's share option scheme was cancelled during financial year 2009 and accordingly during this financial year there were no options in the share capital of Sunland Group Limited granted as equity compensation to any Directors or Executives.

Details of the cancellations for key management personnel are detailed below.

There were no options cancelled during the 2012 year. During the 2011 year, the Company cancelled some options under the executive share option scheme due to the deterioration in the share price (and therefore relevance of the remuneration incentive).

30 June 2011	Number cancelled during year	Cancellation date	Exercise price per share at grant date ($)	Share Price at cancellation date ($)	Expense recognised on cancellation of Options ($)
Executives					
Sahba Abedian	1,000,000	14/10/2010	1.68	0.795	nil

Shares Issued on exercise of compensation options

There were no options exercised in the 2012 or 2011 financial years.

Any shares issued upon exercise of Options are subject to Sunland Group's Security Trading Policy.

Fair values of options

The fair value of each option is estimated on the date of grant using the Black Scholes option-pricing model. The following assumptions were used for options granted:

» The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases.

» The expected life of the options is 7.5 years based on historical data and is not necessarily indicative of exercise patterns that may occur.

» Historical and expected volatility have been estimated between 34% and 42% depending on the year of issue, this is based on the assumption that the historical volatility is indicative of future trends.

» The risk free interest rate used is between 4.41% and 6.5% depending on the year of issue.

Rounding

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

Non-Audit Services

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

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

Tax compliance	$49,500
Income tax advice	$129,700
Other assurance services	$51,961
Accounting Advice	$4,750

Amounts recoverable from joint ventures and associates for these services during this financial year are nil (2011: $135,070).

Audit Independence and Non-Audit Services

The Directors received the following declaration from the auditor of Sunland Group Limited and forms part of the Director's Report for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Directors.

Sahba Abedian
Managing Director

Dated at Benowa this twenty-eighth day of August 2012.

ERNST & YOUNG

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

In relation to our audit of the financial report of Sunland Group Limited for the financial year ended 30 June 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. Directors' responsibility for the financial report.

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
28 August 2012

		Consolidated	
		2012	2011
	Notes	$'000	$'000
Revenue from the sale of properties		171,850	207,061
Revenue from project services		7,479	29,050
Revenue from funds management		132	214
Revenue from hotel services		24,831	14,658
Other revenues from operations	5(a)	6,714	5,125
Total Revenues		211,006	256,108
Other income/(loss)	5(b)	6,240	(543)
Share of profits/(losses) of Associates		(925)	74
Change in inventories of finished goods and work in progress	5(c)	(143,094)	(163,405)
Cost of project services		(6,193)	(23,983)
Cost of funds management		-	(41)
Cost of hotel supplies		(11,503)	(6,525)
Employee benefits expense		(18,248)	(15,272)
Finance costs	5(d)	(1,695)	(1,027)
Depreciation and amortisation expenses	5(e)	(4,635)	(2,537)
Reversal of impairment on receivables/(impairment on receivables)		21	(527)
Impairment of land		(1,894)	-
Administration and other expenses		(8,955)	(10,314)
Profit/(Loss) before income tax		20,125	32,008
Income tax benefit/(expense)	7	(5,631)	(10,593)
Net profit/(loss) attributable to members of Sunland Group Limited		14,494	21,415
Other comprehensive income			
Foreign currency translation		2,953	(1,282)
Release of FCTR upon exit of Dubai		4,768	-
Other comprehensive income for the period		7,721	(1,282)
Total comprehensive income attributable to members of Sunland Group Limited		22,215	20,133
Earnings per share attributable to the ordinary equity holders of the company:	9	Cents	Cents
- Basic earnings per share		7.2	9.3
- Diluted earnings per share		7.2	9.3
^Franked dividends per share	8	-	-

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

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

		Consolidated	
		2012	2011
	Notes	$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	11	31,085	48,808
Trade & other receivables	12	7,577	17,101
Inventories	13	91,881	91,877
Other assets	14	2,912	6,855
		133,455	164,641
Assets currently held for sale		499	499
Total current assets		133,954	165,140
NON-CURRENT ASSETS			
Receivables	12	4,235	39,037
Inventories	13	290,041	551,001
Property, plant and equipment	16	69,827	34,836
Investment Properties	17	4,113	4,275
Investment in associate accounted for using the equity method	18	2,098	2,965
Construction advances and property deposits		3,760	767
Intangibles	15	-	-
Total non-current assets		374,074	632,881
Total assets		508,028	798,021
CURRENT LIABILITIES			
Trade & other payables	19	24,893	26,625
Interest bearing liabilities	20	-	42,485
Provisions	21	6,239	6,798
Current tax liabilities		5,713	7,950
Other liabilities	22	5,942	8,222
Total current liabilities		42,787	92,080
NON-CURRENT LIABILITIES			
Trade & other payables	19	53,000	123,467
Interest bearing liabilities	20	37,892	12,175
Provisions	21	802	1,001
Deferred tax liabilities	7	13,294	13,641
Revenue received in advance		13,530	210,892
Other liabilities	22	1,762	1,277
Total non-current liabilities		120,280	362,453
Total liabilities		163,067	454,533
Net assets		344,961	343,488
EQUITY			
Contributed equity	23	212,713	233,456
Reserves	24	6,779	(943)
Retained earnings		125,469	110,975
Total equity		344,961	343,488

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

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		225,332	290,771
Cash payments to suppliers and employees		(214,299)	(253,172)
Interest received		1,993	2,638
Interest and other finance costs paid		(3,855)	(8,472)
Income tax received/(paid)		(8,547)	11,911
Net cash flows from/(used in) operating activities	28(ii)	624	43,676
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,384)	(829)
Proceeds from sale of property, plant and equipment		122	608
Cash distribution from associate		-	234
Net cash flows from/(used in) investing activities		(1,262)	13
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		170,000	100,253
Purchase of Shares through share buyback		(20,712)	(20,862)
Payment of rights issue/share placement costs		(31)	(31)
Repayment of borrowings		(157,301)	(145,040)
Net cash flows from/(used in) financing activities		(8,044)	(65,680)
Net increase/(decrease) in cash and cash equivalents		(8,682)	(21,991)
Net foreign exchange differences		(8)	(678)
Cash in Escrow transferred to Other Assets		(9,033)	-
Cash and cash equivalents at beginning of year		48,808	71,477
Cash and cash equivalents at end of year	28(i)	31,085	48,808

The above statements of cash flows should be read in conjunction with the accompanying notes

	Ordinary Shares	Share Option Reserve	Cashflow Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2011	233,456	6,778	-	(7,721)	110,975	343,488
Profit for the period	-	-	-	-	14,494	14,494
Other comprehensive income	-	-	-	7,721	-	7,721
Total comprehensive income for the period	-	-	-	7,721	14,494	22,215
Transactions with owners in their capacity as owners:						
Share buy-back	(20,712)	-	-	-	-	(20,712)
Transaction costs of share buy-back	(31)	-	-	-	-	(31)
Share-based payment	-	1	-	-	-	1
At 30 June 2012	212,713	6,779	-	-	125,469	344,961
At 1 July 2010	254,349	6,764	-	(6,439)	89,560	344,234
Profit for the period	-	-	-	-	21,415	21,415
Other comprehensive income	-	-	-	(1,282)	-	(1,282)
Total comprehensive income for the period	-	-	-	(1,282)	21,415	20,133
Transactions with owners in their capacity as owners:						
Share buy-back	(20,862)	-	-	-	-	(20,862)
Transaction costs of share buy-back	(31)	-	-	-	-	(31)
Share-based payment	-	14	-	-	-	14
At 30 June 2011	233,456	6,778	-	(7,721)	110,975	343,488

	Note	Consolidated 2012	Consolidated 2011
		$'000	$'000
Earnings per share attributable to the ordinary equity holders of the company:	9		
- Basic earnings per share		7.2	9.3
- Diluted earnings per share		7.2	9.3
^Franked dividends per share	8	-	-

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

1. CORPORATE INFORMATION

The financial report of Sunland Group Limited (the "Company") for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of Directors on 28 August 2012.

Sunland Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian securities exchange. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group"), the Group's interest in associates and joint ventures.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

BASIS OF PREPARATION

The 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 and other mandatory professional reporting requirements.

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

(a) STATEMENT OF COMPLIANCE

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

(b) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year. A number of revisions to the accounting standards and interpretations came into effect during the financial year. None of these have a significant financial or disclosure impact.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2012:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 Jan 2012	Nil	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	Nil	1 July 2012

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 Jan 2013	Nil	1 July 2013
AASB 11	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. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 Jan 2013	Nil	1 July 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 about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 Jan 2013	Nil	1 July 2013

(c) BASIS OF CONSOLIDATION

Controlled entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Joint ventures

The Group's interests in unincorporated and incorporated joint ventures is brought to account by including its appropriate share of the joint ventures' assets, liabilities and expenses and the Group's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation. Unrealised gains and losses resulting from transactions with joint ventures and associates are eliminated to the extent of the consolidated entity's interest.

(d) INVESTMENT IN ASSOCIATES

The Group's investment in associates are accounted for under the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Unrealised profits on sale of assets to the associate by the Group are shown in the carrying value of the investment to the extent of the Group's investment in the associate and then recognised upon disposal of the investment in the associate.

Investments in associates held by the Company are accounted for at cost in the separate financial statements of the parent entity.

The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies. The investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The Statement of Comprehensive Income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of changes in equity.

(e) INTEREST IN A JOINTLY CONTROLLED OPERATION

The Group has interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations.

(f) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Both the functional and presentational currency of the Company and its Australian subsidiaries is Australian dollars ($). The functional currency of United Arab Emirates (UAE subsidiaries) is the UAE Dirham for the year ended 30 June 2011 and changed to Australian dollars from 30 September 2011 once the Dubai operations ceased. The presentation currency of UAE subsidiaries is Australian dollars AUD. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. For the purposes of the consolidated financial statements they are translated to the presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by translating at rates approximating the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal or upon cessation of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits that are attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of foreign operations

As at the reporting date the assets and liabilities of the foreign operations are translated into the presentation currency of the Group at the rate of exchange ruling at the balance date and their comprehensive income statements are translated at the weighted average exchange rate for the year.

The foreign exchange differences arising on the translation are taken directly to a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(g) PROPERTY, PLANT AND EQUIPMENT AND HELD FOR SALE ASSETS

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Property assets are classified as available for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised and must be available for immediate sale in its present condition.

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

Buildings – over 20 to 40 years

Plant and equipment – over 1 to 15 years

Land is not depreciated.

Impairment

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Derecognition and disposals

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

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

(h) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred unless they relate to qualifying assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the borrowing costs in relation to that borrowing are capitalised to the cost of the assets from the commencement of construction until the point of time that the property is ready for sale.

(i) GOODWILL AND INTANGIBLES

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Intangible Assets

Acquired management rights are carried at the lower of written down value and recoverable amount. Management rights are initially recorded at cost and are amortised over the period in which future benefits are expected to be obtained.

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

(j) IMPAIRMENT OF ASSETS

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

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

(k) INVENTORIES

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

(l) TRADE AND OTHER RECEIVABLES

Trade receivables, generally have 60 day terms and are recognised and carried at original invoice amount less a provision for any uncollectible debts. The recoverability is assessed at reporting date and specific provision is made for any doubtful accounts. Bad debts are written off when identified.

(m) CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits.

In regards to Dubai projects that are under construction, staged payments from purchasers are received into an escrow account administered by an approved bank or financial institution. These funds are able to be drawn on by the Group to meet the development costs of the respective project and were classified as restricted cash up to and including the year ended 30 June 2011. When a project is no longer active the undrawn amount in these escrow accounts are shown as other assets.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash, cash equivalents and restricted cash as defined above, net of outstanding bank overdrafts.

(n) INVESTMENTS AND OTHER FINANCIAL ASSETS

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

(o) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised costs using the effective interest rate method. Gains and losses are recognised in profit and loss when the payables are derecognised or impaired. Payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(p) INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(q) PROVISIONS

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

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

<u>Warranty provision</u>

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

(r) SHARE-BASED PAYMENT TRANSACTIONS

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for options over shares ('equity-settled transactions').

There is currently one plan in place to provide these benefits; the Executive Option Scheme, which provides benefits to Directors, Executives and senior management.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(s) LEASES

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

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

(t) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of properties and goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer for property sales and at the time the purchaser has control of the asset for other specific transactions. This is generally at settlement for the sale of properties and goods.

Forfeited deposits (in Dubai)

Where deposits are forfeited on pre-completion contracts due to purchaser default, revenue is recognised upon settlement of the unit by a subsequent purchaser.

Rendering of services

Revenue from hotel services, project services and funds management is recognised when the service is rendered and the revenue is receivable.

Interest

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

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental income

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

(u) INCOME TAX

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date. Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

» except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

» in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

» except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

» in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets that relate to unrealised profit on sales made to associates is disclosed in the carrying amount of the investment in the associate.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

(v) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

» where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

» receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Financial assets

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

» the rights to receive cash flows from the asset have expired;

» the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

» the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(ii) Financial liabilities

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

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

(x) INVESTMENT PROPERTIES

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

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

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

(y) CONTRIBUTED EQUITY

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

(z) EARNINGS PER SHARE

Basic earnings per share is calculated as net profit, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit adjusted for:

» costs of servicing equity (other than dividends);

» the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

» other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) OPERATING SEGMENTS

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

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

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

» Nature of the products and services,

» Nature of the production processes,

» Type or class of customer for the products and services,

» Methods used to distribute the products or provide the services, and if applicable

» Nature of the regulatory environment.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are detailed as follows:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, using the assumptions detailed in Note 34.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as lease terms (for leased equipment) and the Group's turnover policies. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Classification of assets as held for sale

The Group classifies non-current assets as held for sale when the carrying amount will be recovered through a sale transaction. The assets must be available for immediate sale and the Group must be committed to selling the asset.

Warranty Provision

In determining the level of provision required for warranty provisions the Group has made judgements in respect of the expected performance of the product, number of customers who will actually use the warranty provision and how often, and the costs of fulfilling the performance of the warranty. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are disclosed in Note 21.

Impairment of inventories and receivables

At each reporting date, the Group assesses whether there is any indication that inventory is held above net realisable value. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its net realisable value. Items that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls, and to monitor risks and adherence to limits. The Group enters into derivative transactions, principally interest rate and foreign exchange products. The purpose of these products is to manage the interest rate and currency risks arising from the Group's operations and funding activities.

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

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

Interest Rate Risk

At balance date, the Group had the following exposure to changes in variable interest rates for classes of financial assets and liabilities without taking account of any cash flow hedges:

	Consolidated	
	2012	2011
	$'000	$'000
Financial Assets		
Cash and cash equivalents	19,708	27,774
	19,708	27,774
Financial Liabilities		
Bank loans	(37,892)	(54,660)
	(37,892)	(54,660)
Net exposure	(18,184)	(26,886)

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

Project specific funding

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

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

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher / (Lower)		Equity Higher / (Lower)	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Judgements of reasonably possible movements:				
Consolidated				
+0.5% (50 basis points)	(64)	(94)	(64)	(94)
-0.5% (50 basis points)	64	94	64	94

Foreign Currency Risk

The Group was exposed to movement in the United Arab Emirates dirham (AED) whilst it had active project in the region. The Group managed risk with a natural hedge as cash receipts from purchasers and payments to suppliers are in dirhams and therefore no formal hedging instruments were required. The Group's active projects were sold during the period (refer to Note 25) so there is no longer any material foreign currency risk to manage.

Liquidity Risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of project specific bank loans, non-project specific bank loans and committed credit lines.

For Australian projects the term of project specific funding always coincides with the development program of the project to which it relates to ensure the project can continue to be funded until construction is complete and settlements begin occurring. These credit lines generally mature six months after the completion of the project. The liquidity risk of the Group's obligation to repay development costs funded by credit lines is mitigated by the progressive realisation of sale proceeds to the Group.

The Group maintains the following lines of credit within Australia with different financial institutions:

» A 3-year evergreen facility of $75 million expiring 13 July 2014 with the next review on 13 July 2014; and

» A 2-year evergreen facility of $30 million expiring 12 December 2014. The facility is reviewed annually on its anniversary.

If the above facilities are not renewed, the limits will be reduced on a gradual basis over two to three years.

Maturity Analysis of Financial Assets and Liabilities.

Year ended 30 June 2012	≤ 6 months $'000	6-12 Months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Consolidated					
Financial assets					
Cash assets	31,085	-	-	-	31,085
Receivables	7,577	-	4,235	-	11,812
	38,662	-	4,235	-	42,897
Financial liabilities					
Payables	24,893	-	53,000	-	77,893
Bank Loans	1,090	1,090	38,647	-	40,827
Tax liabilities	5,713	-	-	-	5,713
Other liabilities (advance)	4,689	188	1,762	-	6,639
	36,385	1,278	93,409	-	131,072
Net Maturity	2,277	(1,278)	(89,174)	-	(88,175)
Year ended 30 June 2011					
Consolidated					
Financial assets					
Cash assets	48,808	-	-	-	48,808
Receivables	17,101	-	39,037	-	56,138
	65,909	-	39,037	-	104,946
Financial liabilities					
Payables	17,047	-	130,823	-	147,870
Bank Loans	43,331	461	14,338	-	58,130
Tax liabilities	7,950	-	-	-	7,950
	68,328	461	145,161	-	213,950
Net Maturity	(2,419)	(461)	(106,124)	-	(109,004)

	Consolidated 2012 $'000	Consolidated 2011 $'000
The consolidated entity has access to the following lines of credit:		
Total facilities available		
Bank loans and overdraft	148,550	154,903
	148,550	154,903
Facilities utilised at balance date		
Bank loans and overdraft	37,892	54,842
	37,892	54,842
Facilities not utilised at balance date		
Bank loans [1]	104,075	91,833
	104,075	91,833

(1) In the current year, $6,583,000 (2011: $8,167,000) 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 availability by the equivalent. Details of contingent liabilities are set out in Note 27.

Credit Risk

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

Receivables primarily take the form of:

» Loans to unrelated parties that may be provided in the consideration for development rights over land;

» Contracts over the sale of developed product; and

» Where obligations under contracts of sale of developed product have not been fulfilled

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

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

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

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

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

5. REVENUE AND EXPENSES

		Consolidated	
		2012	2011
		$'000	$'000
(a) Other revenues			
Rental income		2,522	2,067
Other		2,198	651
Interest:			
Other parties		1,994	2,407
Total other revenues		6,714	5,125
(b) Other income			
Foreign exchange gain/(loss)		2,080	(678)
Net gain on disposal of foreign operation	25(a)	4,130	-
Net gain/(loss) on disposal of property, plant and equipment		30	135
Total other income/(expense)		6,240	(543)
(c) Change in inventories of finished goods and work in progress			
Cost of goods sold excluding finance costs		141,054	159,690
Finance Costs		2,040	3,715
		143,094	163,405
(d) Reconciliation of finance costs			
Finance costs included in change in inventories of finished goods and work in progress		2,040	3,715
Finance costs		1,695	1,027
Total finance costs		3,735	4,742
(e) Depreciation, amortisation and impairment included in the Statement of Comprehensive Income			
Plant and equipment		4,635	2,453
Management rights		-	84
Total depreciation and amortisation expense		4,635	2,537
(f) Reversal of diminution			
Reversal of diminution of inventories included in cost of goods sold		-	4,000
(g) Other expenses included in the Statement of Comprehensive Income			
Net expense/(benefit) from movements in provision for employee benefits		(147)	(389)
Operating lease rental expense: Minimum lease payments		430	1,748

6. AUDITORS' REMUNERATION

	2012 $	2011 $
Amounts received or due and receivable by Ernst & Young:		
Audit or review of the financial report of the entity and any other entity in the consolidated entity	283,500	293,500
Other services in relation to the entity and any other entity in the consolidated entity:		
- Tax compliance	49,500	74,250
- Income tax advice	129,700	181,610
- Other assurance services	51,961	33,750
- Accounting advice audit services	4,750	30,000
	519,411	613,110

Amounts recoverable from joint ventures and associates for these services during this financial year are nil (2011: $135,070).

7. INCOME TAX

	Consolidated	
	2012	2011
	$'000	$'000
The major components of income tax expense are:		
Comprehensive income statement		
Current income tax		
Current income tax charge/(revenue)	8,178	8,489
Adjustments in respect of current income tax of previous years	(344)	(538)
Deferred income tax		
Relating to origination and reversal of temporary differences	(2,203)	2,642
Income tax expense/(benefit) reported in net profit	5,631	10,593
Statements of Other Comprehensive Income		
Deferred income tax related to items charged or credited directly to equity		
Share issue costs, foreign currency translation and fair value of derivatives	1	9
Income tax expense reported in equity	1	9
A reconciliation between tax expense and the product of accounting profit/loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit/(loss) before income tax	20,125	32,008
At the Group's statutory income tax rate of 30% (2011: 30%)	6,037	9,602
Foreign sourced income not assessable for income tax purposes	(704)	(3,269)
Other income not assessable for income tax purposes	-	(539)
Foreign expenditure not allowable for income tax purposes	754	4,877
Other expenditure not allowable for income tax purposes	9	286
Impairment of Dubai inventory	568	-
Dubai Asset Swap Transactions	(634)	-
Other	(55)	174
Under/(over) provision in respect of previous years	(344)	(538)
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	5,631	10,593

	Statement of Financial position			Statement of Comprehensive Income	
	2012	Asset acquisition	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000
Deferred income tax					
Deferred income tax at 30 June relates to the following:					
CONSOLIDATED					
Deferred tax liabilities					
Accelerated depreciation for tax purposes	(6,124)	(3,015)	(1,948)	1,161	271
Items deductible for tax but capitalised for accounting	(10,419)	-	(14,223)	(3,804)	1,695
Income not currently assessable for tax	(660)	-	(547)	113	398
	(17,203)	(3,015)	(16,718)		
Deferred tax assets					
Warranty provision not deductible for tax	1,499	-	1,740	241	(37)
Other provisions not deductible for tax	602	142	450	(11)	(441)
Expenses not currently deductible	216	-	572	356	703
Share issue costs	24	-	26	-	-
Tax on unrealised accounting profit	548	-	289	(259)	53
Tax Losses acquired	1,020	1,921	-	-	-
	3,909	2,063	3,077		
Total Deferred Tax	(13,294)	(952)	(13,641)		
Deferred tax income				(2,203)	2,642

Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

8. DIVIDENDS

	Consolidated Financial position 2012 $'000	2011 $'000
(a) Declared and paid during the year		
Current year interim		
Franked dividends 2012: nil cents (2011: nil cents)	-	-
Previous year final		
Franked dividends 2011: nil cents (2010: nil cents)	-	-
(b) Proposed and not recognised as a liability		
Franked dividends 2012: nil cents (2011: nil cents)	-	-
(c) Dividend Franking Account		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30% (2011: 30%)	65,391	56,955
- Franking credits that will arise from the payment or reduce with the refund of income tax as at the end of the financial year	6,751	7,950
	72,142	64,905

The tax rate at which dividends have been franked is 30% (2011: 30%). Under the Australian Taxation Office Pay as You Go (PAYG) system, the consolidated entity will pay tax throughout the 2011 financial year which would provide sufficient franking credits to enable any dividends declared and paid throughout the 2013 financial year to be franked to 30%.

9. EARNINGS PER SHARE

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

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

The options outstanding under the Executive Share Option Scheme have been classified as potential ordinary shares and included in diluted earnings per share only where applicable. For dilutive securities exercised after reporting date refer to the directors' report.

	Consolidated 2012 $'000	2011 $'000
Earnings Reconciliation		
Net profit/(loss) for basic and diluted earnings	14,494	21,415
Weighted average number of shares used as the denominator for the calculation of basic earnings per share		
Ordinary shares	202,471	231,343
Effect of dilutive securities:		
Effect of executive share options on issue	-	-
Effect of other share options on issue	-	-
Number used for the calculation of diluted earnings per share	202,471	231,343
Earnings per share (cents per share)	7.2	9.3

10. OPERATING SEGMENTS

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
- Multistorey International– development and sale of highrise products within Dubai
- Hotel investments and operations – hotel ownership and management
- Project services – project management and design services to development properties within Australia and Dubai

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.

The consolidated entity's business segments operate geographically as follows:

Australia

- Property sales offices and products, project services and funds management in Queensland, Victoria and New South Wales
- Hotel and management operations in Queensland

Dubai

- Property sales offices and products, project services, construction

Operating segments 2012	Land & Housing 2012 $'000	Multistorey Australia 2012 $'000	Multi storey International 2012 $'000	Project Services 2012 $'000	Hotel Investments and Operations 2012 $'000	Other 2012 $'000	Eliminations 2012 $'000	Consolidated 2012 $'000
Revenue								
Sales to external customers	170,210	-	1,606	7,479	24,831	4,886	-	209,012
Total segment revenue	170,210	-	1,606	7,479	24,831	4,886	-	209,012
Non-segment revenues								
Interest Revenue								1,994
Total consolidated revenue								211,006
Result								
Segment result before finance costs, diminution & impairment	30,742	(669)	44	1,513	(1,941)	2,470	-	32,159
Finance costs after capitalisation	(2,040)	-	(1)	-	(1,682)	(12)	-	(3,735)
Impairment of land and receivables	-	-	(1,894)	-	-	-	-	(1,894)
Segment results after finance costs, diminution & impairment	28,702	(669)	(1,851)	1,513	(3,623)	2,458	-	26,530
Gain on Business Combination								4,130
Gain on sale of property, plant and equipment								30
Share of net profit/(loss) from associate								(925)
Net gain on Foreign Exchange								2,080
Interest Revenue								1,994
Unallocated corporate expenses								(13,714)
Profit/(loss) from ordinary activities before tax								20,125
Income tax benefit/(expense)								(5,631)
Net profit for the year								14,494
Depreciation and amortisation	-	-	3	-	4,017	615		4,635
Assets								
Segment assets	278,602	52,203	58,861	2,042	71,703	6,527		469,938
Investment in an associate								2,098
Unallocated corporate assets								35,992
Consolidated total assets								508,028
Capital expenditure	461	-	-	-	923	-		1,384
Liabilities								
Segment liabilities	19,100	1,567	65,386	-	31,242	440		117,735
Unallocated liabilities								45,332
Consolidated total liabilities								163,067

Geographical Segments	Australia 2012 $'000	Middle East 2012 $'000	Consolidated 2012 $'000
Revenue			
Sales to external customers	208,660	2,346	211,006
Result			
Segment result before finance costs, diminution & impairment	19,710	6,044	25,754
Finance costs after capitalisation	(3,734)	(1)	(3,735)
Impairment of land and receivables	-	(1,894)	(1,894)
Segment results after finance costs, diminution & impairment	15,976	4,149	20,125
Income tax benefit/(expense)	(5,631)	-	(5,631)
Net profit for the year	10,345	4,149	14,494
Other segment information			
Segment assets	447,069	58,861	505,930
Investment in associate			2,098
Total assets			508,028
Capital expenditure	1,384	-	1,384

Operating segments 2011	Land & Housing 2011 $'000	Multistorey Australia 2011 $'000	Multistorey International 2011 $'000	Project Services 2011 $'000	Hotel Investments and Operations 2011 $'000	Other 2011 $'000	Eliminations 2011 $'000	Consolidated 2011 $'000
Revenue								
Sales to external customers	191,746	6,473	8,782	29,049	14,658	2,762	-	253,470
Total segment revenue	191,746	6,473	8,782	29,049	14,658	2,762	-	253,470
Non-segment revenues								
Interest Revenue								2,638
Total consolidated revenue								256,108
Result								
Segment result before finance costs, diminution & impairment	44,491	(2,569)	(444)	5,249	(24)	1,869	-	48,572
Finance costs after capitalisation	(3,184)	(531)	(5)	-	(989)	(33)	-	(4,742)
Reversal diminution of inventory & impairment of receivables	4,000	-	(527)	-	-	-	-	3,473
Segment results after finance costs, diminution & impairment	45,307	(3,100)	(976)	5,249	(1,013)	1,836	-	47,303
Gain on sale of property, plant and equipment								135
Share of net profit/(loss) from associate								74
Net loss on Foreign Exchange								(678)
Interest Revenue								2,639
Unallocated corporate expenses								(17,465)
Profit/(loss) from ordinary activities before tax								32,008
Income tax benefit/(expense)								(10,593)
Net profit for the year								21,415
Depreciation and amortisation	-	84	27	-	1,804	622		2,537
Assets								
Segment assets	276,396	37,834	408,360	518	35,557	607		759,272
Investment in an associate								2,965
Unallocated corporate assets								38,861
Consolidated total assets								801,098
Capital expenditure	-	-	5	-	514	4,586		5,105
Liabilities								
Segment liabilities	6,012	2,237	386,747	-	14,936	552		410,484
Unallocated liabilities								47,126
Consolidated total liabilities								457,610

Geographical Segments	Australia 2011 $'000	Middle East 2011 $'000	Consolidated 2011 $'000
Revenue			
Sales to external customers	244,533	10,896	255,429
Result			
Segment result before finance costs, diminution & impairment	38,104	(4,827)	33,277
Finance costs after capitalisation	(4,737)	(5)	(4,742)
Reversal diminution of inventory & impairment of receivables	4,000	(527)	3,473
Segment results after finance costs, diminution & impairment	37,367	(5,359)	32,008
Income tax benefit/(expense)	(10,593)	-	(10,593)
Net profit for the year	26,774	(5,359)	21,415
Other segment information			
Segment assets	389,773	408,360	798,133
Investment in associate			2,965
Total assets			801,098
Capital expenditure	5,100	5	5,105

11. CASH AND CASH EQUIVALENTS

		Consolidated	
		2012	2011
	Notes	$'000	$'000
Cash	28(i)	31,085	40,256
Restricted cash	28(i)	-	8,552
	28(i)	31,085	48,808

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

These balances represent instalments made on Dubai sales that can be used to fund the construction costs of the related Dubai based projects throughout the life of the project. Sunland sold out of its active Dubai projects (refer Note 25) and any restricted cash held for non active projects is classified as Other Assets (Note 14).

12. TRADE & OTHER RECEIVABLES

Current		
Trade receivables	3,710	5,109
Less: Allowance for impairment losses [a]	-	-
	3,710	5,109
Loans to third parties	1,542	7,588
Related party receivables:		
Amounts receivable from Joint Ventures	-	3,770
Amounts receivable from Associates	2,052	529
Vendor finance	273	105
	7,577	17,101
Non-Current		
Loans to third parties	3,983	3,505
Less: Allowance for impairment losses [a]	-	-
Related party receivables:	3,983	3,505
Amounts receivable from Joint Ventures	252	35,196
Vendor finance	-	336
	4,235	39,037

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

	Total	0-30 days	31-60 days	61-90 days	+ 91 days
	$'000	$'000	$'000	$'000	$'000
2012	3,710	3,710	-	-	-
2011	5,109	5,098	-	-	11

Trade receivables past due but not considered impaired are Nil (2011: $11,000). The Group has reviewed all trade receivables classified as past due but not impaired and is satisfied that the amounts will be received in full.

(a) Allowance for Impairment Loss

Current trade receivables are non-interest bearing and are generally on 60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

In respect of non-current trade receivables no amounts are past due (2011: nil).

Movement in the provision for impairment losses		
» Opening balance	-	1,336
» Charge/(consumption) for the year	-	(1,336)
» Closing balance	-	-

(b) Related Party Receivables

For terms and conditions of related party receivables refer to Note 31.

(c) Fair Values

Due to the short nature of current receivables, their carrying value is assumed to approximate their fair value.

The fair values and carrying values of non-current receivables of the Group are as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Loans to third parties	3,983	3,983	3,505	3,505
	3,983	3,983	3,505	3,505

The fair values are based on cash flows discounted using the applicable effective interest rate.

Joint Venture non-current receivables are separately disclosed in Note 32.

(d) Foreign exchange and Interest Rate Risk

Detail regarding foreign exchange and interest risk exposure is disclosed in Note 4.

(e) Interest Rate Risk

Details regarding interest rate risk exposure is disclosed in Note 4.

(f) Credit Risk

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

Collateral is held against a third party loan of $3,983,000 (2011: $3,505,000). The Group has collateral over this loan in the form of a fixed and floating charge.

13. INVENTORIES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Development properties, including land subdivision, other land and buildings under construction, at lower of cost and net realisable value	84,763	76,315
Finished goods – at the lower of cost and net realisable value	7,118	15,562
	91,881	91,877
Non-Current		
Development properties including land and buildings under construction at the lower of cost and net realisable value	290,041	551,001
	290,041	551,001
Total development properties held for sale comprises:		
Costs of acquisition	375,658	478,536
Development costs capitalised	104,332	260,819
Finance costs capitalised	7,937	12,016
Diminution of inventory to net realisable value	(106,005)	(108,493)
	381,922	642,878

Borrowing costs were capitalised at a weighted average rate of 5.74% (2011: 5.29%).

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

See Note 29 for details of the above inventories that are held as security over various development agreements with SDLF2 Pty Ltd.

14. OTHER ASSETS

	2012 $'000	2011 $'000
Current		
Prepayments	1,080	6,341
Construction bonds	357	514
Funds held in escrow [1]	1,475	-
	2,912	6,855

(1) These balances represent instalments made on Dubai sales that were to be used to fund the construction costs of the related Dubai based projects throughout the life of the project. Sunland sold out of its active Dubai projects (refer Note 25) and any funds held for non-active projects is classified as Other Assets .

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

15. INTANGIBLES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Goodwill	-	-
Management Letting Rights	-	-
	-	-
(a) Goodwill		
Cost	150	150
Impairment	(150)	(150)
Net carrying amount	-	-

Goodwill relates to the acquisition of Sunland Funds Management Limited which was acquired in a prior period.

Refer Note 25 for details for the prior period disposal of controlled entities.

Key assumptions used in value in use calculations

The calculation of value in use for the funds management division is most sensitive to the following assumptions:

» Responsible Entity Fees: The Group receives a fee based on gross sales made by the fund; and

» Fund Establishment Fees: As the responsible entity for the funds, the Group receives a fee for identifying and securing assets with development potential and performing due diligence associated with undertaking developments.

An impairment loss was recognised for the prior financial year due to the deregistration of Sunland Diversified Land Fund No.1 and minimal future fees from Sunland Diversified Land Fund No.2.

	2012 $'000	2011 $'000
(b) Management Letting Rights		
Cost	-	621
Accumulated Amortisation	-	(621)
Net carrying amount	-	-
Reconciliation of intangibles		
Balance at the beginning of the financial year	-	84
Amortisation	-	(84)
At 30 June net of accumulated amortisation	-	-

Intangibles relate to management letting rights acquired which expired in November 2010.

If an impairment indicator arises, the recoverable amount of the management letting rights is estimated and an impairment loss is recognised to the extent the recoverable amount is lower than the carrying amount. No impairment was recognised for the current financial year.

16. PROPERTY, PLANT & EQUIPMENT

			Consolidated
	Freehold land and Buildings $'000	Plant and Equipment	Total
	$'000	$'000	$'000
At 30 June 2012			
Cost	95,359	7,300	102,659
Accumulated depreciation	(28,268)	(4,564)	(32,832)
Net carrying amount	67,091	2,736	69,827
At 1 July 2011			
Cost	48,510	6,006	54,516
Accumulated depreciation	(14,769)	(4,911)	(19,680)
Net carrying amount	33,741	1,095	34,836
Year ended 30 June 2012			
At 1 July 2011 net of accumulated depreciation and impairment	33,741	1,095	34,836
Additions	-	2,152	2,152
Additions through Business Combination	37,367	-	37,367
Disposals	-	(55)	(55)
Depreciation charge for the year	(4,017)	(456)	(4,473)
Net of accumulated depreciation and impairment	67,091	2,736	69,827
Year ended 30 June 2011			
At 1 July 2010 net of accumulated depreciation and impairment	35,031	1,532	36,563
Additions	514	316	830
Disposals	-	(61)	(61)
Exchange Difference	-	(43)	(43)
Depreciation charge for the year	(1,804)	(649)	(2,453)
Net of accumulated depreciation and impairment	33,741	1,095	34,836

The useful lives of the assets were estimated as follows for 2011 and 2012:

Buildings	20 to 40 years
Plant and equipment	1 to 15 years

All property, plant and equipment has been measured using the cost model. There has been no reversal of impairment during the year ended 30 June 2012 (2011: $124,000).

Land and buildings with a carrying amount of $67,091,000 (2011: $33,741,000) are subject to a first charge to secure one of the Group's bank loans (refer to Note 20).

17. INVESTMENT PROPERTIES

	Consolidated 2012 $'000	2011 $'000
Cost	4,275	4,275
Accumulated Depreciation	(162)	-
Net carrying amount	4,113	4,275

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2012	2011
Investment in Associate	2,098	2,965

There were no impairment losses relating to the investment in associate and no capital commitments or other commitments relating to the associate.

(a) Interest in associate

		Ownership Interest Held	
Name	**Balance Date**	**2012 %**	**2011 %**
Sunland Diversified Land Fund No.2 (i)	30 June	19.9	19.9
Emirates Sunland Management Pty Ltd	30 June	100	50

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

Emirates Sunland Management Pty Ltd is a proprietary limited company incorporated in Australia. The Group acquired the balance of issued shares to gain 100% control of the Company. Its name has since been changed to Sunland PV Management Pty Ltd

(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.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Carrying amount of investment in associates		
Balance at the beginning of the financial year	2,965	2,915
» Elimination of unrealised profits on sales made to the associates	96	363
» Deferred tax asset recognised on unrealised profits	(38)	(153)
» Distribution paid by Associate	-	(234)
» Capital return from Associate	-	-
» Share of Associates Profit	(925)	74
	2,098	2,965
Share of associate's assets and liabilities		
Current assets	1,799	3,833
Non-current assets	2,684	2,714
Current liabilities	(1,209)	(99)
Non-current liabilities	(661)	(2,781)
Net assets	2,613	3,667
Share of the associate's profit or loss		
Revenue	804	1,669
Profit/(loss) before income tax	(1,018)	263
Income tax expense	156	(75)
Profit/(loss) after income tax	(862)	188
Opening Retained Earnings	(63)	(90)
Cash distribution paid	-	-
Profit recognised during the year	-	(24)
	(925)	74
Contingent liabilities of associate	-	-
Share of contingent liabilities incurred jointly with other investors	-	-

19. TRADE & OTHER PAYABLES

	Consolidated	
	2012	2011
	$'000	$'000
Current		
Trade creditors	11,050	11,339
Property settlement creditor [1]	-	4,194
Other creditors and construction accruals	13,843	11,092
	24,893	26,625
Non-Current		
Other creditors and construction accruals	1,898	6,013
Property settlement creditor[1][2]	51,102	50,616
	53,000	56,629
Related party payables:		
Amounts payable to Joint Venture participants	-	66,838
	53,000	123,467

Trade creditors are non-interest bearing and are normally settled on a 30 to 60 day term.

For terms and conditions relating to related party payables refer to Note 31.

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

(2) 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.

20. INTEREST BEARING LIABILITIES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current Liabilities		
Bank loans – secured	-	42,485
	-	42,485
Non-Current Liabilities		
Bank loans – secured	37,892	12,175
	37,892	12,175

(a) Fair Values

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

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 4.

(c) Assets pledged as security

Bank loans

All bank loans are denominated in Australian dollars or US dollars.

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

At 30 June 2012 bank loans of $0 (2011: $42,485,000) are due and payable within the next twelve months. The weighted average effective interest rate at balance date was 5.74% (2011: 5.29%), and is payable monthly.

The carrying amounts of the pledged properties are as follows:

Inventories	284,807	228,232
Property, plant and equipment	67,091	33,714
Total pledged	351,898	261,946

(d) Defaults and breaches

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

21. PROVISIONS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current liabilities		
Employee benefits	1,206	859
Rental guarantee	-	89
Warranty costs	4,998	5,802
Legal costs	35	48
	6,239	6,798
Non-current liabilities		
Employee benefits	802	1,001
	802	1,001

(a) Movements in provisions

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

	Rental guarantee $'000	Warranty costs $'000	Legal costs $'000	Total $'000
Consolidated				
Current liabilities				
At 1 July 2011	89	5,802	48	5,939
Arising during the year	-	645	-	645
Utilised	(89)	(1,449)	(13)	(1,551)
Unused amounts reversed	-	-	-	-
At 30 June 2012	-	4,998	35	5,033

(b) Nature and timing of provisions

Warranty costs

The Group has recognised a provision for expected warranty claims on product sold, based on current sales level and current information available about the costs of past repairs under warranty.

22. OTHER LIABILITIES

	Consolidated 2012 $'000	2011 $'000
Current liabilities		
Revenue received in advance	1,065	443
Advance – Sunland Diversified Land Fund No.2 (secured)	4,877	7,779
	5,942	8,222
Non-current liabilities		
Advance – Sunland Diversified Land Fund No.2 (secured)	1,762	1,277
	1,762	1,277

For terms and conditions relating to related party liabilities refer to Note 31.

23. CONTRIBUTED EQUITY

	2012 $'000	2011 $'000
Share capital		
193,151,947 (2011: 221,315,930) ordinary shares issued and fully paid	212,713	233,456

	2012 # Shares	2012 $'000	2011 # Shares	2011 $'000
Share capital:				
Balance beginning of the year	221,315,930	233,456	247,515,828	254,349
Shares issued via executive share option scheme	-	-	-	-
Share buy-back	(28,163,983)	(20,712)	(26,199,898)	(20,862)
Less: Transaction costs of issues/buy-back (tax effected)	-	(31)	-	(31)
Balance at end of the year	193,151,947	212,713	221,315,930	233,456

The Company does not have authorised capital nor par value in respect of its issued shares.

Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of a winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation. There are no cash settlement alternatives.

24. RESERVES

	Share Option Reserve	Foreign Currency Translation Reserve	Total Reserves
	$'000	$'000	$'000
2012			
Balance at beginning of year	6,778	(7,721)	(943)
Total recognised income and expense	-	7,721	7,721
Dividends to ordinary shareholders	-	-	-
Equity settled transactions	1	-	1
	6,779	-	6,779
2011			
Balance at beginning of year	6,764	(6,439)	325
Total recognised income and expense	-	(1,282)	(1,282)
Dividends to ordinary shareholders	-	-	-
Equity settled transactions	14	-	14
	6,778	(7,721)	(943)

Nature and Purpose of Reserves

Share Option Reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.

Foreign Currency Translation Reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations. It is also used to record the effect of hedging net investments in foreign operations.

25. BUSINESS COMBINATIONS

(a) Consistent with the Groups strategy to exit Dubai, Sunland entered into an agreement with Enshaa Group to exchange its joint venture development projects in Dubai for Enshaa's interests in Palazzo Versace Gold Coast joint venture. That transaction resulted in the deconsolidation of all Enshaa Group joint ventures which included Palazzo Versace Dubai, D1 Dubai, construction joint venture with Arabtec and the administrative arm. This transaction was completed 30 September 2011.

Sunland Group Limited acquired as a part of the transaction 100% of the voting shares of Emirates Investments Group Australia Pty Ltd (EIGA), a proprietary limited company domiciled in Australia. The operations of EIGA are as 50% owner of the Palazzo Versace Gold Coast hotel joint venture, the other 50% of which is owned by Sunland Group Limited. The joint venture owns and operates the Palazzo Versace Gold Coast Hotel. EIGA has since changed its name to Sunland PV Investment Pty Ltd

The consolidated value attributed to the net liabilities relinquished as part of the transaction was $16,702,000 via an asset swap for the 100% ownership of the shares Sunland Group Limited ultimately held in Sunland International (BVI) Pty Ltd, a proprietary limited company domiciled in the British Virgin Islands being the holding company of Sunland's joint venture interests in Dubai with Enshaa.

The transaction provides that any intercompany loans between the Sunland entities and the entities deconsolidated are forgiven.

The part of the transaction involving Palazzo Versace Gold Coast joint venture has been acquired through a staged acquisition. The original ownership held by Sunland Group Limited has been recorded at cost price. The assets acquired on acquisition of EIGA have been recorded at fair value. The Group has recognised the fair values of the identifiable assets and liabilities of EIGA as at the date of acquisition.

		Consolidated fair value at acquisition date $'000
ASSETS		
Cash and cash equivalents		110
Trade & other receivables (i)		795
Inventories		810
Other assets		270
Deferred tax assets		2,063
Property, plant and equipment		37,218
TOTAL ASSETS		41,266
LIABILITIES		
Trade & other payables		893
Interest bearing liabilities		12,175
Loan from Sunland Group Limited		32,154
Employee provisions		473
Other		360
Deferred tax liabilities		3,015
TOTAL LIABILITIES		49,070
		(7,804)
Fair value of consideration:		
- Net liabilities disposed	25(b)	16,702
- Net liabilities acquired		(7,804)
		8,898
Release of foreign currency translation reserve		(4,768)
Net gain recognised to profit and loss	5(b)	4,130

(i) The contractual amounts receivable materially reflect the fair value of the receivable at transaction date. All amounts are expected to be collected.

The consolidated statement of comprehensive income includes sales revenue of $3,993,000 and a net loss of $299,000 as a result of acquiring EIGA. Had the acquisition occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue of $7,488,000 and a loss of $738,000.

The transaction costs of $882,000 have been expensed and are included in administrative expenses in the statement of comprehensive income and are part of the operating cash flows in the statement of cash flows.

(b) The Sunland Group has disposed of the following assets and liabilities of the Sunland International (BVI) Pty Ltd consolidated entity as part of the overall transaction.

		Consolidated fair value at disposal date $'000
ASSETS		
Cash and cash equivalents		9,144
Trade & other receivables		3,881
Inventories		302,588
Other assets		5,714
Property, plant and equipment		10
TOTAL ASSETS		321,337
LIABILITIES		
Trade & other payables		72,094
Interest bearing liabilities		45,975
Employee provisions		339
Other		219,631
TOTAL LIABILITIES		338,039
Net liabilities disposed	25(a)	16,702

26. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

		Equity Interest %	
Name	Country of Formation	2012	2011
Parent Entity			
Sunland Group Limited	Australia		
Controlled entities			
Abian (QLD) Pty Limited	Australia	100	100
Andyville Pty Limited	Australia	100	100
Bolger Cove Pty Limited	Australia	100	100
Camryville Pty Limited	Australia	100	100
Carlyndale Pty Limited	Australia	100	100
Carnriver Pty Limited	Australia	100	100
Carnriver Retail Pty Limited	Australia	100	100
Dalestan Pty Limited	Australia	100	100
Girroma Pty Limited	Australia	100	100
Haddenham Pty Limited	Australia	100	100
Harrovale Pty Limited	Australia	100	100
Hayberry Pty Limited	Australia	100	100
Inglesun Pty Limited	Australia	100	100
Jadedrift Pty Limited	Australia	100	100
Jamalla Pty Limited	Australia	100	100
Lakesky Unit Trust	Australia	100	100
Larrisendale Pty Limited	Australia	100	100
Laughlindale Pty Limited	Australia	100	100
Leighwood Pty Limited	Australia	100	100
Lilibuck Pty Limited	Australia	100	100
Loxwood Pty Limited	Australia	100	100
Mantina Pty Limited	Australia	100	100
Marington Pty Limited	Australia	100	100
Mortdella Pty Limited	Australia	100	100
Mystonia Pty Limited	Australia	100	100
Odyssey Condominium Hotels Pty Limited	Australia	100	100
Palazzo Versace Pty Limited	Australia	100	100
Palazzo Versace Australia Pty Ltd	Australia	100	100
Parrella Pty Limited	Australia	100	100
Parsen Pty Limited	Australia	100	100
Roseley Vale Pty Limited	Australia	100	100
Royal Pines Resort Realty Pty Limited	Australia	100	100
Scottsland Pty Limited	Australia	100	100
SDG-PV Pty Limited	Australia	100	100
Stanride Pty Limited	Australia	100	100

Name	Country of Formation	Equity Interest % 2012	Equity Interest % 2011
Sunland Aquum Limited	UAE	100	100
Sunland Atrium Limited	UAE	100	100
Sunland Capital Pty Limited	Australia	100	100
Sunland Constructions (QLD) Pty Limited	Australia	100	100
Sunland Constructions (NSW) Pty Ltd	Australia	100	100
Sunland Constructions (VIC) Pty Limited	Australia	100	100
Sunland CV (BVI) Limited	British Virgin Islands	100	100
Sunland Design Group (VIC) Pty Limited	Australia	100	100
Sunland Development Dubai (BVI) Limited	British Virgin Islands	100	100
Sunland Developments No 1 Pty Limited	Australia	100	100
Sunland Developments No 2 Pty Limited	Australia	100	100
Sunland Developments No 3 Pty Limited	Australia	100	100
Sunland Developments (Carrington) Pty Limited	Australia	100	100
Sunland Developments No 5 Pty Limited	Australia	100	100
Sunland Developments No 6 Pty Limited	Australia	100	100
Sunland Developments No 7 Pty Limited	Australia	100	100
Sunland Developments No 8 Pty Limited	Australia	100	100
Sunland Developments No 9 Pty Limited	Australia	100	100
Sunland Developments No 10 Pty Limited	Australia	100	100
Sunland Developments No 11 Pty Limited	Australia	100	100
Sunland Developments No 12 Pty Limited	Australia	100	100
Sunland Developments (QLD) Pty Limited	Australia	100	100
Sunland DWF (BVI) Limited	British Virgin Islands	100	100
Sunland Funds Management Limited	Australia	100	100
Sunland Global Rollout Pty Limited	Australia	100	100
Sunland Group (NSW) Pty Limited	Australia	100	100
Sunland Group (Oasis) Pty Limited	Australia	100	100
Sunland Group Project Management Pty Limited	Australia	100	100
Sunland Group (QLD) Pty Limited	Australia	100	100
Sunland Group UAE (Australia) Pty Ltd	Australia	100	100
Sunland Group (VIC) Pty Limited	Australia	100	100
Sunland Gulf Resources Pty Limited	Australia	100	100
Sunland Homes Pty Limited	Australia	100	100
Sunland Homes Unit Trust	Australia	100	100
Sunland Hotel Management Pty Limited	Australia	100	-
Sunland International Pty Limited	Australia	100	100
Sunland International (BVI) Pty Ltd	British Virgin Islands	-	100
Sunland International BFJV (BVI) Limited	British Virgin Islands	100	100
Sunland International Capital (BVI) Limited	British Virgin Islands	100	100
Sunland International PV Pty Limited	Australia	100	100

		Equity Interest %	
Name	Country of Formation	2012	2011
Sunland Joinery Pty Limited	Australia	100	100
Sunland JV Development (BVI) Ltd	British Virgin Islands	100	100
Sunland Property Trust	Australia	100	100
Sunland PV Investment Pty Limited	Australia	100	-
Sunland Resources Pty Limited	Australia	100	100
Sunland Southbank Pty Limited	Australia	100	100
SDG Robina Pty Limited	Australia	100	100
Sunland St Kilda Road Pty Limited	Australia	100	100
SDG Robina Management Pty Limited	Australia	100	100
Sunland Retail Pty Ltd	Australia	100	100
Sunland Waterfront (BVI) Limited	British Virgin Islands	100	100
Sunland Waterfront Development Pty Limited	Australia	100	100
Sunland Waterfront Development Pty Limited (BVI)	British Virgin Islands	100	100
Tessonian Pty Limited	Australia	100	100
Tuskabella Pty Limited	Australia	100	100
Tweedstone Pty Limited	Australia	100	100
Viennendale Pty Limited	Australia	100	100
Whittsvilla Pty Limited	Australia	100	100
Yorkmine Pty Limited	Australia	100	100

(b) Acquisition/disposal of controlled entities

Disposal of entities

The following controlled entities were disposed during the year:

	Date Control Ceased	Company's remaining interest %	Consideration $'000	Net assets at date of disposal $'000
2012				
Sunland International (BVI) Pty Limited	30 September 2012	-	-	(16,702)
			-	(16,702)
2011				
Addelson Pty Limited	12 January 2011	-	-	-
Keriland Pty Limited	12 January 2011	-	-	-
Loxstone Pty Limited	12 January 2011	-	-	-
Sunland Constructions (Avalon) Pty Limited	12 January 2011	-	-	-
Sunland Constructions (Circle) Pty Limited	12 January 2011	-	-	-
Sunland Group (Cairns) Pty Limited	12 January 2011	-	-	-
Sunland Martha Cove Pty Limited	25 May 2011	-	-	-
Sunland Real Estate (NSW) Pty Limited	12 January 2011	-	-	-

These entities were deregistered.

Acquisition of entities

	Date Control Ceased	Company's remaining interest %	Consideration $'000	Net assets at date of disposal $'000
2012				
Sunland Hotel Management Pty Limited		100	-	-
Sunland PV Investment Pty Limited		100	-	(7,804)
			-	(7,804)

No entities were acquired during the 2011 year

27. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities, classified according to the party from whom the contingent liability arises, are set out below. The Directors are not aware of any circumstances or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the accounts in respect of these matters.

	Consolidated 2012 $'000	2011 $'000
In respect of controlled entities and joint ventures		
(i) Bank guarantees for uncompleted works have been provided to local councils and government authorities in respect of property development projects undertaken by wholly owned subsidiaries.	11,120	12,185
(ii) The consolidated entity, as a partner in joint venture partnerships are jointly and severally liable for 100% of all liabilities incurred by those joint ventures. The assets of those joint ventures are sufficient to meet such liabilities. The joint venture liabilities not already reflected in the Statement of Financial Position are:	23,794	360,648
(iii) The consolidated entity, 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:	22	2,659
	34,936	375,492

The Group initiates legal actions to protect its rights and remedies against what the Group deems as wrongful acts against it. These actions are considered with the benefits of advice from its legal advisors and costs are expensed as incurred during these actions. Sunland announced 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 62 Grounds for the appeal and intends to pursue its rights on the basis of the Appeal filed with the Court. Legal costs (including cost orders against the Group) that may be incurred by Sunland associated with these matters are unknown.

28. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

		Consolidated 2012 $'000	Consolidated 2011 $'000
Cash		31,085	40,256
Restricted cash - Dubai		-	8,552
		31,085	48,808

(ii) Reconciliation of profit from ordinary activities to net cash provided by/(used in) operating activities

		2012 $'000	2011 $'000
Profit / (Loss) from ordinary activities after income tax		14,494	21,415
Add/(less) Non-cash items			
Depreciation and amortisation		4,635	2,537
Amounts set aside to provisions		(1,106)	(5,231)
Share option expense		1	15
Foreign exchange restatement		(2,080)	(678)
Net loss/(gain) on business combination transaction	25	(4,130)	-
Net loss/(gain) on disposal of property, plant and equipment		(30)	(135)
Impairment/(reversal) of land and receivables		1,894	(3,473)
Loss/(profit) from associate		925	(74)
Net cash provided by operating activities before change in assets and liabilities		14,603	14,376
Changes in assets and liabilities adjusted for the effects of purchase of controlled entities during the period			
(Increase)/decrease in inventories		(20,653)	48,598
(Increase)/decrease in receivables		(612)	14,249
(Increase)/decrease in investments		(58)	24
(Increase)/decrease in prepayments		(1,892)	1,761
(Decrease)/increase in other liabilities		4,945	(29,727)
(Decrease)/increase in trade and other payables		8,156	(37,724)
(Increase)/decrease in deferred tax assets		-	365
(Decrease)/increase in income taxes payable		(1,199)	19,705
(Decrease)/increase in deferred tax liabilities		(1,299)	2,363
(Decrease)/increase in property deposits		(3,058)	5,626
		(1,067)	39,616
Items included under investing activities			
Distribution from Associate		-	(233)
Items included under financing activities			
Transfer from inventory to property, plant and equipment		1,691	4,293
Net cash provided by/(used in) operating activities		624	43,676

(iii) Financing facilities

Details of financing facilities are set out in Note 20.

29. COMMITMENTS

(i) Land purchase contracts

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

Controlled entities within the Group have entered into various contracts for land throughout Australia for development to the total value of $27,000,000 (2011: $5,000,000). The contracts are conditional upon various criteria being met including reconfiguration approval, due diligence etc. All of these contracts are expected to settle over the next 12 months.

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

	Consolidated	
	2012	2011
	$'000	$'000
(ii) Operating lease commitments		
Future minimum rentals payable under non-cancellable operating leases at 30 June are as follows:		
Within one year	234	448
After one year but not more than five years	225	188
	459	636

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

(iii) Guarantees

The consolidated entity, 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. The Group's guaranteed portion is $22,000 (2011: $2,659,000).

(iv) Other commitments

Land held totalling $6,639,000 (2011: $9,056,000) is committed under a development agreement with Sunland Diversified Land Fund No.2. The land is security for amounts advanced by this fund under the development agreement. Details of the development agreement are set out in Note 31.

30. PARENT ENTITY INFORMATION

	2012	2011
	$'000	$'000
Information relating to Sunland Group Ltd:		
Current assets	30,085	277,726
Total assets	224,812	408,053
Current liabilities	4,346	116,227
Total liabilities	21,597	162,959
Issued capital	212,713	233,456
Retained earnings	(11,466)	13,796
Share option reserve	1,968	1,968
Foreign currency translation reserve	-	(4,126)
Total shareholders' equity	203,215	245,094
Profit / (loss) of the parent entity	(25,262)	(5,728)
Total comprehensive income of the parent entity	(21,136)	(24)
Details of any contingent liabilities of the parent entity		
(i) The Company and each Group member has guaranteed the finance facilities of all other wholly owned subsidiaries.	-	-
(ii) The consolidated entity, as a partner in joint venture partnerships are jointly and severally liable for 100% of all liabilities incurred by those joint ventures. The assets of those joint ventures are sufficient to meet such liabilities. The joint venture liabilities not already reflected in the Statement of Financial Position are:	-	1,685

31. RELATED PARTIES

Directors and executives transactions with the group

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

Other transactions

On the 20 December 2007, Loxwood Pty Ltd, Lillibuck Pty Ltd, Haddenham Pty Ltd and Sunland Group (Oasis) Pty Ltd, all of which are wholly owned subsidiaries of Sunland Group Ltd, entered into separate development agreements with SDLF2 Pty Ltd, a wholly owned subsidiary of Sunland Diversified Land Fund No.2 (the "Fund"). The Group owns 19.93% (2011:19.93%) of the issued units in the Fund. The development agreements provide for the assignment of the development rights in parts of the land owned by the Group. SDLF2 Pty Ltd is responsible for developing, marketing and selling the land in return for a development fee. SDLF2 Pty Ltd paid to the Group $11,407,042 in consideration for the right to develop the land calculated as the present value of the land (including development costs) less present costs of the land. In addition to this amount SDLF2 Pty Ltd advanced $27,824,958 to the Group representing the development cost of the land and this amount is progressively realised in instalments out of the proceeds of sale. The outstanding balance of this loan as at 30 June 2012 was $6,639,000 (2011: $9,056,542). SDLF2 Pty Ltd's right to recover the funds is limited to the sale proceeds, less the Group's GST liability in respect to the sale proceeds.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year and the amounts owed by and to related parties:

Related Party	Year (30 June)	Sales $'000	Amounts owed by related party $'000	Amounts owed to related party $'000
Consolidated				
Joint venture parties	2012	-	252	-
	2011	-	38,965	66,838
Associates	2012	3,821	2,052	-
	2011	7,474	529	-

The amounts payable and receivable from Joint Venture Parties will be payable/receivable upon completion of the project to which the loan relates to. No interest is receivable or payable in relation to these loans.

During the period construction advances were paid between joint ventures in which the Group has an interest.

Terms and conditions of transactions with related parties

Sales to related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash, unless otherwise stated.

For the year ended 30 June 2012, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties (2011: Nil).

32. INTERESTS IN JOINT VENTURES

On 20 February 2001, a controlled entity, Mortdella Pty Limited, entered into a joint venture agreement with Thakral Holdings Limited for the development of the project known as the Glades. Each of the joint venture parties are entitled to 50% of the joint venture.

In August 2000, a controlled entity, Camryville Pty Limited, entered into a joint venture agreement with Q1 JV Pty Limited, a wholly owned subsidiary of Surfers Paradise Beach Resorts Pty Limited for the development of Q1- World's Tallest Residential Tower project. Each of the joint venture parties are entitled to 50% of the joint venture. This joint venture was dissolved on 22 June 2011 due to distribution of final joint venture funds.

On 23 December 2004, the Company entered into a joint venture agreement with Emirates Investment Group Australia Pty Ltd (EIGA) in which EIGA purchased 49% of the Palazzo Versace Hotel on the Gold Coast from Sunland Group Limited. The joint venture began operating the hotel from 30 August 2005. Sunland acquired the issued shares in EIGA to gain 100% control of the company on 30 September 2011. Refer note 25.

On 9 May 2006, a controlled entity, Sunland International (BVI) Pty Ltd, entered into a joint venture agreement with Al Tariq Investment Sharjah UAE, forming Emirates Sunland Group to develop and deliver a number of projects in the UAE. Sunland International BVI contributed 49% of the joint venture share capital, however resolutions require unanimous vote. Sunland's interests in Sunland International BVI were sold to the joint venture partner on 30 September 2011. Refer Note 25.

On 28 August 2005, a controlled entity, Sunland International (BVI) Pty Ltd, entered into a joint venture agreement with Emirates International Resorts, forming Emirates Sunland PV Dubai Limited BVI to own and manage Palazzo Versace Dubai. Sunland International BVI contributed 51% of the joint venture share capital, however all decisions of shareholders require unanimous vote. Sunland's interest in Sunland International BVI was sold to the joint venture partner on 30 September 2011. Refer Note 25.

On 28 August 2005, a controlled entity, Sunland International (BVI) Pty Ltd, entered into a joint venture agreement with Emirates International Towers, forming Emirates Sunland DI Dubai Limited BVI to develop own and manage D1 Dubai. Sunland International BVI contributed 50% of the joint venture share capital. Sunland's interests in Sunland International BVI were sold to the joint venture partner on 30 September 2011. Refer Note 25.

On 15 May 2006, a jointly controlled entity, Emirates Sunland Group Sharjah UAE, entered into a joint venture agreement with Arabtec Construction LLC UAE to undertake construction of Palazzo Versace and D1 Dubai. Each of the joint venture parties has a 50% interest in the Joint Venture. Sunland's interest in this joint venture were sold to the joint venture partner on 30 September 2011. Refer Note 25.

On 7 November 2007, a controlled entity, Sunland DWF (BVI) Limited, entered in to a joint agreement with Peacock Ventures Limited, forming Waterfront Development (BVI) Limited to develop own and manage Waterfront plot D-5B. Sunland DWF (BVI) Limited contributed 50% of the joint venture share capital.

For the year ended 30 June 2012, the contribution of the Glades joint venture, the Q1 joint venture, the Palazzo Versace Gold Coast joint venture, the Emirates Sunland PV Dubai (BVI) Ltd joint venture, the Emirates Sunland D1 (BVI) Ltd joint venture, the Emirates Sunland Group LLC joint venture, the Emirates Sunland Business Bay (BVI) Ltd joint venture, the Emirates Sunland Group/Arabtec joint venture, the Culture Village JV BVI Ltd joint venture and the Waterfront Development (BVI) Ltd joint venture to the operating results of the consolidated entity before income tax was a loss of $240,000 (2011: Loss of $4,222,000).

	JV Established	2012 %	2011 %
Waterfront Development (BVI) Limited	7 November 2007	50	50
Emirates Sunland Group/Arabtec (unincorporated)	15 May 2006	-	25
Culture Village JV BVI Limited	11 April 2008	50	50
Emirates Sunland Business Bay (BVI) Limited	31 January 2007	33.33	33.33
Emirates Sunland Group LLC	9 May 2006	-	49
Emirates Sunland PV Dubai (BVI) Limited	28 August 2005	-	51
Emirates Sunland D1 (BVI) Limited	28 August 2005	-	50

Included in the assets and liabilities of the consolidated entity are the following items which represent the consolidated entity's interest in the assets and liabilities, income and expenses employed in the above-mentioned joint ventures, recorded in accordance with accounting policy Note 2(e).

	Consolidated 2012 $'000	Consolidated 2011 $'000
CURRENT ASSETS		
Cash assets	6	10,047
Receivables	-	695
Inventories	-	897
Other	649	5,522
Amounts receivable from joint ventures	-	3,760
Total current assets	655	20,921
NON-CURRENT ASSETS		
Inventories	18,270	304,897
Property, plant and equipment	-	34,334
Amounts receivable from joint ventures	252	35,191
Construction advances and property deposits	-	60
Total non-current assets	18,522	374,482
Total assets	19,177	395,403
CURRENT LIABILITIES		
Trade and other creditors	-	850
Provisions	35	436
Interest bearing liabilities	-	42,485
Other	-	443
Total current liabilities	35	44,214
NON-CURRENT LIABILITIES		
Payables	12,536	28,203
Provisions	-	537
Interest bearing liabilities	-	12,175
Amounts payable to joint ventures	-	66,838
Other	11,223	208,681
Total non-current liabilities	23,759	316,434
Total liabilities	23,794	360,648

	Consolidated 2012 $'000	Consolidated 2011 $'000
Revenue from the sale of properties	1,606	8,204
Revenue from hotel services	3,638	14,658
Revenue from project services	734	2,427
Other income/(loss)	10	(653)
Total Revenues	5,988	24,636
Change in inventories of finished goods and work in progress	1,580	8,595
Cost of hotel supplies	518	2,029
Employee benefits expense	2,143	9,224
Finance costs	236	992
Depreciation and amortisation expenses	577	1,831
Impairment of receivables/(Reversal of impairment of receivables)	(21)	443
Administration and other expenses	1,195	5,744
Net profit/(loss) attributable to Venturer	(240)	(4,222)

33. DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel

Directors

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

Mr Sahba Abedian	Managing Director
Mr Soheil Abedian	Chairman (executive)
Mr Terry Jackman	Director (non-executive)
Mr Ron Eames	Director (non-executive)
Mr Craig Carracher	Director (non-executive)

Executives

Mr David McMahon	General Manager - Residential
Mr David Brown	Executive Development Manager
Mr Grant Harrison	Company Secretary & Chief Financial Officer
Mr Domenic Chirico	National Design Manager – Australia

There were no other changes of key management personnel after reporting date and the date to the date the financial report was authorised for issue.

(b) Compensation of key management personnel

Compensation by category

	2012 $	2011 $
Short Term	2,858,452	3,758,943
Post Employment	119,925	138,553
Long Term Incentives	21,055	-
Share Based Payments	6,711	191
	3,006,143	3,897,687

(c) Option holdings of key management personnel

	Balance at beginning of period 1 July 2011	Granted Number	Options Exercised	Other changes(1)	Balance at end of period 30 June 2012	Vested at 30 June 2012 Total	Not exercisable	Exercisable
Directors								
	-	-	-	-	-	-	-	-
Executives								
David McMahon	500,000	-	-	-	500,000	500,000	-	500,000
Total	500,000	-	-	-	500,000	500,000	-	500,000

	Balance at beginning of period 1 July 2010	Granted Number	Options Exercised	Other changes(1)	Balance at end of period 30 June 2011	Vested at 30 June 2011 Total	Not exercisable	Exercisable
Directors								
Sahba Abedian	1,000,000	-	-	(1,000,000)	-	-	-	-
Executives								
Julian Doyle	200,000	-	-	(200,000)	-	-	-	-
Total	1,200,000	-	-	(1,200,000)	-	-	-	-

(1) Other changes represent options that were cancelled or forfeited during the year.

(d) Shareholdings of key management personnel

Shares held in Sunland Group Limited

	Balance 1 July 2011	Granted as Remuneration	On Exercise of Options	Market share purchases and disposals	Balance 30 June 2012
Directors					
Ron Eames	30,000	-	-	-	30,000
Terry Jackman	513,761	-	-	(213,761)	300,000
Soheil Abedian	45,700,000	-	-	-	45,700,000
Sahba Abedian	7,500,000	-	-	-	7,500,000
Craig Carracher	14,000	-	-	-	14,000
Executives					
David McMahon	-	-	-	-	-
David Brown	1,608,557	-	-	300,000	1,908,557
Grant Harrison	659,178	-	-	-	659,178
Domenic Chirico	-	-	-	-	-
Total	56,025,496	-	-	86,239	56,111,735

	Balance 1 July 2010	Granted as Remuneration	On Exercise of Options	Market share purchases and disposals	Balance 30 June 2011
Directors					
Ron Eames	30,000	-	-	-	30,000
Terry Jackman	507,869	-	-	5,892	513,761
Soheil Abedian	45,700,000	-	-	-	45,700,000
Sahba Abedian	7,500,000	-	-	-	7,500,000
Craig Carracher	-	-	-	14,000	14,000
Executives					
David Brown	1,908,557	-	-	(300,000)	1,608,557
Anne Jamieson	863,000	-	-	-	863,000
Grant Harrison	659,178	-	-	-	659,178
Domenic Chirico	-	-	-	-	-
Julian Doyle	275,130	-	-	(133,000)	142,130
Mark Jewell	10,000	-	-	-	10,000
Total	57,453,734	-	-	(413,108)	57,040,626

(e) Loans to key management personnel

There were no loans provided to key management personnel during the financial year.

(f) Other transactions with key management personnel

Details of other transactions with key management personnel are in Note 3.

34. EMPLOYEE BENEFITS

(a) Executive Share Option Scheme

	2012 Number of Options	2012 Weighted Average Exercise Price ($)	2011 Number of Options	2011 Weighted Average Exercise Price ($)
Balance at beginning of year	900,000	1.51	2,282,000	1.49
- granted	-	-	-	-
- forfeited or cancelled	(400,000)	1.32	(1,382,000)	1.47
- exercised	-	-	-	-
Balance at end of year	500,000	1.67	900,000	1.51
Exercisable at end of year	500,000	1.67	760,000	1.48

Terms and conditions

The options offered to executives are exercisable progressively over a five-year period from the third anniversary of their employment. The first of these options expire on the earlier of the employee's termination or 2 May 2013. There is currently one Executive eligible for this scheme at year end. These options do not entitle the holder to participate in any other share issue of the Company or any other body corporate.

There were no options exercised during the current and prior year.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 1 year (2011: 1 and 2 years).

There were 300,000 share options that expired during the year (2011: 382,000).

The expense recognised during the year for employee share options was $6,711 (2011: $15,000).

(b) Fair values of options

The fair value of each option is estimated on the date of grant using the Black Scholes option-pricing model. The following assumptions were used for options granted:

- The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases.
- The expected life of the options is 7.5 years based on historical data and is not necessarily indicative of exercise patterns that may occur.
- Historical and expected volatility have been estimated between 34% and 42% depending on the year of issue, this is based on the assumption that the historical volatility is indicative of future trends.
- The risk free interest rate used is between 4.41% and 6.50% depending on the year of issue.

(c) The outstanding balance as at 30 June 2012 is represented by:

Number of options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
500,000	15/07/2005	02/05/2008	02/05/2013	1.67
500,000				1.67

(d) Other Options

There were no other share options outstanding as at 30 June 2012.

35. SUPERANNUATION COMMITMENTS

The consolidated entity participated in a defined contribution plan to provide benefits to employees of entities in the consolidated entity on retirement, death or disability.

Benefits provided under the plan are based on accumulated contributions and earnings for each employee. The consolidated entity has a legally enforceable obligation to contribute to the superannuation plan.

36. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to balance date outside the ordinary course of business.

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

1. In the opinion of the Directors:

a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
ii) complying with Accounting Standards and 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; and

c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2012.

On behalf of the Board

Sahba Abedian
Managing Director

Dated at Benowa this twenty-eighth day of August 2012.

ERNST & YOUNG

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

Report on the financial report

We have audited the accompanying financial report of Sunland Group Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cashflows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with *Australian Accounting Standards and the Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

a. the financial report of Sunland Group Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Sunland Group Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
28 August 2012

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

Distribution of equity securities

(i) Ordinary share capital
193,151,947 (2011: 217,385,874) fully paid ordinary shares are held by 4,024 (2011: 4,794) individual shareholders. All issued ordinary shares carry one vote per share and carry rights to dividends.

(ii) Options
500,000 options are held by 1 individual option holder. Options do not carry a right to vote and do not carry a right to dividends.

Substantial Shareholders

The number of shares held by the substantial shareholders as at 21 August 2012 were:

Shareholder	Ordinary Shares
Havannah Pty Limited	29,250,000
Citicorp Nominees Pty Limited	22,044,907
JP Morgan Nominees Australia Limited	21,325,717
National Nominees Pty Limited	17,940,617
Pacific Development Corporation Pty Ltd	16,450,000

Class of Shares and Voting Rights

At 21 August 2012, there were 4,024 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares are set out in Article 5.8 and 5.9 of The Company's Articles of Association. The articles indicate that:

(a) at a meeting of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every member present has one vote, and on a poll every member present in person or by proxy or attorney has one vote for each ordinary share the member holds.

Distribution of equity security holders (as at 21 August 2012)

Category	Number of shareholders Ordinary Shares
1 - 1,000	992
1,001 - 5,000	1,549
5,001 - 10,000	643
10,001 - 100,000	740
100,001 and over	100
	4,024

As at 21 August 2012, there were 686 shareholders holding less than a marketable parcel.

Twenty Largest Shareholders (21 August 2012)

Name	Number of ordinary Shares Held	Percentage of Capital Held
Havannah Pty Limited	29,250,000	15.14
Citicorp Nominees Pty Limited	22,044,907	11.41
JP Morgan Nominees Australia Limited	21,325,717	11.04
National Nominees Limited	17,940,617	9.29
Pacific Development Corporation Pty Limited	16,450,000	8.52
HSBC Custody Nominees (Australia) Limited	8,879,102	4.60
Lloyds & Casanove Investment Partners Limited	4,000,000	2.07
RBC Investor Services Australia Nominees Pty Ltd	3,713,014	1.92
Sahba Abedian	3,657,510	1.89
Mr Sahba Abedian	3,145,032	1.63
Rainham Pty Limited	2,978,125	1.54
Citicorp Nominees Pty Ltd	2,849,038	1.48
JP Morgan Nominees Australia Limited	2,521,579	1.31
Bond Street Custodians Limited	1,425,000	0.74
BNP Paribas Noms Pty Ltd	1,262,744	0.65
R & M Corporation Pty Ltd	1,103,125	0.57
Which Property Pty Ltd	1,001,000	0.52
Mrs Julia Craike	925,000	0.48
Mrs Anne Jamieson	863,000	0.45
David Brown Holdings Pty Ltd	778,800	0.40
	146,113,310	75.65

On-Market Buy Back

The Company is undertaking an on market share buy-back approved by shareholders at the 2012 Annual General Meeting.